



Annual Report **2006**





Vision:

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

Mission:

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

We will do this by

- fairly administering & enforcing revenue laws and
- facilitating legitimate imports & exports.”

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.

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

Responsiveness: We anticipate and promptly meet internal & external stakeholder needs.





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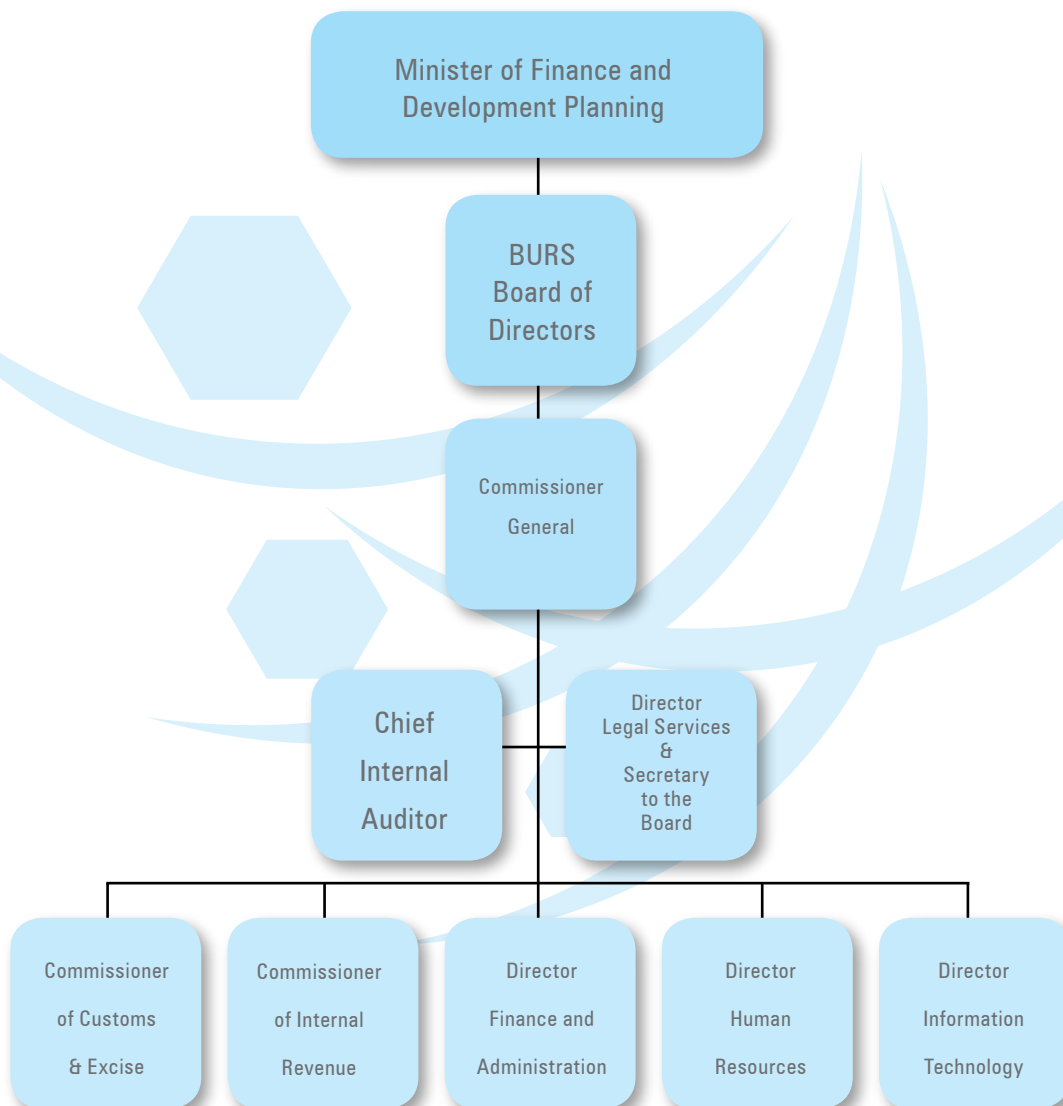
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Organisational Structure

Establishment of BURS: Introduction and Background

The Botswana Unified Revenue Service Act 2003 (Act No. 17 of 2004) provides for the establishment of BURS, for the administration and enforcement of the Revenue Laws, and other related matters. BURS was established in August 2004 when the Act came into force. BURS effectively absorbed the functions of the former Departments of Taxes and Customs and Excise (including a division which was responsible for the administration and enforcement of laws relating to the collection of Value Added Tax). These functions under BURS are now Internal Revenue and Customs & Excise Divisions respectively.



Directors

1. Mr. Wilfred J Mandlebe
Chairperson
2. Mr. Bartholomew O Gaobakwe
Vice Chairperson
3. Mr. John Y Stevens
4. Mr. Daniel N Loeto
5. Mrs. Siamisang T Morolong
6. Mrs. Ntetleng M Masisi
7. Mr. Freddy Modise
Commissioner General
8. Mr. Keneilwe R Morris
Acting Commissioner General
Termination date 24/09/05



Executive Management



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





Chairman's Statement

It is with great pleasure that I present the first ever Annual Report for the Botswana Unified Revenue Service (BURS) for the financial year 1st April 2005 – 31st March 2006. Further, I am happy to report that the year under review was a successful one, though not without challenges.



Botswana has joined many countries in the region and internationally, which have used a unified revenue service to improve tax and customs and excise services. BURS was established to facilitate better and more effective administration of the Revenue Laws and to increase the collection of the revenue due to the State.

STATUTORY ISSUES

The Botswana Unified Revenue Service Act 2003 (Act No. 17 of 2004) provides for the establishment of BURS, for the administration and enforcement of the Revenue Laws, and other related matters. BURS was established in August, 2004 when the Act came into force. BURS effectively absorbed the functions of the former Departments of Taxes and of Customs and Excise (including a Division that was responsible for the administration and enforcement of the law relating to the collection of the Value Added Tax) that were under the Ministry of Finance and Development Planning of the Government of Botswana ('the Government').

The Board of Directors and Management of BURS have embarked on a journey to maximise revenue collection and protect the country's national borders through the facilitation of legitimate trade and prevention of illegal goods entering the country.

STRATEGIC PLAN

BURS embarked on a strategic planning process during the year, aimed at delivering a Strategic Plan that will result in a high performance organisation. With a vision "to become a regional leader in revenue and border administration while maximizing revenue collection", BURS set out to: improve revenue

collection; develop an integrated business and technology solution to provide a single view of the taxpayer; and become an internationally recognised brand. The Strategic Plan is expected to be finalised and formally launched during 2006.

BURS will work with the Government to ensure that the taxpaying community understands that compliance with the Revenue Laws is a critical national priority and to dispel some public perceptions that tax compliance is only for certain taxpayers.

To ensure that it positions itself to achieve maximum voluntary compliance, BURS will endeavour to reduce time and cost burdens for taxpayers. In this regard, BURS has constructed its strategic response to the national and global challenges by developing a reinvigorated vision and mission that will position BURS for future success.

It is of national importance that BURS builds on the current base that it has established and focuses on collecting tax revenues due in order to ensure that the Government is able to meet citizens' expectations and deliver on its broader objectives in the future.

In order to implement the Strategic Plan, BURS will embark on the following initiatives during the 2006/07 financial year;

- engage a consultant, to develop and recommend organisational and pay structures for BURS;
- undertake a comprehensive review of its skills base and prepare, and commence implementation of, a skills development plan to ensure that BURS is appropriately resourced in terms of its staff to meet the challenges of the Strategic Plan;
- develop a Communication Strategy, whose primary objective is to build the image and profile of BURS and to create awareness of its services, which will be developed and implemented during 2006/07;

The BURS is an
agency of the
Government
of Botswana



- develop a corporate logo for the organisation;
- develop an Information and Communication Technology strategy to guide the operational, tactical, budgetary and capital planning for information technology by BURS. The strategy will provide the foundation on which information communication technology will be applied to support BURS business strategic initiatives and general operations. Within the overall context of the strategy, a number of short term solutions will be delivered focusing on areas where operational difficulties are being experienced, including -

(i) Development of a single payment module for all the tax management systems, which will allow for all types of tax revenues to be paid at any computerised BURS office;

(ii) Development of a high level single view of the taxpayer across all tax types to expedite operational decisions and service provision will be developed and implemented;

(iii) Establishment of an independent BURS domain name (burs.bw) and facilitate provision of e-mail services to the wider community of BURS and to contribute to the enhancement of communication within BURS and between taxpayers and BURS; and

(iv) Upgrading and enhancing of the current BURS Information and Communication Technology infrastructure to improve its performance.

- upgrading and refurbishment of border facilities will continue under the Customs and Immigration Control project whilst most BURS regional offices will be merged to improve service delivery; and

- establishment of new service centres as well as improving existing ones to allow taxpayers to access BURS services such as return filing, taxpayer information, payments and interviews in a single location.

OPERATIONAL ISSUES

The year 2005/06 was the first whole year of operation of BURS, following its formal establishment in 2004/05. The leadership of BURS is through a Chief Executive Officer, who is designated as Commissioner General for the purpose of the administration of the Revenue Laws. Mr Freddy Modise was appointed as the substantive Commissioner General, replacing Mr

Keneilwe R Morris who had been acting Commissioner General from August, 2004 to September, 2005. Mr Morris made a valuable contribution in providing leadership during key establishment phases. The Commissioner General is supported by Executive Managers responsible for Internal Revenue, Customs and Excise, Finance and Administration, Human Resources, Information and Communication Technology, Internal Audit and Legal Services, who are tasked with managing the implementation of BURS's statutory functions and activities. During the year, the executive management team was brought to full strength following various appointments which continued progressively from April, 2005 to March, 2006.

REVENUE PERFORMANCE OVERVIEW

BURS collected P11.8 billion revenue for the Government during the 2005/06 financial year. Collections exceeded the target revenue collection by P548 million or 4.9%. This figure however does not include P44.5 million that BURS collected in levies and fees on behalf of Government Departments under pieces of legislation that are not part of the Revenue Laws. The overall contribution of tax revenue to total government revenues, which totalled P22.2 billion, was 54%.

TAXPAYER COMPLIANCE

Taxpayer compliance in terms of filing tax returns and paying tax liabilities remains a challenge. This results in taxpayers paying statutory interest and penalty charges imposed on them for not complying with the provisions of the Revenue Laws. BURS encourages taxpayers to comply with the provisions of the Revenue Laws to avoid the imposition of penalties and interest charges. In this regard, BURS will mount taxpayer education campaigns, in the future, geared towards encouraging voluntary tax compliance. The campaigns will highlight both the improving levels of service provided by BURS and increasing the opportunity for taxpayers to reduce their compliance burden in terms of time, effort and costs, by engaging with BURS. Taxpayers are encouraged to respond to BURS enquiries to avoid the need for enforcement action.

TECHNICAL ASSISTANCE

The European Union (EU) and the United States Department of Treasury (USDT) have provided

support in the form of technical assistance to help BURS transformation programme. The EU has provided funding for a full time resident Technical Advisor under the Support to Tax Administration Reform Project. The technical assistance commenced on 1st April, 2005, for an initial period of 2 years. The Technical Advisor assists the Commissioner General in relation to strategic establishment issues including human resources, budgets and financial procedures, information technology requirements and communication. The Technical Advisor also works closely with BURS senior management team to guide and assist in these key areas.

Through the USDT, BURS has benefited from a technical assistance programme focused primarily on improving BURS's capabilities in the administration of the Income Tax and the Value Added Tax Acts. The programme has covered training in audit techniques and customer service. In addition, the programme provided advisors who assisted with the initial development of the strategic plan and improving public relations capabilities.

As a new organisation, BURS will continue to need technical assistance in various capacities especially in the areas concerned with transformation, human resource development and creating a voluntary compliance culture amongst the tax paying community. So far, the assistance rendered has been instrumental in shaping BURS's strategic direction, core organisational capabilities and improving staff audit skills. The results are already discernible as more revenue is being derived from increased and more effective audit activity. I therefore wish to thank our development partners such as the EU and USDT for their support in the establishment and consolidation of BURS.

CONCLUSION

The transition from Government to an independent agency was not easy, particularly when the size of BURS and the geographic spread of its staff, operations and offices is considered. I commend BURS Board and Management for their efforts and contributions during the establishment phase.

I am confident, based on the progress made since August, 2004, and in particular during 2005/06, that the key components to allow BURS to be fully established will be in place by the end of the next financial year (March, 2007). Key milestones will be the establishment of a more effective organisational

structure (including the migration of staff to this new structure and the recruitment of staff to new capabilities under the structure), the implementation of the performance management system and the development of BURS's IT capacity. Thereafter, BURS will ensure that it develops its most important asset – its employees.

These efforts should enable BURS to achieve its core statutory mandate - that of collecting revenue. The Board will work closely with Management to implement the Strategic Plan, and meet BURS' future challenges.



WILFRED J. MANDLEBE

BOARD CHAIRPERSON





Governance of BURS

Members of BURS Board of Directors are appointed by the Minister of Finance and Development Planning in accordance with section 7 of the Botswana Unified Revenue Service Act. The Board meets at least 4 times in a year in pursuance of its statutory mandate, which is to direct the affairs and operations of the Revenue Service.

Board Members

The Board comprises 7 members, 3 of whom represent Government whilst 3 are drawn from the private sector on the basis of their knowledge and experience in economics, financial, business or legal affairs. The Commissioner General is an ex officio member of the Board. The current board includes Mr W J Mandlebe, Secretary for Financial Affairs in the Ministry of Finance and Development Planning, who is the ex officio Chairperson of the Board. Mr B O Gaobakwe is a member appointed from the private sector and is the Deputy Chairperson of the Board.

Other serving Board Members are -

- Mrs S T Morolong appointed from the private sector,
- Mr J Y Stevens appointed from the private sector,
- Mrs N M Masi appointed as a representative of the Ministry of Trade and Industry,
- Mr D N Loeto appointed as a representative of the Bank of Botswana, and
- Mr F Modise, Commissioner General of BURS.

Board Committees

As a critical component of good governance and effective conduct of business and in pursuance with the provisions of BURS Act, the Board may appoint Committees with defined mandates and whose meetings will be governed by the provisions of BURS Act.

Board Audit and Finance Committee

The Board has appointed the Board Audit and Finance Committee, which comprises of 3 members. Members of the Board Audit and Finance Committee are Mr B O Gaobakwe who is the chairperson of this Committee, Mr J Y Stevens and Mr F Modise.

Two additional members from outside BURS are to be nominated to serve as members of this Committee. It is intended that the Committee should meet at least 3 times annually with the Secretary to the Board in attendance.

In observance of good corporate governance, the internal and external auditors have unrestricted access to the Committee .

The principal mandate of the committee is:

- a) considering and approving the BURS budgets and financial proposals
- b) strengthening BURS' financial reporting credibility; and
- c) strengthening internal and external audit and control systems

Board Tender Committee

The Board has also appointed the Board Tender Committee comprising of three members. The members of the Committee are Mrs S T Morolong who is the chairperson of this Committee, Mr D N Loeto and Mr F Modise with the Secretary to the Board in attendance. The principal mandate of the Committee is adjudication of tenders in respect of the procurement of goods and services costing above P500,000.00, as well as deal with matters incidental to procurement.

Ad Hoc Committees

Ad hoc Committees could also be appointed to consider specific issues before submission to the Board for a final decision. The terms of reference for such Committees are determined by the Board as it deems necessary to exhaustively and effectively deal with any issues that may arise.

Board Members Fees

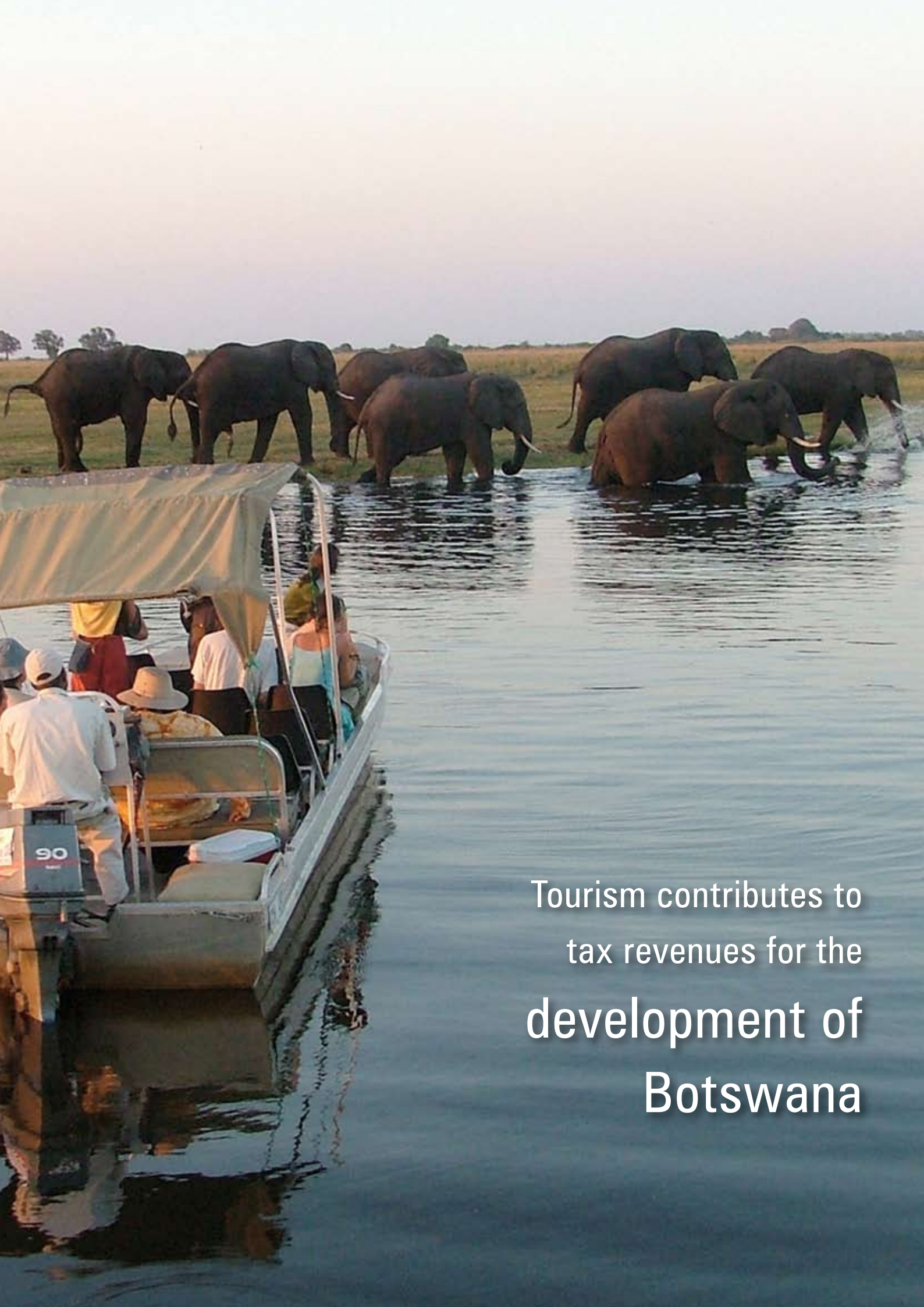
Board members are paid a fixed amount per sitting (session) at a rate determined by the Government from time to time. Members who incur Board related travel and accommodation costs are reimbursed by BURS.

Internal Audit

The Internal Audit function assists Management with the review of BURS's activities, protection of assets and advises on issues of corporate governance. The function reports its findings and recommendations to Management and the Board Audit and Finance Committee.

Internal Control

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



Tourism contributes to
tax revenues for the
development of
Botswana

Commissioner General's Review



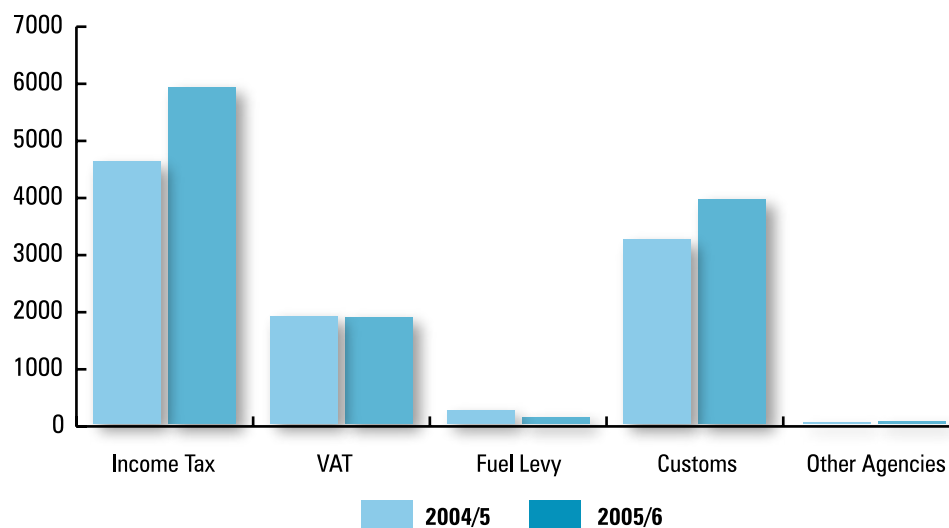
The operational review of BURS covers the period 1st April 2005 to 31st March 2006. BURS was able to collect a total of P11,8 billion in 2005/06 financial year compared to a total of P9,9 billion collected during 2004/05 .

The P11.8 billion revenue is composed of P5.9 billion Income Tax, P1.9 billion Value Added Tax, Fuel Levy P115 million, Capital Transfer Tax P164 248 and P3.9 billion Customs Union revenue. In comparison, the P9.9 billion revenue for 2004/05 was composed of P4.6 billion Income Tax, P1.9 billion VAT, P230 million Fuel Levy, P103 322 Capital Transfer Tax and P3.2 billion Customs Union revenue, as shown in Table 1 below. The revenue therefore grew by P1.9 billion or 19% in 2005/06 compared to 2004/05. The contribution by each major source of revenue for the two year period is illustrated in Chart 1 below, for ease of comparison.

Table 1: Total Revenue Collection

Revenue Type A (Tax Revenue)	2004/05 Actual Collection (P)	2005/06 Actual Collection (P)	Increase/ Decrease (P)	% Variation	% Collection against Total Collection 2004/05	% Collection against Total Collection 2005/06
Income Tax	4, 591, 410, 438	5,898,256,992	1,306,846,554	28.46	46.1	49.7
Value Added Tax	1,885,053,657	1,872,893,674	(12,159, 983)	(0.64)	18.9	15.8
Fuel Levy	230,090,781	114,840,336	(115,250,445)	(50.08)	2.3	1.0
Customs Union Revenue	3,226,458,386	3,929,847,765	703,389,379	21.80	32.4	33.1
Other Tax Revenue	6,346,694	6,447,126	100,432	1.58	0.0	0.0
Sub Total	9,939,359,956	11,822,285,893	1,883,020,273	1.89	99.7	99.6
B (Non Tax Revenue)						
Revenue for Other Agencies	29,196,806	44,490,849	15,294, 043	52.38	0.3	0.4
Sub total	29,196,806	44,490,849	15,294,043	52.38	0.3	0.4
TOTAL	9,968,556,762	11, 866, 776,742	1,898, 219,980	19.04	100	100

Chart 1: BURS Revenue Collection 2004/05 and 2005/06



Tax Gap

In setting future targets, BURS will work with the Government to reduce the "tax gap". The tax gap is the difference between the revenue that ought to be collected, by reference to overall economic activity, and the revenue that is actually collected from registered taxpayers and importers. The tax gap is caused by two main factors - by businesses operating informally without registering and by businesses failing to comply with their tax obligations fully by not reporting their true income or transactions. Efforts to formalise this economic activity and reduce the tax gap will continue.

Valuation of Fixed assets transferred from Government

In February 2006, Government vested fixed assets consisting of motor vehicles, computers, furniture, office equipment, border post buildings, office buildings and residential accommodation to BURS. The International Financial Reporting Standards (IAS 16) requires that the residual values of these assets, for the purposes of calculating depreciation, be reviewed on an annual basis and appropriate steps taken to reassess the depreciation charge.

Because of the geographical spread of the vested assets, time constraints and inadequate capacity, BURS did not conduct a proper valuation of the assets in accordance with requirements of International Financial Reporting Standards to determine the residual values and useful economic life for fair assessment of depreciation charge as this requires the engagement of a professional consultant.

An independent professional consultant will be appointed in the ensuing financial year to conduct the valuation of BURS assets for fair value recording in BURS books and also for the purpose of insurance and fixed assets replacement.

Take over of the responsibility of revenue accounting from the Accountant General

BURS is charged with the mandate of accounting for, and reporting on tax revenue collected on behalf of the government. At the time of reporting, the responsibility of processing and of accounting for government revenue collected by BURS is still being undertaken by the Accountant General because of lack of capacity and the complexity of the take over

exercise which includes a series of negotiations with a number of stakeholders, setting up of proper accounting systems and building adequate capacity.

BURS is expediting the process to ensure that consultations with necessary stakeholders such as the Accountant General, Bank of Botswana, commercial banks and Ministry of Finance and Development Planning are completed and that the transfer is finalized in the coming year (2006/07)

BURS Funding

BURS is funded through government grants appropriated by Parliament and disbursed by the Ministry of Finance and Development Planning in the form of subventions. Parliament had approved P103, 212,890 for recurrent expenditure and start-up costs for the fourteen month period from 1st April 2005 to 31st March 2006, out of which the Ministry of Finance and Development Planning disbursed P100, 181,975 to BURS.

The Government also provided non-cash grants to BURS being government property offered rent free to BURS and rented properties whose rentals were paid for by government, all for a total of P10, 802,550.

The disbursed subvention, together with BURS' sundry income, BURS funding for the recurrent expenditure for the fourteen months to 31st March 2006, amounted to P112.1 million, and BURS' total expenditure amounted to P110.6 million.

Revenue Collection to Cost Ratio

As BURS becomes established, it will use a number of methods to measure its performance. For the review period, the cost of collecting revenue is provided. The cost of collecting revenue is expressed as the cost, in Pula, for each Pula of revenue collected by BURS.

Based on BURS expenditure for 2005/06 of P110 million and the Revenue Collected in 2005/06 of P11, 9 billion, the cost to collection ratio is 1:107.9. This shows that for every P1 Government spends on BURS to collect revenue, the Government receives P107.9. The cost of collecting P1 in revenue is therefore P0.0093. This represents a very low cost base to the Government, although there are historical reasons for such a low figure.





Internal Revenue Division

The Internal Revenue Division (IRD) is charged with the responsibility for the assessment and collection of Income Tax, Value Added Tax, Fuel Levy and Capital Transfer Tax. The Division's revenue targets exceed two thirds of the total revenue collection by BURS and therefore its importance in the overall fiscal and revenue management context cannot be underestimated.

IRD original collection forecast was P7, 778 billion for the financial year ending 31st March, 2006 but was subsequently revised to P7, 886 billion during the year. The 2005/06 collection exceeded the original estimate by P108 million or 1.39% as shown in Table 2 below. The revenue collected in 2005/06 exceeded the revenue collected in 2004/05 by P1, 18 billion or 17.6% from P6, 706 billion recorded in 2004/05.

Table 2: 2005/06 Internal Revenue Division Performance

Revenue Type	Revenue Targets (P)	Revenue Collections (P)	% Variance against target	% of collection against Total Collection
Income Tax	5,840,917,000	5,898,256,992	0.1%	74.8
Value Added Tax	1,837,307,960	1,872,893,674	1.9%	23.8
Fuel Levy	100,000,000	114,840,336	14.8%	1.4
Capital Transfer Tax	300,000	164,859	(45%)	0.0
Total	7,778,424,960	7,886,155,861	1.39%	100.0

IRD revenues collected are composed of Income Tax (75%), Value Added Tax (24%) and Fuel Levy (1%). At the same time the income tax collection exceeded the original revenue target by P57.2 million or 0.1%, while the value added tax and fuel levy collections had exceeded the original revenue targets by P35.6 million (1.9%) and P14.8 million (14.8%) respectively, as shown in Table 2 above. The modest improvements to the tax collected are attributed to new tax compliance measures which were implemented during the financial year, such as improved filing and increased taxpayer audits.

Income Tax: Non-Mineral Tax Revenue Vs Mineral Tax Revenue

The income tax revenue comprises of both non-mineral income tax and mineral income tax as shown in Table 3 below. The mineral income tax revenue includes the corporate self assessment tax paid by mining companies including Debswana. The non-mineral income tax represents the personal income tax, corporate self assessment tax, dividends, withholding taxes and other withholding taxes by non-mining companies.

Table 3: Mineral Tax Revenue vs. Non-Mineral Tax Revenue

Income Tax	Revenue collected 2004/05 (P million)	Target 2005/06 (P million)	Revenue collected 2005/06 (P million)	% Collection of Total Income Tax Collection
Mineral	3,307.92	3,240.00	3,727.66	63.0
Non-mineral	1,283.49	2,600.00	2,170.59	37.0
Total	4,591.41	5,840.00	5,898.25	100.0



Tax revenues
contribute to
the provision of
**Botswana
Television**
services



Historically, mineral income tax revenue has been the predominant part of the total income tax revenue. However, there has been a continuing rise in non-mineral tax revenue. This is due to, firstly, the increasing economic activity in the non-mining sector as the economy has diversified and, secondly, specific efforts to improve compliance, including follow up of non-filers, audits and better debt-management techniques undertaken by the former Department of Taxes and now BURS.

During the financial year 2005/06, the contribution of the non-mineral income tax to the total income tax revenue was 37.00%, with a 4.24% growth rate when compared to the tax collected for the previous year. This growth can be partly attributed to the fact that BURS secured 10.44% more tax returns from companies, 15.9% more returns in respect of individuals and 41.77% more withholding tax returns from PAYE tax withholders during 2005/06. BURS expects the non-mineral income tax to continue to grow and efforts will be undertaken by BURS to trace non-filers and potential taxpayers that have not registered with BURS.

The mineral income tax revenue collected in 2005/06 showed a growth rate of 12.68% compared to the tax collected the previous year. This was due to a number of factors including an increase in the value of minerals in Pula terms due, the devaluation of the currency, increased sales volumes of diamonds and improved international prices for minerals. BURS intends to continue to strive to improve collections of both mineral and non-mineral tax collections through capacity building efforts, taxpayer education, auditing and debt management initiatives.

Table 4: Income Tax Collection Source Analysis for 2004/05 and 2005/06

Source	2004/05 Collections (P)	% of Collection against total collection 2004/05	2005/06 Collections (P)	% of Collection against total collection 2005/06
PAYE (From Individuals)	819,668,293	17.85	1,038,710,655	17.62
From Non-Corporate taxpayers (other than PAYE) including penalty interest	784,115,275	17.08	111,863,269	1.90
From companies Self Assessment Tax including penalty interest	2,173,420,779	47.33	3,781,666,442	64.11
Withholding taxes from Interest, Royalties, Management & Consultancy fees and Entertainment fees	51,753,028	1.13	120,297,381	2.03
Withholding taxes from Dividends (residents and non-residents)	362,055,833	7.89	788,152,143	13.37
Withholding tax on construction contract payments	299,165,236	6.52	54,349,265	0.92
Withholding tax penalty interest	101,231,994	2.20	3,217,837	0.05
Total Income Tax Collection	4,591,410,438	100.00	5,898,256,992	100.00

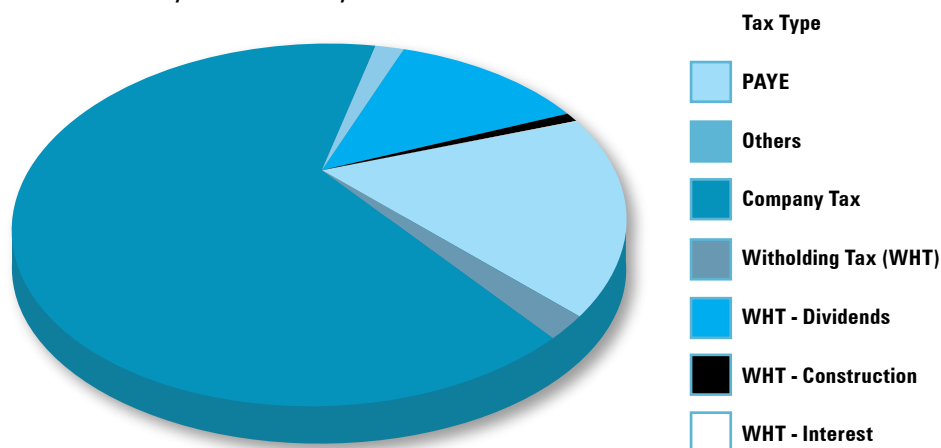
The tax source analysis of the income tax collection shows clearly that the major portion of the income tax collections comes from self assessment tax on companies, which is now fully implemented and operational.

The second most significant source of the income tax collections come from the withholding taxes (including PAYE). The remaining income tax collections come from assessments of the non-corporate taxpayers including individuals running businesses of farming, real estate and professional services.

The contribution of each income tax source to overall income tax revenue is shown on Table 4 above and Chart 2 overleaf.



Chart 2: Income Tax Revenue by Source Analysis for 2005/06



Value Added Tax Revenue

The VAT revenue is collected on imports and domestic consumption of goods and services in Botswana. The bulk of the VAT is collected from internal sources which accounts for 58% of the total VAT collection, while the revenue collection through imports is about 36%. The Fuel Levy is levied on fuels in place of VAT and is collected directly from oil companies. It accounts for a small portion of the yield at 6%. The major sources of VAT revenue for 2005/06 and the comparative period in 2004/05 are depicted in Table 5 below.

Table 5: Value Added Tax Revenue

Source of VAT	Revenue Collected 2004/05 (P million)	Target 2005/06 (P million)	Revenue Collected 2005/06 (P million)	Percentage of collection against total collection
Import VAT	836.8	650.6	714.5	35.9
Internal VAT	1,048.3	1,160.2	1,158.4	58.3
Fuel levy	230.1	135.0	114.8	5.8
Total VAT collection	2,115.2	1,945.8	1,987.7	100.0

The import VAT revenue collected in 2005/06 was lower than the import VAT revenue collected in 2004/05 by P122.3 million or 14.6%. The reason for the reduction was because of the reduction in the value of goods imported, compared to 2004/05.

The internal VAT revenue collected in 2005/06 exceeded the 2004/05 equivalent by P110.1m or 10.5% which indicates that there has been growth in the consumption of goods and services liable to VAT within the economy. As refunds are processed from the VAT revenue collections as input tax, there is a justifiable suggestion that there has been a sizeable growth of the export sector that enjoys zero rating.

The Fuel Levy revenue collection in 2005/06 was lower than the revenue collected in 2004/05 by P115.3 or 50%. The reason for the decrease is that the Fuel Levy revenue collections for 2004/05 included collections for the previous years, which were only accounted for during 2004/05.

The combined effects of the lower value of imports and fuel levy reductions have contributed significantly to the VAT revenue collected in 2005/06 being lower than the 2004/05 VAT revenue collection by P127.5 million or 6.0%.

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



Income Tax and VAT returns filing

As shown in Tables 6 and 7 below, BURS handled 44,359 and 72,546 income tax and VAT returns respectively during 2005/06 as against 36,187 and 67,686, respectively processed in 2004/05. The number of income tax returns for individuals is drastically reduced because it is no longer obligatory for individuals to file income tax returns. The income tax Act was amended to exempt individuals who earn employment income only and are taxed through the Pay as You Earn (PAYE) system from submitting Tax returns. The amendment was based on the assumption that the PAYE deductions are being properly implemented and to minimise the burden imposed on the income tax administration. However, BURS is aware that other income such as directors' fees, interest earned, rental income, commissions and bonuses paid to individuals are not being declared by individual taxpayers and is contemplating a course of action to deal with these challenges, which may include a review of the provisions of the Income Tax Act to levy withholding taxes on the said incomes.

Table 6: Number of Income Tax Returns Handled in 2005/06

Taxpayer Type	Taxpayer subtype	Number of Returns for 2004/05	Number of returns Submitted for 2005/06	Percentage variation
Companies	Resident	14,583	16,067	10.2
	Non-resident	131	184	0.4
Sub-Total		14,714	16,251	10.4%
Individuals	Business & farming	89	95	
	Business only	10,536	12,297	
	Farming only	426	435	
	Non-business & non farming	61	52	
Sub,total		11,112	12,879	15.9
Partnerships		244	87	(35.7)
Trusts			-	
PAYE withholding		10,006	14,186	41.8
Other Withholding taxes		-	927	927
Charitable organisations		111	29	(26.1)
Income tax total		36,187	44,359	22.6

Table 7: Number of VAT returns processed in 2004/05 and 2005/06

Taxpayer Type	Number of returns submitted in 2004/05	Number of returns submitted 2005/06	Percentage variation
Companies with monthly turnover in excess of P1million	5,671	4,996	(11.9)
Companies with monthly turnover of less than P1million	62,015	67,550	8.9
Total returns	67,686	72,546	7.1%



Tax revenues
contribute to the
provision of
health care
services
in Botswana





Compliance Rates

IRD faces challenges in securing all tax returns from taxpayers to whom tax returns are sent out annually. Some of the reasons for non-compliance have been identified as change of addresses by taxpayers without notifying BURS, closure of businesses and change of employment. A data cleaning exercise was therefore undertaken during the year to establish the correct number of registered taxpayers with a view to compute the correct compliance rate.

The other compliance challenge relates to requests for extensions of time for return filing as well as the change of accounting periods by businesses. In 2005/06 BURS received 265 applications for extension of time and only 100 were approved. On the other hand, 287 companies informed BURS that they had changed their accounting year periods. Companies or taxpayers grant themselves automatic extensions to submit tax returns by changing their accounting year ends. The request for change in the accounting year delays the final submission of the tax returns with the consequence that payments of taxes are delayed. Changing of accounting periods impacts negatively on compliance rates .

The compliance rate of the income tax returns filed on the expected due dates as at 31st March, 2006 was 51.88% while the VAT recorded an average compliance rate of 82%. In order to improve the rate of filing returns, IRD intends to set up a dedicated task group that will follow up defaulters and take appropriate action against them should the need arise. It is anticipated that with the completion of the organisational restructure, IRD will have more compliance officers deployed to trace non-filers.

In cases where taxpayers fail to comply with their tax obligations such as failure to file tax returns and to pay tax, non compliance attracts a statutory penalty, or interest, or both. Penalties and interest collected in the year 2005/06 amounted to P10 622 011.98 in respect of Income Tax and P30 892 472.28 in respect of VAT as illustrated in Table 8 below.

Table 8: Interest and Penalty Charges Collected in 2005/06

Year	Income Tax (P)	VAT (P)	Total (P)
2004/05	12,750,788	18,748,391	31,499,179
2005/06	10,622,012	30,892,472	41,514,484

Tax Clearance Certificates

Government decided in 2003 to introduce the tax clearance certificate requirement for Government tenders. BURS issued 1 546 tax clearance certificates in 2005/06 and rejected 216 applications because the applicants were not fully compliant with the provision of the Revenue Laws. The total tax revenue collected because of the tax clearance certificate requirement was P3 042 718.84 (VAT-P1 335 659.74 and Income Tax-P1 707 059.10). BURS is of the view that this amount would not have been collected if the requirement for possession of tax clearance certificates to tender for Government tenders had never been imposed.

BURS notes that the issuance of Tax Clearance Certificates has increased tax compliance rates and improved the business community's adherence to Government Tender procedures and requirements. In the future BURS will institute measures which will assist it in determining whether applications for Tax Clearance Certificates by some newly registered businesses are not for the purpose of disguising debts of existing taxpayers seeking Government tenders.

Debt Management

One of the greatest challenges for any tax administration is the management of tax debts. IRD has implemented a number of strategies to keep the tax arrears under control (including agreeing payment plans with taxpayers, issuing garnishee orders, and securing court summons, etc).



Table 9: Tax in Arrears as at 31 March 2006

Type of Tax	Arrears as at 1 April 2005 (P)	Tax charges during the year (P)	Total Collections Discharges & Remissions at 31 March 2006 (P)	Total arrears as at 31 March 2006 (P)
Income, Tax	377,140,380	1,075,195,205	1,030,930,579	421,405,006
VAT	298,417,250	165,420,974,	236,079,621,	227,758,602
Total	675,557,630	1,240,616,179	1,267,010,200	649,163,608

As illustrated in Table 9 above, the income tax arrears as at the beginning of April 2005 were P377,140,380. Additional income tax liabilities accumulated during the year amounted to P1,075,195 205. The total reduction in terms of collections, discharges and remissions at the end of March 2006 was P1,030,930,579. Thus, the closing balance of P421,405,006 comprises current arrears amounting to P186,198,256 and old arrears totalling P235,206,750 (including penalty interest charges for late payment etc). VAT arrears at the beginning of April 2005 were P298,417,250. Additional VAT liabilities accumulated during the year amounted to P165,420,974. The total VAT arrears reduction for the year were P236 079 621 and the closing balance at the end of March 2006 was P227,758,602. The total domestic revenue arrears as at 31st March 2006 amounted to P649,163,608 which means that tax arrears had reduced by P26,394,022 (4%) when compared to the amount of arrears that had been outstanding as at 1st April 2005. IRD has no alternative but to adopt new strategies with a view to reducing tax arrears. To ensure uniformity of approach by all the debt collectors within IRD and to make the debt collection effort more efficient and effective, a Debt Collection Manual was developed during the year. The Debt Collection Manual aims to provide the debt collecting officers with the necessary guidelines to pursue tax defaulters in a consistent and focused manner. Training workshops for debt collectors were conducted during the year to equip them with the necessary skills and tools to successfully accomplish the task of tax debt collection. It is expected that the debt management function of the IRD will yield positive results in 2006/07.

Tax Refunds

Tax refunds totalling P746 463 454 were paid to taxpayers in 2005/06 in respect of income tax (P147,455,918) and Value Added Tax (P599,007,535). The numbers of refunds processed were 3 462 and 712 for income tax and VAT respectively. About 70% of the VAT claims were paid to exporters, in particular the mining companies and textile exporters whose supplies are generally zero rated. Two other sectors attract significant numbers of refunds – the construction industry (due to entitlement to the 3% withholding tax deducted at source from payments received) and the farming community (where farming is predominately loss making and incurred losses are off-set against other sources of income such as employment). The challenge for BURS is to process applications for refunds as quickly as possible to ensure that taxpayers with legitimate entitlements are not inconvenienced, whilst implementing a strategy to ensure that claim applications are legitimate.

Appeals and Objections

Objections and Appeals proceedings are an integral part of any modern revenue administration and BURS is no exception. Table 10 below illustrates the status of objections received by IRD during 2005/06. A total of 650 objection letters were received against income tax assessments and amended assessments following audits, out of which 524 were settled, leaving 126 objections yet to be settled in respect of income tax assessments and amended assessments.

There were 44 objections in respect of VAT amended assessments (following audits) of which 28 were settled during the year under review. As a result, 16 VAT objections were outstanding as at 31st March, 2006. Three appeal reports (2 income tax and 1 VAT) were prepared and lodged with the Board of Adjudicators. Many objections or appeals are processed and settled by BURS without the taxpayer exercising his or her statutory right of appeal to the Board of Adjudicators and the High Court.



Table 10: Number of Objections and Appeals outstanding as at 31st March, 2006

	Lodged during the year	Settled during the year	Pending as at 31st March 2006
Objections (Income Tax)	650	524	126
Appeals (Income Tax)	2	0	2
Objections(VAT)	44	28	16
Appeals(VAT)	1	0	1
Total	697	552	145

BURS will do everything in its power to dispose of all objections and appeals as speedily as possible. Taxpayers may also assist BURS to resolve objections and appeals speedily by submitting all information required by BURS expeditiously. In the mean time, BURS will continue to advise taxpayers of their right to independent judicial review of appealable decisions, and to encourage the use of the appeal process to ensure transparency and consistency in the way BURS administers the Revenue Laws.

Tax Audits and Findings

The importance of audits cannot be overemphasised, particularly in a self assessment environment where tax declarations are accepted on their face value but have to be interrogated for accuracy. The IRD implemented their audit plan during the year under review with 30 VAT auditors and 15 income tax auditors. In 2005/06, 645 VAT audits and 25 income tax audits were conducted and, as a result of the audits conducted, additional revenue amounting to P108 491 687 was raised comprising P82 748 544 and P25 743 143 for VAT and income tax respectively. The average yield per audit case for VAT and income tax were P128 292 and P1 029 726 respectively. The audits conducted have revealed that record keeping is still a major problem with many taxpayers, especially small to medium enterprises. Common audit findings are unsubstantiated expenses, falsely claimed expenses, understated income, overstated input tax on purchases and understated output tax on goods and services supplied. Where the audit findings demonstrated non-compliance with the Revenue Laws, substantial penalties and interest were imposed. Audits have also revealed that some tax records are kept outside Botswana contrary to the provisions of the Revenue Laws and the Companies Act, which explicitly require that records of companies should be kept in Botswana. BURS urges all companies to comply with the provisions of the Laws of Botswana and maintain their records in Botswana. The immediate challenge for BURS is to increase the number of tax auditors and have them properly trained so that the tax audits across all tax types could be intensified in the coming years.

Taxpayer Education

Although a public relations function had not been established during the reporting period, IRD conducted seminars countrywide and issued public notices to assist taxpayers and tax consultants understand their obligations such as payment of quarterly self assessment instalments, due dates for filing tax returns and entry into force of the Double Taxation Avoidance Agreements. IRD also provided resource personnel for various invitational seminars conducted by professional organisations and taxpayer associations to clarify legal and procedural issues for improving compliance with revenue laws and procedures.

Taxpayer Assistance

During the period under review, IRD registered 2 946 new income tax registrants including companies, individuals and tax withholders. IRD received a total number of 7 845 returns from companies, 5 625 returns from individuals and other non-corporate taxpayers and 5 668 withholding tax returns. They also received 639 applications for extension of times to file tax returns. IRD also serviced 17 388 visiting customers and assisted 5 623 customers over the telephone at its various offices.

A toll free number has been installed at the Gaborone Taxpayer Assistance Centre (TAC) for tax related enquiries by taxpayers. The number is **0800 600 649**.



Tax revenues contribute
to the maintenance
of law and order





Customs and Excise Division

The primary role of the Customs and Excise Division (CED) is to collect revenue and enforce statutory controls at border posts and other ports of entry through the effective and efficient implementation of the provisions of the Customs and Excise Duty Act and other legislation relating to the control of imports and exports. The Division collects customs and excise duties and fuel levy in terms of the Customs and Excise Act, Value Added Tax (VAT) on imports under the VAT Act and other levies under delegated authority in terms of other legislation such as the Roads Traffic and Transport Acts.

CED has 41 offices throughout the country through which its business is conducted. These include border posts, airports and inland offices. During the reporting period, the Division recorded a total of 1,046,185 vehicular movements and 4,180,125 passenger movements at the borders countrywide, with Ramokgwebana Border recording the most passenger movements and Makopong border post recording the lowest. CED also processed 595,696 import and 35,099 export transactions with most of the imports cleared at Tlokweng Gate, Pioneer Gate and Martins Drift border posts, which together accounted for more than 85% of imports into Botswana in value terms.

Customs and Excise Division Performance

During the period covered under this report CED was beset by a number of challenges that included the following:

- Loss of nearly 10% of its workforce through normal attrition and staff who remained in Government when BURS was established;
- The transfer of the VAT Division to the newly created Internal Revenue Division (almost 12% of staff); and
- Transfer of staff to newly created Divisions such as Human Resources, and Finance and Administration.

Furthermore, the Division has continued to be given additional responsibilities by acting as agent for some Government departments and through the increasing of operational hours of border posts. The hours of operation of Martins Drift, Parrs Halt, Platjan and Sikwane border posts were increased by an average of three hours with effect from 1st January, 2006.

An illustration of the duties and responsibilities carried out by CED on behalf of other agencies is provided in Table 11 below.

Table 11: Agency Work Performed by BURS Customs & Excise Division on behalf of other Government Departments

Government Departments	Area of control/type of goods
Animal Health and Production	Livestock and poultry
Botswana Police Service	Arms and ammunition
Central Statistics Office	Trade Statistics
Crop Production	Plants and Food
International Trade	Flour Levy
Road Transport and Safety	Road Transport Permits and Road Safety Levy
Roads	Road User Fees
Water Affairs	Boats and Other Aquatic apparatus
Wildlife and National Parks	Game animals and trophies



During the period under review the CED collected a total of P44.47 million in levies and fees on behalf of the Ministries of Trade and Industry and Works and Transport, compared with P29.18 million which was collected during the 2004/05 financial year as shown in Table 12 below. This represents a 52% increase in the total revenue from these sources. It is anticipated that this trend will continue with increased trade and the number of foreign registered vehicles entering Botswana. This will no doubt impose an additional burden on the already overworked Customs and Excise staff at the borders. BURS will consider the introduction of cost identification measures to allow it to recover from the Government the true cost of collection of the levies.

Table 12: Revenue Collected on behalf of Government Departments

Fee/Levy Type	Amount Collected 2004/05 (Pm)	Amount Collected 2005/06 (Pm)	Variation (Pm)	Percentage Variation
Road Transport	24.7	42.9	18.2	73
Flour Levy	4.48	1.57	-2.91	(35)
Total	29.18	44.47	15.29	52

Southern African Customs Union (SACU) Revenue Pool Receipts

SACU Pool revenue continues to be a major revenue source for Botswana constituting an average over the past two years of 17.7% of the Government revenue. During the same period a significant amount of revenue was received from the SACU Pool as depicted in Table 13 below.

Table 13: Botswana share of SACU Revenue Pool Receipts

Financial Year	Amount Received	
	In Rand	In Pula
2004/05	4,336,711,000	3,226,414,706
2005/06	4,007,546,719	3,929,851,265

The growth rate of the Customs Union Revenue from 2004/05 to 2005/06 was P703 million or 22%. The increase was mainly attributed to the devaluation of the Pula against the South African rand currency which is used in the determination of the shares from the SACU pool.

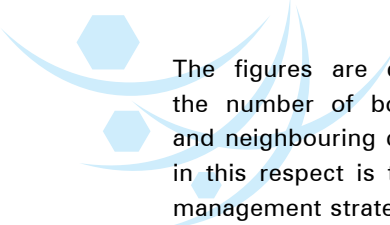
Smuggling and Non Declaration of Goods

Smuggling and non declaration of goods is a serious problem which is perpetrated at many of the border posts by travellers who want to evade payment of duties and VAT. A similar problem is encountered in respect of the importation of prohibited goods. During the period under review 258 people were intercepted by Customs officials attempting to illegally import goods into Botswana compared to 221 during 2004/2005 financial year. This shows an increase of 14% between the two periods as illustrated in Chart 3 below.

Chart 3: Seizures recorded during 2004/05 and 2005/06

	2004/5	2005/6		2004/5	2005/6		2004/5	2005/6
Apr	4	16	Aug	26	9	Dec	7	14
May	12	26	Sep	31	34	Jan	12	17
Jun	26	21	Oct	20	30	Feb	15	16
Jul	30	24	Nov	31	37	Mar	7	14





The figures are considered modest considering the number of border posts between Botswana and neighbouring countries. The challenge for CED in this respect is to enhance its controls and risk management strategies to ensure that the problem is effectively addressed.

Undervaluation of imports

Undervaluation of goods, in particular, second hand motor vehicles imported from countries outside SACU poses yet another challenge to the work of CED. Most of these vehicles are sold at lower prices compared to vehicles produced in SACU countries. However, in spite of the comparatively lower prices offered some importers connive with the suppliers to furnish them with false invoices depicting even lower selling prices in order to pay lower duties and VAT. In regard to the period under review it was discovered that 270 vehicles were cleared using falsified invoices. Consequently, fines and additional revenue in excess of P5 million were imposed.

Undervaluation, at the point of importation of goods, particularly motor vehicles, is a worldwide problem. Attempts are being made to establish the true values of these goods using available data sources and exchanging information with other customs agencies. This is not always cost-effective or successful. It is anticipated that a more durable solution to the problem will be found under the ongoing World Customs Organisation (WCO) initiatives, where member countries of WCO have agreed to sign Memoranda of Understanding to facilitate exchange of information and assist each other in investigating cases of customs offences. BURS intends signing MOUs to facilitate the exchange of information with countries where these vehicles are mainly sourced.

Customs Clearing Agents

During the period covered by this report, 72 companies were registered as Customs Clearing and Forwarding Agents. Most of the companies are small citizen owned and are inactive. Efforts are underway through which inactive agents will be followed up and their licences cancelled. Some of the agents have been discovered to be aiding their clients to commit various customs offences, including falsification of import documents, misclassifying goods to pay lower duties and VAT etc. These negative developments question the integrity of the agents and puts pressure on CED to increase physical examination of consignments. To alleviate the problem it is intended to put measures in place during the 2006/07 financial year to ensure effective

control of agents. Measures contemplated include introducing proficiency tests, reviewing surety bonds and strengthening registration requirements. These measures should help improve the professional standards of Customs Clearing and Forwarding Agents whilst also reducing the opportunity for collusion and fraud.

Automated System for Customs Data (ASYCUDA)

Since July 2002, most customs transactions at major customs offices are conducted through a computerised system known as the Automated System for Customs Data (ASYCUDA). ASYCUDA is a United Nations Conference on Trade and Development (UNCTAD) customs management system, operating in over 80 countries worldwide, which handles goods, customs declarations, accounting procedures, warehousing and imports and exports licences as well as generating reliable timely trade data through the use of a consolidated form called the Single Administrative Document (SAD).

During the period covered by this report Botswana had successfully completed the rollout of the ASYCUDA to 14 customs stations which account for more than 90% of trade transactions. ASYCUDA has had a significant impact by speeding up cross-border formalities and reducing both costs to importers and BURS. BURS has achieved 70% of customs clearance formalities being processed through ASYCUDA. In addition, eighty different companies including Customs Clearing and Forwarding Agents were authorised to use the ASYCUDA Direct Trader Input (DTI) facility. This procedure allows importers or their agents to file the customs declarations electronically and have duties and VAT assessed prior to the importation of the goods. ASYCUDA also has a feature which enables transactions to be selected for examination dependent on risk. The main advantage of ASYCUDA is that it frees staff from doing clerical functions and concentrate on physical examination of suspect cargo identified as being of high risk. It also enables trade data to be released much quicker than if such information were to be dealt with manually. The major challenge for CED is to ensure that the use of DTI is enhanced from the current 70% to at least 95% in the next three years and to also implement other important features of the ASYCUDA, such as the electronic management of transit goods and interchange of trade data, with neighbouring customs administrations, to minimise cross border undervaluation of goods.



Tax revenues
contribute to the provision
of education for
our children



External Trade

As shown in Table 14 and further illustrated in Chart 4 below, during 2005/06 CED processed imports worth P16,2 billion as compared to imports processed in 2004/05 which were worth P16,3 billion. The value of the 2005/06 imports dropped by P141 458 000 or 1%. Exports processed by CED in 2005/06 were worth P23 billion while the exports for 2004/05 were worth P18, 4 billion as illustrated in Chart 5. The value of the 2005/06 exports increased by nearly P4, 7 billion or 26%. The trade balance therefore recorded a surplus of P6, 8 billion or 41% as illustrated in Chart 6 below.

Table 14: Imports and Exports – 2004/05 and 2005/06 (P' 000)

Month	Imports (CIF)		Exports (FOB)	
	2004/05	2005/06	2004/05	2005/06
April	1,207,081	1,236,900	1,567,304	1,780,807
May	1,277,813	1,253,242	1,102,273	1,202,731
June	1,264,577	1,461,090	643,946	1,533,644
July	1,221,323	1,333,293	1,251,655	2,442,375
August	1,536,772	1,500,734	1,729,106	2,381,259
September	1,349,120	1,350,704	1,699,589	2,396,599
October	1,467,049	1,410,304	2,002,898	519,255
November	1,411,342	1,509,048	870,613	2,886,273
December	1,352,763	1,324,132	1,606,094	1,493,106
January	1,187,835	1,081,584	1,995,918	2,485,889
February	1,604,625	1,248,815	1,976,024	2,523,202
March	1,459,408	1,488,393	1,911,646	1,366,148
Total	16,339,700	16,198,242	18,357,066	23,012,288

Chart 4: Comparison of imports for 2004/05 and 2005/06

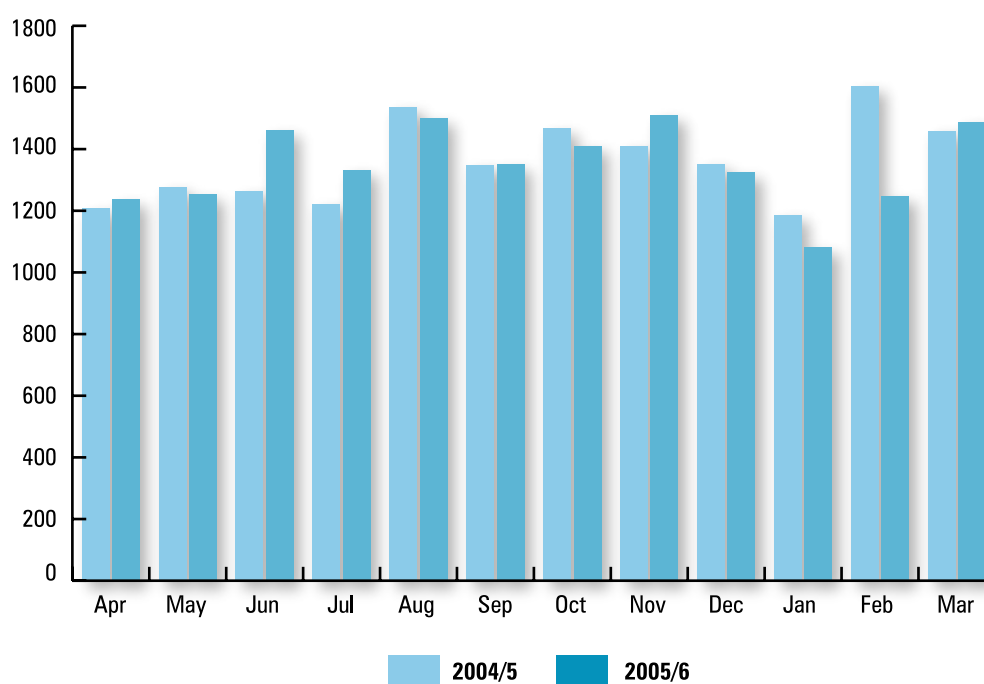


Chart 5: Comparison of exports for 2004/05 and 2005/06

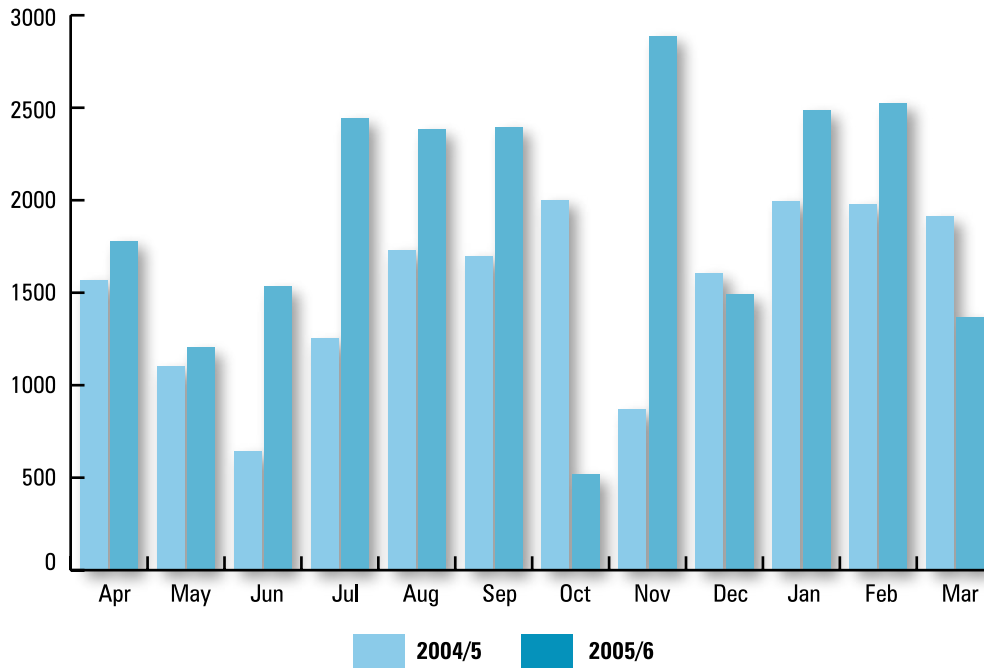
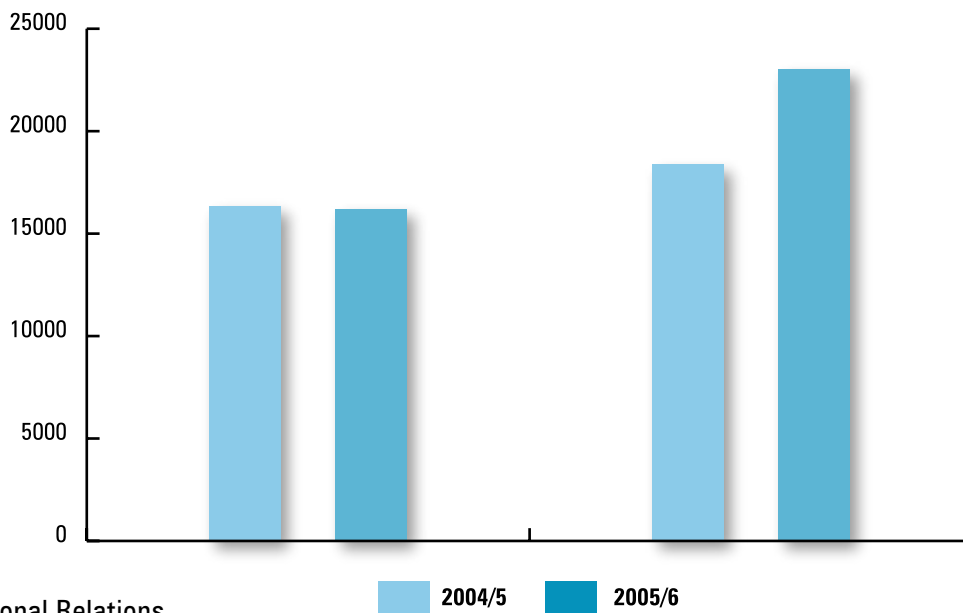


Chart6: Comparison of External Trade Statistics for 2004/05 and 2005/06



International Relations

Double Tax Avoidance Agreements

The Commissioner General is tasked with the implementation of Double Tax Avoidance Agreements (DTAAs) as the representative of the Minister of Finance and Development Planning. The implementation of the provisions of these agreements is carried out by the IRD as part of its normal assessment function. Currently, Botswana has DTAAs which are in force with the following countries –Barbados, France, Mauritius, Seychelles, South Africa and the United Kingdom. Further treaties have been concluded with the following countries but are not yet in force – India, Russia, the United Kingdom (renegotiated treaty) and Zimbabwe. IRD also assists the Ministry of Finance and Development Planning in the negotiation of DTAAs through the provision of technical assistance particularly from an administrative perspective. During the period under review BURS assisted in the negotiation of 3 DTAAs with Zambia, Malawi and Serbia-Montenegro.





Southern African Development Community (SADC)

Botswana is a signatory to the SADC Memorandum of the Understanding (MOU) on matters related to trade and investment. Included in the MOU is a commitment to harmonise direct and indirect taxes within the region with a view to, among other things, the creation of a SADC model DTAA, harmonising incentives in the region, creating a SADC tax database and preventing harmful tax competition. While the matters related to the MOU are largely the purview of the Tax Policy Unit of the Ministry of Finance and Development Planning the input of BURS is instrumental in advising the Ministry on the impact of policy decisions related to the administration of both VAT and income tax. SADC contributes to capacity building in the region by facilitating the provision of experts in specific areas to train officers of Member States, including, in the review year, training workshops that covered the auditing of multinationals and tax expenditure budgeting. In respect of customs & excise obligations, the Customs & Excise Division is responsible for the technical implementation of the SADC Trade Protocol. The main objective of the protocol is to facilitate intra SADC Trade. SADC has established a Sub Committee on Customs Cooperation (SCCC) headed by Heads of Customs Administrations of Member States, whose mandate is to provide technical advice and ensure that the provisions of the Protocol are administered in a uniform, consistent and simplified manner. The Sub-Committee continually develops common policies and procedures for the importation and transit of goods and determination of origin of goods under the Trade Protocol. This process is accomplished through the Customs Advisory Working Groups (CAWGs) created under the auspices of the Sub-Committee. During the period covered by this report Botswana became the country chair of the Sub-Committee and participated in all its meetings and workshops organised by the CAWGs. Botswana Customs officials also participated as resource persons in these workshops. Some of the achievements made by the Sub-Committee during the period under review include the completion of the draft SADC Model Customs Act, the Customs Tariff Nomenclature (CTN) and the Regional Transit Bond Guarantee Scheme which would be submitted for consideration by the SADC Council of Ministers in due course.

Commonwealth Association of Tax Administrators (CATA)

As a member of the Commonwealth, Botswana is a member of CATA. She attends CATA technical conferences and training courses facilitated by CATA, including the CATA technical conference that was held in Ottawa, Canada. Topics under discussion at that conference were on Tax Evasion and Customer Service. BURS also contributed 3 articles to the CATA

newsletter that is produced quarterly giving updates on issues relating to tax administration in member states.

Southern African Customs Union (SACU)

The Customs and Excise Division continues to play a vital role in the implementation of the 2002 SACU Agreement. During the period covered by this report the Division participated in all the meetings of the Council of Ministers, Commission and Technical Committees established in terms of the Agreement where a number of technical and policy decisions were made. At a technical level the Council approved the five initiatives intended to improve and harmonise customs cooperation amongst all the Member States of SACU. SACU faces major challenges arising from the implementation of the new agreement. These include standardisation of trade data which is used as a basis for sharing the SACU Customs Revenue Pool and establishment of new SACU Structures such as the SACU Tribunal, and the Tariff Board and National Bodies which will be responsible for investigating and recommending applications for tariff changes. At the time of writing this report the SACU Council had directed that work on these key issues be expedited to enable SACU to operate more efficiently and to the benefit of each Member State.

Trade Matters

The demand on CED for advisory services on trade-related Customs matters increased during the financial year 2005/06, and included preparations for the WTO Ministerial Conference that was held in December 2005 in Hong Kong. Representatives from CED also formed membership of the National Committee on Trade Policy and Negotiations (NCTPN) and its sub-Committees.

World Customs Organisation

Botswana is a Member of the Customs Cooperation Council (CCC) – commonly referred to as the World Customs Organisation (WCO). WCO is a world wide inter-governmental body whose aim is to simplify and harmonise customs procedures. WCO systems and procedures regulate nearly 95% of the world trade. Botswana belongs to the WCO's East and Southern African (ESA) Region which includes all SADC Member States. The Division participated in the higher level decision-making fora of the ESA and the WCO Council Sessions in May and June, 2005 respectively. Botswana's participation at these meetings is beneficial from a technical perspective as it affords her the opportunity to learn, understand and influence major decisions which have a bearing on international trade in goods.

Tax revenues
contribute to the
maintenance
of Botswana's
Border Posts





Human Resources Division

The Human Resources Division (HRD) is responsible for the management of BURS human resources through applying strategic approaches to recruiting, developing, managing, motivating and gaining the commitment of BURS employees.

BURS created positions to staff new Divisions as well as to strengthen existing Divisions. Some new positions were and continue to be advertised on the open market to ensure that the net is cast wider to attract skilled and motivated employees.

HRD faced some challenges with the transition from Government to BURS especially with bringing on board former public service employees who continued to be remunerated in line with the Government pay structure. However, during the period under review plans were underway to engage a consultancy to develop new BURS organisational and pay structures, and it is anticipated that these challenges will be overcome once the proposed structures are implemented. The Conditions of Service will also be reviewed simultaneously with the organisational and pay structures.

Employees continued to subscribe to the membership of the Botswana Public Officers Pension Fund (BPOPF) as approved by the BPOPF Board. However, BURS is exploring the possibility of establishing its own pension fund. Employees also contribute to the membership of the Botswana Public Officers Medical Aid Scheme. Again, BURS is considering the possibility of allowing its employees to be members of alternative medical aid schemes, and the decision will be based largely on member benefits offered by the alternative schemes.

As a new organisation BURS is in the process of building capacity through staffing new support Divisions as well as enhancing the capacity of the Divisions of Internal Revenue and Customs & Excise. Many support capabilities had to be developed from a starting point of zero, as the former Departments were serviced by a number of Government agencies. The Division is working hard to ensure that sufficient capabilities and capacities are developed to ensure that BURS functions independently and in line with its mandate.

The Division was also tasked with finalising the transitional issues of dropping public service processes and procedures to establishing BURS's own processes and procedures to best support the Division's responsibilities. These should be complete in the next financial year.

BURS Human Resource Establishment

BURS human resource establishment as at 31st March, 2006 stood at 1 156 with 1 019 employees in post and 137 vacancies. Although vacancies are inevitable in such a large organisation, the Division works with other Divisions to fill existing vacancies as quickly as possible to ensure that BURS capacity is maintained.

Training

BURS is committed to the development and training of staff. As part of its efforts to promote multi-skilling of employees, a six-month part time training programme was arranged with the Botswana Accountancy College which enrolled 36 participants from the Internal Revenue and Customs & Excise Divisions.

Further, 23 officers also enrolled for further training and pursued a number of programmes including certificate courses such as in Public Finance and Accounting, diploma courses such as the Diploma in Public Administration and in graduate programmes such as MA in Customs Administration and ACCA as illustrated in Table 15 to the left.

Table 15: BURS Staff on Training during 2005/06

Programme	Number Of Candidates	Institution	Expected Completion
MA Customs Administration	1	University of Munster, Germany	2006
MA International Tax	2	University of Sydney, Australia	2007
ACCA	3	Botswana Accountancy College	2006(2) 2007(1)
Diploma In Public Relations Management	1	Vaal University of Technology	2006
National Certificate In Secretarial Studies	5	Botswana Institute of Administration and Commerce	2006
National Diploma In Secretarial Studies	1	"	2006
Diploma In Public Finance And Accounting	6	"	2006
Certificate In Public Finance And Accounting	3	"	2006
Diploma In Public Administration	1	"	2006
Advanced Taxation Course	36	Botswana Accountancy College	2006

Information Technology Division

The Information Technology Division (IT Division) is charged with the responsibility of providing information technology (IT) to BURS. This role encompasses technology planning, establishment of standards and procedures, technology acquisition and overseeing all IT initiatives.

BURS has started to establish its own IT infrastructure, although much of its technological requirements are still reliant on the Government Data Network (GDN) services. This reliance on the GDN often hinders the Division's attempts to improve their service delivery and makes prioritisation of issues difficult. Funding challenges also resulted in the Division's inability to upgrade and replace old equipment.

Despite these challenges, BURS has made tremendous progress in developing BURS ICT infrastructure. Among its achievements were the computerisation of the Pay As You Earn (PAYE) and Withholding Tax functions which were previously manual and the modification of the Taxpayer Management System (TMS) to allow the implementation of the amendment of the Income Tax Act regarding the taxation of the income of public trusts, religious, charitable, educational institutions and social and sports bodies.

Furthermore, an accounting system ACCPAC and a payroll system PASTEL were acquired and implemented during the reporting period. The ASYCUDA system was upgraded to run on a new and more modern Windows XP environment from the Windows 98 base.





Finance and Administration Division

The Finance and Administration Division (FAD) is responsible for accounting for the revenue collected by BURS according to the various revenue and non-tax statutes and accounting for subventions received from the Government and related expenditure transactions.

Accounting for Tax Revenue

FAD currently records tax revenue collected by BURS and then remits the collected revenue directly to the Accountant General for bank reconciliations, processing and accounting.

FAD currently does the accounting of tax revenues and then remits the revenue directly to the Accountant General for processing bank reconciliations. At inception, BURS did not have the capacity to undertake the accounting task performed by the Accountant General.

However, BURS is now building sufficient capacity to ensure that it is properly placed to assume all the duties required of it under BURS Act, which include assuming accounting responsibilities currently undertaken by the Accountant General on behalf of BURS.

Accounting for subventions received from the Government and related expenditure transactions.

At inception BURS expenditure transactions were undertaken by the Accountant General. At the beginning of 2005, the Finance and Administration Division:

- assumed the responsibility of accounting for expenditure transactions and related funding from the Government;
- opened its own bank accounts separate from the Government bank accounts;
- procured and installed a financial solution to process expenditure transactions and perform bank reconciliations in a timely and accurate manner;
- procured and installed a software for processing the payroll; and
- assumed the responsibility of annual budget preparation and budget monitoring. BURS is currently operating with three cost centres (Customs and Excise, Internal Revenue and BURS support service).

FAD is currently facilitating the development of a manual on financial policies and procedures. Meanwhile it is guided by the Government Financial Procedures.

Transfer of Assets

In accordance with BURS Act, the Government vested the assets that were used by the former Departments of Taxes and Customs & Excise in BURS, including the border post infrastructure, computers and software, vehicles, furniture and equipment and leases with private landowners.

Properties leased from or provided by the Government will be released to the Government as and when suitable accommodation is acquired. BURS will negotiate bilateral agreements with concerned Government agencies and organisations in respect of shared buildings and equipment.

Office accommodation

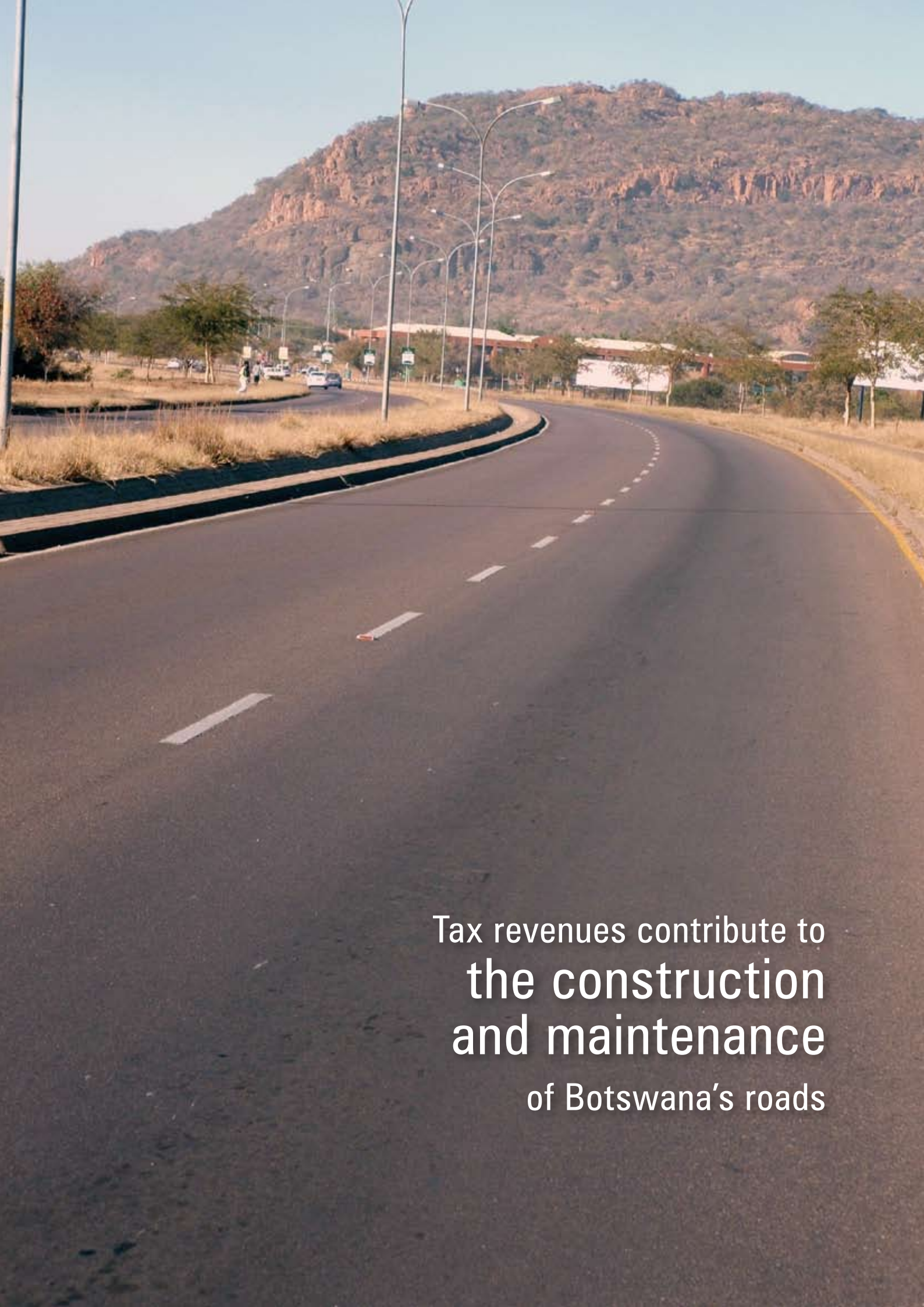
The shortage of office accommodation is a problem that BURS faces across the country. In Gaborone, Head Office and Gaborone South Regional operations staff are accommodated at three different locations which compromises effective coordination and supervision. BURS cannot provide a comprehensive, single-site service. A similar situation is faced at all five regional offices. At some border posts officers use prefabricated offices and houses which are neither hospitable nor easy to maintain. The problem is more acute at border posts with inadequate staff accommodation as it makes it difficult to deploy additional officers to the said border posts.

The situation calls for substantial resources to be mobilised in the medium term to bring accommodation to an acceptable standard and to ensure that operations are carried out effectively and efficiently. In order to partially address the office accommodation problem the following measures have either been taken or are contemplated.

In Gaborone, BURS has leased a new building at plot 53976, Kudumatse Drive for the relocation of all Head Office and Gaborone South regional operations. The building will house a new customer service centre for all BURS customers.

In Francistown, the Internal Revenue staff has moved from the Government's office block at Ntsho House to the Regional Headquarters of the former Department of Customs and Excise which is vested in BURS. BURS offices in Selebi Phikwe are to be housed under one roof, whilst BURS continues to seek appropriate office accommodation in other locations throughout the country.





Tax revenues contribute to
**the construction
and maintenance**
of Botswana's roads

The logo features a stylized blue globe with several hexagonal shapes of varying sizes and colors (light blue, dark blue, and white) scattered around it. The text "Internal Audit Division" is written in a light blue, sans-serif font, positioned to the right of the globe graphic.

Internal Audit Division

The Internal Audit Division is an independent appraisal activity established to examine, check, review, appraise and monitor the activities of BURS to ensure effectiveness and compliance with internal control systems and procedures. This is done in order to enhance efficiency, reduce potential risk, protect, and ensure optimal utilisation of assets.

The Internal Audit Division (IAD) is an independent appraisal activity established to examine, check, review, appraise and monitor the activities of BURS to ensure effectiveness and compliance with internal control systems and procedures. This is done in order to enhance efficiency, reduce potential risk, protect, and ensure optimal utilisation of assets. To this end, IAD assists BURS to accomplish its objectives by providing independent, objective assurance and consulting service designed to add value to improve the revenue service's operations. It also helps BURS to accomplish its objectives by providing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

IAD assists the Board, the Board Audit and Finance Committee and Management in the effective discharge of their responsibilities by preparing reports, analysis, appraisals, recommendations, counsel and information concerning the activities reviewed.

IAD's scope of work during the period under review encompassed the following: -

- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws and regulations that could have a significant impact on BURS operations;
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report on such information;
- Reviewing the means of safeguarding assets and, where appropriate, verifying the existence of such assets;
- Appraising the economic and efficient management of BURS financial, human and other resources and the effective conduct of its operations;
- Reviewing operations or programmes to ascertain whether results are consistent with established goals and objectives and whether the operations are being carried out as planned;
- Determining the adequacy and effectiveness of BURS systems of internal control; and
- Fraud prevention and detection by:
 - a. Increasing Management's awareness of the threat and why it occurs;
 - b. Increasing the probability of detecting incidents during operations; and
 - c. Acting as a deterrent by its regular presence.



Legal Services Division

The Legal Services Division (LSD) plays a dual role in the administration of BURS Act and the Revenue Laws.

The Role of the Secretary to the Board

LSD is led by the Secretary to the Board who is appointed under BURS Act. The Secretary to the Board attends all meetings of the Board and is specifically mandated to assist the Board on all legal and procedural issues in respect of its deliberations and decisions and maintains a record of the Board's discussions and decisions. The Secretary does not, however, have the right to vote. The Secretary to the Board is also responsible for the legal affairs of BURS and as a result heads the Legal Services Division.


Key functions of the Division

The Secretary to the Board is responsible under BURS Act for the legal affairs of the Revenue Service and accordingly heads the LSD. The LSD is responsible for advising and assisting the Commissioner General on legal matters which arise under BURS Act, the Revenue Laws and other legislation impacting on BURS activities. LSD represents the CG in litigation matters, particularly revenue court appeals.

During 2004/05, the Division was newly established as all legal advisory and representation services for the former Departments of Taxes and Customs and Excise were provided by the Attorney General's Chambers. Discussions were held with the Chambers to put in place arrangements to transfer revenue related advisory and litigation cases to BURS. LSD developed plans to increase the capacity of the Division to ensure that its core mandate could be delivered to BURS in the coming years.

LSD provided a number of opinions covering a variety of revenue and commercial matters to support technical interpretations by IRD, CED and other divisions. LSD also co-ordinates the use of external counsel for advice, opinions and representation, as and when this is considered necessary or cost effective depending on the subject or complexity of the matter.





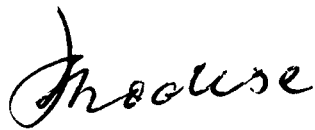
Conclusion

The first year of operation of BURS has seen a huge effort by the staff of the new organisation in ensuring that the establishment of BURS is successful. This is particularly the case taking into account the need for BURS to create many capabilities for business support which were previously provided to the former departments by other Government agencies. Indeed, BURS has made good progress in establishing itself.

Against the background of transitional pressures, BURS has performed beyond expectation in respect of its core mandate of assessing and collecting taxes, duties, levies and fees on behalf of the Government. The BURS management is delighted to report that performance exceeded the tough targets set in the national budget. Through this above-expected performance, BURS is contributing to the country's development and prosperity.

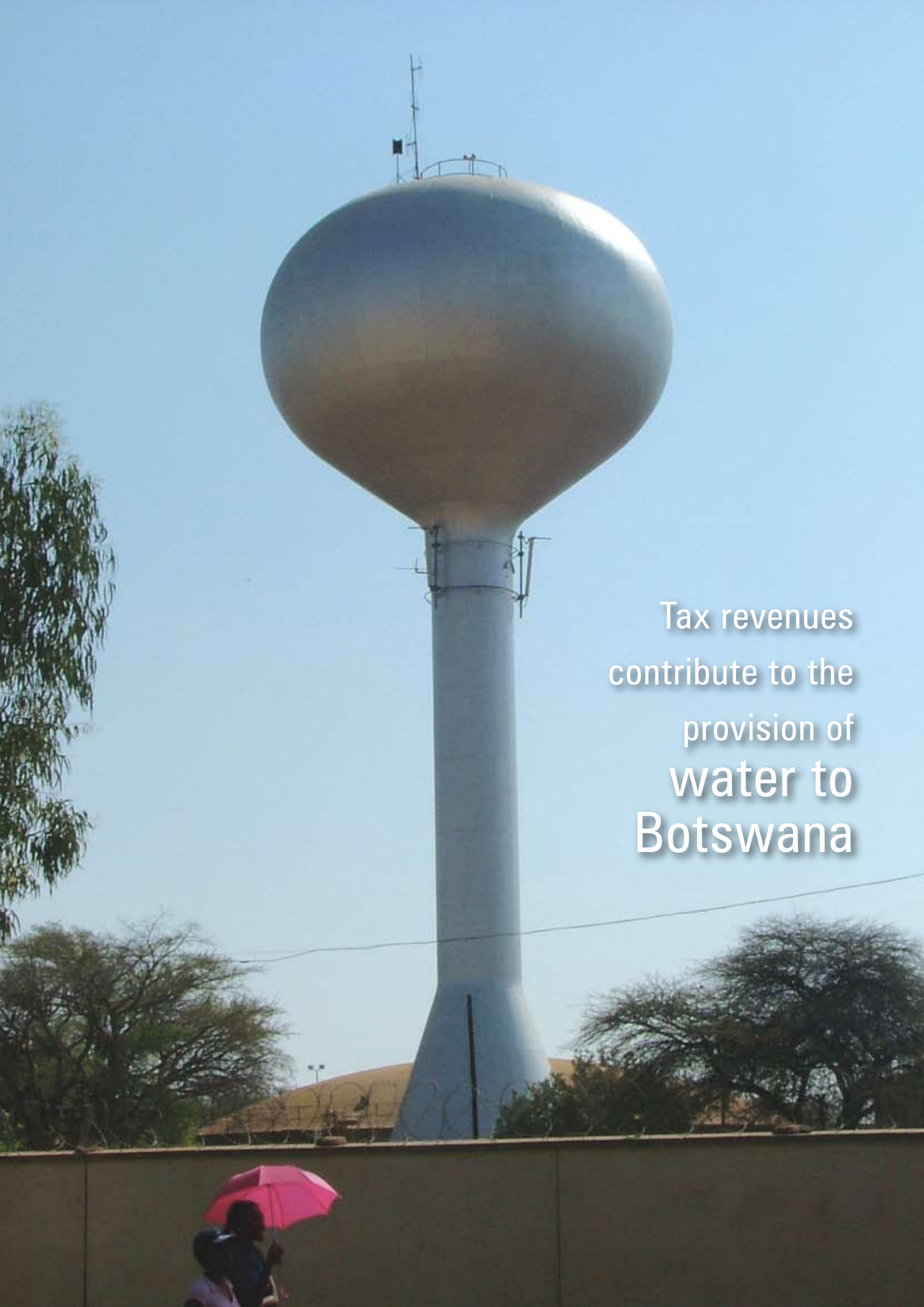
The next few years bring great challenges for BURS both in terms of revenue collection and fully establishing the new organisation. The introduction of a Strategic Plan to guide future operations of BURS, the implementation of a revised organisational structure, an enhanced remuneration system focusing on personal development and performance, enhanced customer service through better facilities and improved technology and ever increasing revenue and compliance targets will all be challenges that BURS must overcome.

The BURS management knows that the staff of BURS have performed well. I look forward to their continuing support, and that of the Board, and the cooperation of the taxpaying community, so that BURS does indeed perform as well as the Government demands and as the country requires.



F. Modise
Commissioner General





Tax revenues
contribute to the
provision of
water to
Botswana



BOTSWANA UNIFIED REVENUE SERVICE

GENERAL INFORMATION

for the fourteen month period ended 31 March 2006

BOARD MEMBERS

Mr. Wilfred J Mandlebe	Chairperson
Mr. Bartholomew O Gaobakwe	Vice Chairperson
Mr. John Y Stevens	
Mr. Daniel N Loeto	
Mrs. Siamisang T Morolong	
Mrs. Ntsetleng M Masisi	
Mr. Freddy Modise	Commissioner General
Mr. Keneilwe R Morris	Termination date 24/09/05

BOARD SECRETARY

Ms. Cynthia O Ross

NATURE OF BUSINESS

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

ADDRESS

Attorney General and BURS Building

Government Enclave
Plot 50762

Private Bag 0013
Gaborone

AUDITORS

Auditor General

BANKERS

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





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Report of the Auditor General	43
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Statement of changes in capital and reserves	46
Cash flow statement	47
Accounting policies	48 - 52
Notes to the financial statements	53 - 56
Detailed income statement	57



STATEMENT OF RESPONSIBILITY

The Members of the Board are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information in accordance with International Financial Reporting Standards.

The Auditor General is responsible to give an independent opinion on the fairness of the annual financial statements based on his audit of the affairs of the Organisation.

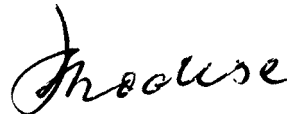
The Members of the Board are satisfied that management introduced and maintained adequate internal controls to ensure that dependable records exist for the preparation of the annual financial statements, to safeguard the assets of the Organisation and to ensure they are duly authorised.

The financial statements have been prepared on the going concern basis, since the Members of the Board have every reason to believe that the Revenue Service has adequate resources in place to continue in operation for the foreseeable future.

Against this background, the Members of the Board accept responsibility for the annual financial statements set out on pages 44 to 57 which were approved by the Board of Directors on 27th September 2006 and are signed on its behalf by:



WILFRED J. MANDLEBE
BOARD CHAIRPERSON



FREDDY MODISE
COMMISSIONER GENERAL



Office Of The Auditor General
Private Bag 0010
Gaborone.
Telephone 3617100
Fax 3908582/3188145

REPORT OF THE AUDITOR GENERAL TO THE MEMBERS OF BOTSWANA UNIFIED REVENUE SERVICE BOARD

I have audited the accompanying annual financial statements of the Revenue Service set out on pages 44 to 57 for the year ended 31 March 2006, in terms of section 124 (2) of the Constitution of Botswana. These financial statements are the responsibility of the Board of Directors. My responsibility is to express an opinion on these financial statements based on the audit.

I conducted my audit in accordance with the International Standards on Auditing. These standards require that I plan and perform the audit to obtain reasonable assurance, that in all material respects, fair presentation is achieved in the financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I have examined the books, accounts and vouchers of the Botswana Unified Revenue Service, to the extent I considered necessary and have obtained all the information and explanations which I required. I consider that the audit procedures were appropriate in the circumstances to express my opinion as presented below.

As discussed in note 4 of the financial statements, the Revenue Service did not review the residual values and useful lives of property, plant and equipment, which practice, in my opinion, is not in accordance with International Financial Reporting Standards. Accordingly we were not able to determine the impact of the aforementioned on the financial statements.

In addition, property, plant and equipment value of P111,204,549 taken on from the Botswana Government was not independently assessed nor did it reflect the fixed assets carrying and/or nominal value as at takeon.

In my opinion:

-except for the effect on the financial statements of the matter referred to in the preceding paragraph, Revenue Service has kept proper books of account with which the financial statements are in agreement; and

the financial statements give a true and fair view of the state of the Revenue Service's affairs as of 31 March 2006 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink, appearing to read 'P.E. Namogang'.

P.E. NAMOGANG
AUDITOR GENERAL



INCOME STATEMENT

for the fourteen month period ended 31 March 2006

	Note	2006 P
Revenue:		
Government subvention and grants	2	111,430,198
Interest income		669,838
Sundry income		5,750
Total Revenue		<u>112,105,786</u>
Expenditure:		
Administrative costs		(30,938,647)
Staff costs		(79,075,421)
Total expenses (see page 19)		<u>(110,014,068)</u>
Surplus for the period		<u><u>2,091,718</u></u>



BALANCE SHEET

as at 31 March 2006



Assets	Notes	2006 P
<i>Non current assets</i>		
Property, plant and equipment	4	111,012,119
<i>Current assets</i>		
Trade and other receivables	5	582,308
Cash and cash equivalents	6	12,138,291
		12,720,599
Total,assets		123,732,718
 Capital, reserves and liabilities		
<i>Capital and reserves</i>		
Property, plant and equipments grants		110,462,602
Accumulated surplus		2,091,718
		112,554,320
<i>Current liabilities</i>		
Trade and other payables	7	7,304,751
Provisions	8	3,873,647
		11,178,398
Total capital reserves and liabilities		123,732,718



STATEMENT OF CHANGES IN CAPITAL AND RESERVES

for the fourteen month period ended 31 March 2006

	Property, plant and equipment P	Accumulated surplus P	Total P
Balance at 01 February 2005	-	-	-
Net surplus for the year	-	2,091,718	2,091,718
Property plant and equipment transferred from government	111,204,549		111,204,549
Amortised portion of property plant and equipment grants	(741,947)		(741,947)
Balance at 31 March 2006	110,462,602	2,091,718	112,554,320



CASH FLOW STATEMENT

for the fourteen month period ended 31 March 2006



	2006
	P
Cash flow from operating activities	
Surplus for the year	2,091,718
Add: depreciation charge	802,619
Less: interest income	(669,838)
Operating surplus before working capital changes	<u>2,224,499</u>
Movement in working capital	
Increase in trade and other receivables	(582,308)
Increase in trade and other payables	11,178,398
Net cash from operating activities	<u>12,820,589</u>
Cash flow from investing activities	
Additions to property, plant and equipment	<u>(111,814,738)</u>
Interest income	669,838
Net cash used in investing activities	(111,144,900)
Cash flow from financing activities	
Property, plant and equipment grants	111,204,549
Amortised portion of property, plant and equipment grants	(741,947)
Net cash from financing activities	<u>110,462,602</u>
Net Change In Cash And Cash Equivalents	<u>12,138,291</u>
Cash And Cash Equivalents Beginning Of Year	<u>-</u>
Cash And Cash Equivalents End Of Year	<u>12,138,291</u>



Note 1: ACCOUNTING POLICIES

1.0 BACKGROUND

Botswana Unified Revenue Service (BURS) is a semi autonomous body corporate established by an Act of Parliament (BURS Act of 2003) as part of the Government's reform strategy for revenue administration. BURS is charged with the mandate of a) assessing and collecting tax on behalf of the Government, and b) administering and enforcing the revenue laws which include the Customs and Excise, Income Tax, the Capital Transfer and the Value Added Tax.

1.1 STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements, were applied consistently throughout the year are set out below and are in accordance with the International Financial Reporting Standards except the treatment of fixed assets transferred from Botswana Government, which is explained in Note 3.

1.1.1 BASIS OF ACCOUNTING

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

1.1.2 REVENUE RECOGNITION

a) Government subvention

Grants from the Government are recognised at their fair value where there is reasonable assurance that the grant will be received.

The subvention from the Government is recognised in the income statement when committed by Government.

Capital and development grants are credited and treated as deferred income in the balance sheet, amortised and credited to the income statement on a straight line basis over the useful lives of related assets.

b) Interest

Interest income includes interest on bank deposits and is recognised in the income statement on time basis.



1.1.3 RECOGNITION OF ASSETS, LIABILITIES AND PROVISIONS

Assets are recognised when the Revenue Service obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the Revenue Service.

Liabilities, including provisions, are recognised when the Revenue Service has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made and are discounted to present value where the effect is material.

No liability is recognised when:

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

1.1.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation. Property, plant and equipment are depreciated on a straight-line basis to the estimated residual value to reduce the carrying amount over their estimated useful lives of the property, plant and equipment. Full month depreciation is charged on the first month of acquisition and no depreciation is charged on the month of disposal.

Estimated useful lives are:

Leasehold property	50 years or lease period	2%
Freehold property	50 years	2%
Motor vehicles	4 years	25%
Computer Equipment	3 years	33.33%
Office Equipment	3 years	33.33%
Furniture and fittings	6.6 years	15%

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

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



1.1.5 COMPUTER SOFTWARE COSTS

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

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

1.1.6 FOREIGN CURRENCIES

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

All exchange gains and losses arising on translations are recognised in the income statement.

1.1.7 RETIREMENT BENEFITS

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

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

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

1.1.8 OTHER EMPLOYEE BENEFITS

Employees on contract receive terminal gratuities in accordance with their contracts of employment. An accrual is made for the estimated liability towards such employees up to the balance sheet date.

For daily rated employees, a provision is made for severance benefits on an annual basis.

All other employees are members of the Revenue Service pension scheme who do not qualify for such terminal gratuities.



1.1.9 LEASES

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

Deposit payments of operating leases are capitalised in the balance sheet and then expensed in the income statement when they fall due.

1.1.10 RISK MANAGEMENT

a) Credit Risk

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

b) Interest Rate Risk

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

1.1.11 FINANCIAL INSTRUMENTS

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

a) Cash and cash equivalents

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

b) Trade payables

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



1.1.12 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 7 Financial Instruments: Disclosures

IAS 1 Presentation of Financial Statements: Added disclosures about an entity's capital

IFRIC 8 Scope of IFRS 2

IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 10 Interim Financial Reporting and Impairment

The Board of Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Revenue Service.



2006

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2. Government Subvention And Grants

Subvention received in cash	100,181,975
Government grant rentals	10,506,276
Total Government subvention	<u>110,688,251</u>
Amortised portion of property plant and equipment grants	741,947
Total Government subvention and grants	<u><u>111,430,198</u></u>

3. Surplus from operations

Surplus from operations is stated after taking into account the following:

Depreciation	802,619
Directors' emoluments	<u><u>375,038</u></u>



4 Property, Plant And Equipment

	Buildings P	Motor vehicle P	Furniture & fittings P	Computer equipment P	Office equipment P	Total P
<i>Cost</i>						
Additions	100,118,341	2,683,936	5,594,471	3,335,264	82,726	111,814,738
At 31 March 2006	<u>100,118,341</u>	<u>2,683,936</u>	<u>5,594,471</u>	<u>3,335,264</u>	<u>82,726</u>	<u>111,814,738</u>
<i>Accumulated Depreciation</i>						
Depreciation charge for the year	333,728	111,831	140,974	200,001	16,086	802,619
At 31 March 2006	<u>333,728</u>	<u>111,831,</u>	<u>140,974</u>	<u>200,001</u>	<u>16,086,</u>	<u>802,619</u>
<i>Net carrying values</i>						
At 31 March 2006	<u>99,784,614</u>	<u>2,572,105</u>	<u>5,453,498</u>	<u>3,135,263</u>	<u>66,640</u>	<u>111,012,119</u>

International Accounting Standards (IAS16) provides that depreciation methods, residual values and useful economic lives should be reviewed annually to determine fair values of Property, Plant and Equipment. The useful and residual lives of assets transferred from the Botswana Government have not been determined pending proper valuation by an independent professional valuer therefore, the assets will be properly revalued in the ensuing financial year.



2006

P

5. Trade And Other Receivables

Travel advance	3,929
Prepaid rental for BURS new building	578,379
	<u>582,308</u>

6. Cash And Cash Equivalents

Barclays Bank Current Account	-
Barclays Bank Business Call Account	11,523,930
Barclays Bank Gratuity Call Account	612,361
Petty Cash balance	2,000
	<u>12,138,291</u>

7. Trade And Other Payables

Accounts payable	5,427,457
Other accruals	1,877,294
	<u>7,304,751</u>

8. Provisions

Provision for gratuity	1,415,024
Provision for severance pay	125,716
Provision for leave pay	2,332,907
	<u>3,873,647</u>



2006

P

9. Contingent Liabilities

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

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

596,069

Nil

10. Operating Leases

As at the balance sheet date the organisation had outstanding commitments for future minimum lease payments under non-cancellable leases which fell due as follows;

Within one year	7,557,787
In the second to fifth years inclusive	37,849,187
After five years	-
	<u>45,406,974</u>

Operating lease payments represent rentals payable for certain of its office properties.



BOTSWANA UNIFIED REVENUE SERVICE
DETAILED INCOME STATEMENT

for the fourteen month period ended 31 March 2006



2006

P

Revenue	112,105,786
Government subvention	110,688,251
Transfer from fixed assets grants	741,947
Interest from bank deposits	669,838
Other income (sale of tender documents)	5,750
Operating expenses	110,014,068
Advertising and publicity	119,694
Bank charges	128,865
Cleaning domestic and office requirements	565,915
Computer systems support	808,219
Consultancy fees	82,973
Depreciation expenses	802,619
Directors' emoluments	375,038
Hire charges	2,952,447
Lease rentals	12,504,118
Legal service charges	128,578
Maintenance	97,668
Motor vehicle fuel	1,056,853
Office and general supplies	1,607,542
Printing and stationery	242,903
Sanitary costs	30,718
Security charges	183,784
Seminars and workshops	308,361
Staff costs	79,075,421
Stores departmental and general expenses	233,016
Storage (document bank costs)	205,255
Telephone and other communications	2,467,068
Training & recruitment	531,195
Travel & subsistence	1,892,780
Water and electricity	3,613,037
Net surplus for the year	2,091,718



Functions of BURS

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

4. (1) The Revenue Service shall be responsible for the assessment and collection of tax on behalf of the Government.

(2) Without prejudice to the generality of subsection (1), the functions of the Revenue Service shall be to –

(a) administer and enforce the revenue laws;

(b) promote compliance with the revenue laws;

(c) take such measures as may be required to improve service given to taxpayers with a view to improving efficiency and maximising revenue collection;

(d) take such measures such as may be required to counteract tax fraud and other forms of tax evasion;

(e) advise the Minister on matters relating to the administration and collection of tax; and

(f) perform such other functions in relation to tax as the Minister may direct.

5. (1) The Revenue Service shall, in the discharge of its functions under this Act, have the power to –

(a) study the revenue laws and propose to the Minister, such amendments as it considers appropriate thereto, so as to improve the administration of, and compliance with, such laws;

(b) calculate the administrative costs, compliance costs and the operational impact of existing taxes and intended tax changes, and to advise the Minister accordingly;

(c) collect and process statistics needed to provide forecasts of tax receipts and effect on yield of any proposals for changes in the revenue laws, and to advise the Minister accordingly; and

(d) subject to the provisions of this Act, take such other measures as it considers necessary or desirable for the achievement of the purposes or provisions of the Act.

Glossary Of Terms

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





BURS Headquarters

BURS

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Attorney General's Chambers Building
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Gaborone

BURS Regional Offices

Central Region

Internal Revenue

Private Bag 0013
Selebi-Phikwe
Tel: 261 0795 / 261 5104
261 5105
Fax: 261 4862

Customs & Excise

P O Box 129
Selebi-Phikwe
Tel: 261 3699
261 0627
Fax: 261 5367

North West Region

Customs & Excise

P O Box 219
Maun
Tel: 686 1321 / 686 1143 / 686 1376
Fax: 6860194

South Central Region

Customs & Excise

P/Bag 00102
Gaborone
Tel: 364 2100 / 392 2855 / 392 2819 / 316 4155
Fax: 392 2781

South Region

Customs & Excise

P O Box 263
Lobatse
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North Region

Customs & Excise and Internal Revenue

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