

BURS

ANNUAL REPORT

2018





ANNUAL REPORT **2018**



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mobile medical unit service



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burs
mobile medical unit service

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OUR MISSION

To enable the fair payment of taxes, facilitate trade and manage borders for the development and security of the people of Botswana.



OUR VISION

Leading the way in revenue mobilisation and border management.



OUR CORE VALUES

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

Integrity: We uphold strong moral principles in all our dealings.

Accountability: We take responsibility for all our actions.

Innovation: We strive to improve our work – always seeking to introduce new ideas, methods and ways to improving our levels of service to our customers.



CORPORATE GOVERNANCE

The Botswana Unified Revenue Service (BURS) is responsible for the assessment and collection of taxes in Botswana on behalf of the Government.

It is charged with the responsibility for the assessment and collection of the Income Tax, the Value Added Tax (VAT), the Fuel Levy and the Capital Transfer Tax, and the administration of statutory controls at various border posts and other points of entry. In addition, BURS is charged with the responsibility of collecting Customs and Excise duties on behalf of the Southern African Customs Union (SACU). Other responsibilities include accounting for the revenue collected on behalf of the Government.

1. BOARD OF DIRECTORS

The Board of Directors consists of a Non-Executive Chairman, and other Members from the Public, Parastatal, Private sectors, and the Commissioner General. They are appointed by the Minister of Finance and Economic Development in accordance with provisions of Section 6 of the BURS Act, 2003 (No. 17 of 2004).

The Board meets at least four (4) times in a year pursuant to its statutory mandate and to ensure proper and effective control of the Revenue Service's operations and to carry out periodic evaluation of the Revenue Service's operational performance. The Board Members indicate interest through declarations at every sitting in respect of matters under discussion.

For period under review, the Board met the set statutory requirements with regards to meeting frequency.

The Board is served by the Office of the Board Secretary, which is also functionally responsible for Legal Services across the organisation. For the period under review, the substantive Board Secretary & Director Legal Services assumed role in July 2017, between January 2017 and date of appointment, office holders assisted in acting capacity.

2. BOARD COMMITTEES

Section 15 (1) of the BURS Act empowers the Board to appoint Committees. The Committees may be of a general or special nature, consisting of a number of Members, with such qualifications, as the Board may determine. Further, the Board may delegate any of its powers, functions or duties under the Act to the appointed Committees. The Board has appointed the following Committees, namely; the Board Audit and Finance Committee (BAFC), the Board Human Resources Committee (BHRC) and the Board Tender Committee (BTC). The Board may further appoint co-opted Members who are specialists in the identified field of corporate governance.

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

COMMITTEE	NAME	ROLE	DUTIES
Board of Directors	Dr. Taufila Nyamadzabo	Chairperson & Board Member	The Board's primary responsibilities include the approval of the business and corporate plans of BURS, determining BURS' vision and values and giving strategic direction to BURS, identifying key risk areas and key performance indicators of BURS' business, monitoring the performance of BURS against agreed objectives, prescribing such administrative measures as may be required to safeguard the tax revenues, approving a code of conduct for the Revenue Service, advising on significant financial matters pertaining to BURS and reviewing the performance of the Commissioner General against defined objectives and other applicable performance standards.
	Mr. Wankie B. Wankie	Vice Chairperson & Board Member	
	Mr. Gaamangwe Lebele	Board Member	
	Ms. Keletso Mothusi	Board Member	
	Ms. Ontlametse B. Ward	Board Member	
	Ms. Gaongalelwe G.P. Mosweu	Board Member	
	Mr. Keneilwe R. Morris	Commissioner General & Board Member	
Board Audit and Finance Committee	Mr. Gaamangwe Lebele	Chairperson & Board Member	The Committee is charged with the oversight responsibilities and providing direction in the assessment of effectiveness of BURS systems of Risk Management Internal Controls, Governance and Compliance. The Committee also oversees the review of financial performance in line with corporate strategy and budgets, as well as the review of audited financial statements with the external auditors prior to the approval by the Board. The Committee is also functionally responsible for the Internal Audit Function.
	Ms. Keletso Mothusi	Committee Member & Board Member	
	*Ms. Rorisang Modikana	Co-opted Member	
	*Mr. Bright-Moses Motsu	Co-opted Member	
	Mr. Keneilwe R. Morris	Committee Member & Board Member	

Board Tender Committee	<p>Mr. Wankie B. Wankie</p> <p>Ms. Ontlametse B. Ward</p> <p>Ms. Gaongalelwe G.P. Mosweu</p> <p>*Ms. Elisah M. Mosesane</p> <p>*Ms. Mercy B. Conlon</p>	<p>Chairperson & Board Member</p> <p>Committee Member & Board Member</p> <p>Committee Member & Board Member</p> <p>Co-opted Member</p> <p>Co-opted Member</p>	<p>The Committee is responsible for adjudication of tenders in respect of the procurement of goods and services valued at above P5,000,000.00 (P5 million), as well as all matters incidental to procurement</p>
Board Human Resources Committee	<p>Ms. Ontlametse B. Ward</p> <p>Mr. Wankie B. Wankie</p> <p>Ms. Gaongalelwe G.P. Mosweu</p> <p>*Mr. Gabriel T. Mosinyi</p> <p>Mr. Keneilwe Morris</p>	<p>Chairperson & Board Member</p> <p>Committee Member & Board Member</p> <p>Committee Member & Board Member</p> <p>Co-opted Member</p> <p>Committee Member & Board Member</p>	<p>The Committee deals with the recruitment of senior members of staff and remuneration policy of all BURS staff, and advises the Board on all staff welfare and human resources related matters.</p>

Attendance of Meetings by the Board of Directors:

Name	Position	EO 02/05/17	15/06/17	14/09/17	EO 30/11/17	29/03/18	Sitting Allowance (BWP)
Dr. T. Nyamadzabo	Chairperson	√√√	√√√	√√√	√√√	√√√	11,250.00
Mr. W. B. Wankie	Vice Chairperson	√√√	√√√	√√√	√√√	√√√	9,000.00
Mr. G. Lebele	Member	√√√	√√√	√√√	√√√	√√√	9,000.00
Ms. O.B. Ward	Member	√√√	√√√	√	√√√	√√√	7,200.00
Ms. K. Mothusi	Member	√√√	√√√	√√√	√√√	√√√	9,000.00
Ms G.G.P. Mosweu	Member	√√√	√√√	√√√	√√√	√√√	9,000.00
Mr. K. R. Morris	Commissioner General	√√√	√√√	√√√	√√√	√√√	n/a
Ms. B. Tumiso	Board Secretary and Director Legal Services	X	X	√√√	√√√	√√√	n/a
Ms. L. Mafukidze	Acting Director Legal Services	√√√	√√√	X	X	X	n/a

MEETINGS ATTENDANCE BY BOARD COMMITTEE MEMBERS

Board Tender Committee meetings:

NAME	Position	20/04/17	16/05/17	15/06/17	EO 18/08/17	EO 23/08/17	14/11/17	15/02/18	Sitting Allowance (BWP)
Mr. W. B. Wankie	Chairperson	√√√	√√√	√√√	√√√	√√√	√√√	√√√	15,750.00
Ms. O.B. Ward	Member	√	√√√	√√√	√√√	√√√	√√√	√√√	10,800.00
Ms. G.G.P. Mosweu	Member	√√√	√√√	√√√	√√√	√√√	√√√	√√√	12,600.00
Ms. E. Mosesane	Member	√√√	√	√	√	√	√	√√√	3,600.00
Ms. M. Conlon	Member	√√√	√	√	√√√	√	√√√	√√√	7,200.00
Mr. K. R. Morris	Commissioner General	√	√√√	√√√	√√√	√√√	√√√	√√√	n/a
Mr. K. Kgositlanti	Commissioner Finance and Administration	√√√	√√√	√√√	√√√	√√√	√√√	√√√	n/a
Ms. B. Tumiso	Board Secretary and Director Legal Services	X	X	X	√√√	√√√	√√√	X	n/a
Ms. L. Mafukidze	Acting Director Legal Services	√√√	√√√	√√√	X	X	X	√√√	n/a
Mr. K. Labane	Committee Secretariat	√√√	√√√	√√√	√√√	√√√	√√√	√√√	n/a

Board Human Resources Committee Meetings:

NAME	Position	18/05/17	01/06/17	17/08/17	13/11/17	27/11/17	16/01/18	16/03/18	Sitting Allowance (BWP)
Mr. W. B. Wankie	Member	√√√	√√√	√√√	√√√	√√√	√√√	√√√	15,750.00
Ms. O. B. Ward	Chairperson	√	√	√√√	√√√	√√√	√√√	√	7,200.00
Ms. GGP. Mosweu	Member	√√√	√√√	√√√	√√√	√√√	√√√	√√√	12,600.00
Mr. G. Mosinyi	Member	√√√	√√√	√√√	√√√	√√√	√	√√√	10,800.00
Mr. K. R. Morris	Commissioner General	√√√	√√√	√√√	√√√	√√√	√√√	√√√	n/a
Mr. S. Lekau	Commissioner, Operations	X	X	X	√√√	X	X	X	n/a
Ms. B. Tumiso	Board Secretary and Director Legal Services	X	X	√√√	√√√	√√√	√√√	√√√	n/a
Ms. L. Mafukidze	Acting Director Legal Services	√√√	X	X	X	√√√	X	X	n/a
Ms. V. Maphanyane	Committee Secretariat	√	X	X	√√√	√√√	√√√	√√√	n/a
Ms. G. Siamisang	Management	√√√	X	X	X	X	X	X	n/a
Mr. K. Tshane	Management	√√√	X	X	X	X	X	X	n/a

Board Audit and Finance Committee Meetings:

NAME	Position	23/05/17	22/08/17	17/11/17	20/03/18	Sitting Allowance (PULA)
Mr. G. Lebele	Chairperson	√√√	√√√	√√√	√√√	9,000.00
Ms. K. Mothusi	Member	√√√	√√√	√	√√√	5,400.00
Ms. R. Modikana	Member	√√√	√	√√√	√√√	5,400.00
Mr. B. Motsu	Member	√	√√√	√	√	1,800.00
Mr. K. R. Morris	Commissioner General	√√√	√√√	√√√	√	n/a
Mr. S. Lekau	Commissioner, Operations (Acting Commissioner General)	X	X	X	√√√	n/a
Ms. B. Tumiso	Board Secretary, and Director Legal Services	X	√√√	√√√	√√√	n/a
Ms. L. Mafukidze	Acting Director Legal Services	√√√	X	X	X	n/a
Ms. M. Gaseitsiwe	Committee Secretariat	√√√	√√√	√√√	X	n/a
Mr. T. Laetsang	Committee Secretariat	X	X	X	√√√	n/a

√√√ Attended
 √ Apology
 X Pre/Post term
 EO Extra Ordinary Board/Committee meeting
 n/a Not applicable

BOARD OF DIRECTORS



Dr. T. Nyamadzabo
Board Chairman



Mr Wankie B. Wankie
Board Member



Mr Keneilwe R. Morris
Commissioner General



Mr Gaamangwe Lebele
Board Member



Ms Ontlametse B. Ward
Board Member



Ms Gaongalelwe G. P. Mosweu
Board Member



Ms Keletso Mothusi
Board Member

BURS OPERATIONAL STRUCTURE

BURS is made up of nine Divisions namely: Customs Services Division (CSD), Domestic Taxes Division (DTD), Operations Division (OD), Finance & Administration Division (FAD), Human Resources Division (HRD), Information Technology Division (ITD), Internal Audit and Ethics Division (IAED), Legal Services Division (LSD) and the Office of the Commissioner General (OCG).

Office of the Commissioner General

The Office of the Commissioner General provides strategic and operational leadership needed to ensure that the organisation meets its revenue targets, as well as enhance the ability of Government to broaden the tax base and thereby increase revenues from domestic tax sources. The Office of the Commissioner General houses the Communications, Transformation and Modernisation, Research and Reporting and Enterprise Risk Management functions.

Customs Services Division

The Customs Services Division has responsibilities that include: To provide strategic direction for the customs and excise service; To develop policies, strategies and programs and provide guidance in all aspects of customs and excise administration; To provide leadership in the negotiation and facilitation of regional and international trade and customs agreements to safeguard the Botswana's interests; To further coordinate all policy matters with the Botswana Government, international bodies such as IMF, World Bank, and liaise with intergovernmental organisations such as WCO, WTO, and SACU.

Domestic Taxes

This Division is charged with the following responsibilities: To provide strategic direction in the development of Domestic Taxes

legislation, policies and strategies; to ensure consistency in the interpretation of the tax laws, mainly the Income Tax, VAT and Capital Transfer Acts; to further provide leadership and advice in the determination and negotiation of the tax administration landscape.

Internal Audit and Ethics

The Internal Audit and Ethics Division is an independent appraisal function established to examine, check, review, appraise and monitor the activities of BURS to ensure effectiveness and compliance with internal control systems and procedures. It is also charged with the responsibility to monitor, review, investigate and verify the activities and operations of BURS to ensure integrity, effectiveness and compliance with internal control systems and procedures to enhance efficiency, reduce potential risk, protect, and ensure optimal utilization of BURS resources.

Legal Services

The Legal Services Division plays a dual role in the administration of the BURS Act and the Revenue Laws. The Secretary to the Board is responsible for the legal affairs of the Revenue Service and heads the Division. The Legal Services Division is responsible for advising and assisting the Commissioner General on legal matters which arise under the BURS Act, the Revenue Laws and other legislation impacting on BURS's activities.

Finance and Administration

The Finance and Administration Division 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. It is also responsible for planning, organising and managing the delivery of cost effective, value for money support services, in the areas of: Infrastructure Development Projects; Facilities Management; Fleet Management; General Administration and Security Services.

Human Resources

The Human Resources Division ensures that the organisation has the appropriate human resources and relevant policies to support leadership to fulfil the mandate of BURS.

Information Technology

The Information Technology Division provides information technology services to BURS service delivery functions. This role encompasses technology planning, establishment of standards and procedures and technology acquisition service in a support and oversight role for the quality of the IT component of all business system initiatives.

Operations Division

The Operations Division is responsible for field delivery of BURS services and it comprises of the Compliance Section, Processing of Returns/Declarations Section, Taxpayer Service Section and oversight of Regional and Inland offices as well as Border Post operations.



EXECUTIVE COMMITTEE



Mr Keneilwe R. Morris
Commissioner General



Mr. Segolo Lekau
Commissioner Operations



Mr. Kingsley Kgosiidintsi
Commissioner Finance & Administration



Ms Mukani Pelaelo
Director Human Resources



Ms Agnes B. Motlhanka
Director, Internal Audit and Ethics



Mr Phodiso P. Valashia
Commissioner, Customs Services



Ms Lebesani Mosweu
Director Information Technology



Mr. Tutu Bakwena
Commissioner - Domestic Taxes



Mr Gaitsiwe M. Motsewabagale
General Manager, Research & Reporting



Ms Bame Tumiso
Director, Legal Services & Board Secretary



BOARD CHAIRPERSON'S REVIEW

Introduction

I am pleased to present to the Honourable Minister of Finance and Economic Development the Botswana Unified Revenue Service (BURS) Annual Report for the financial year ended 31st March, 2018.

The report focuses on the operational performance of the Revenue Service and covers the following broad areas; tax revenue collection performance, general operations, challenges encountered and strategies employed to improve the performance of the Revenue Service.

Dr. T. Nyamadzabo
Board Chairperson

BOARD CHAIRPERSON'S REVIEW

Economic Conditions

The domestic economy continued on a positive growth trajectory during the period under review. Following a contraction of 1.7% registered in 2015, the economy grew by 4.3% in 2016 and registered a growth of 2.9% in 2017. This growth was mainly driven by improved performance of the mining sector as a result of increased demand for diamonds in the global economy as well as the continued good performance of the non-mining sectors especially, Trade, Hotels and Restaurants; Transport and Communications; and Finance and Business Services. The domestic economic outlook remains positive with a growth rate of 4.5% expected in 2018.

Regionally, the economic growth for the Southern African Development Community (SADC) reached 2.6% in 2016 and 3.3% in 2017. This improved regional performance was also attributed to the increase in global economic activity.

The global economy continued to register positive growth with a rate of 3.2% registered in 2016 and 3.7% in 2017. The same growth rate of 3.7% has been forecast for 2018.

Governance matters

During the period under review, there were no changes in the composition of the BURS Board of Directors and its Committees which augured well for the oversight work of the Board as this ensured continuity, focus and certainty.

On behalf of the Board I wish to convey my sincere appreciation to the members of the BURS Board and Board Committees for having fully executed their mandate professionally and selflessly during financial year 2017/18. I urge them to continue their good work in the following financial year.

PERFORMANCE HIGHLIGHTS FOR THE YEAR

Revenue Performance.

The financial year 2017/18 was the last but one year of the implementation of the BURS 2014-19 Strategic Plan. It was a successful year as BURS collected total tax revenue amounting to P40.714 billion compared to P35.808 billion during the 2016/17 financial year. The collection was below the target of P41.204 billion by P490 million or 1.19 % but, however, exceeded the previous year's collection of P35.808 by P4.91 billion which translates to a 13.7% increase in revenue collection. This significant increase in revenue collection ensured that BURS maintained an upward increase in revenue collection from year to year in line with its strategic goal of maximizing revenue collection.

BURS Projects

As part of the implementation of the Strategic Plan, BURS continued to execute its major projects as contained in the Board approved 2017/18 Annual Business Plan. The key projects included, among others; the continuation of the construction of the BURS Head Office building which begun in July 2014 and, due to delays caused by various factors, was expected to be completed in the fourth quarter of the 2018/19 financial year. The refurbishment of BURS properties, building of new staff housing at various border posts and improvement of infrastructure also continued. With regard to IT systems, implementation of the Customs Management System started in January 2017 and the project went into Phase 2 in July 2017 which was planned to be completed by end of financial year 2017/18. Regarding the project to acquire a modern Tax Management and Revenue Collection System,

BOARD CHAIRPERSON'S REVIEW *(Continued)*

the tendering process was completed and the contractors commenced the development of the system. The system was expected to go live in April 2019.

Challenges

Despite the reporting period having been successful in terms of revenue mobilisation, the Revenue Service continued to be plagued by operational challenges, and the major one among these being the lack of timely execution of projects due to capacity and other constraints. The issue of low uptake of e-services was also a challenge despite the publicity campaign which was undertaken to get more taxpayers to use the on-line filing system. This low uptake resulted in long queues being experienced during the peak period of the filing season hence defeating the efforts which the Revenue Service had put into establishing an e-services platform for purposes of delivering quality service to its customers.

Future Outlook

A positive outlook is anticipated for 2018 with the domestic economy forecast to grow by 4.5%, which will be an improvement over a growth rate of 2.9% in 2017. The outlook is based on the continued good performance in both the mining and non-mining sectors. Performance of the mining sector is expected to benefit from the continued recovery in the global economy whilst that of the non-mining sector is anticipated to reflect the impact of the Government's policy interventions and strategies which are aimed at diversifying the country's sources of economic growth.

Acknowledgements

Let me take this opportunity, on behalf of the BURS Board, to express my gratitude to Management and the entire staff of BURS,

who continue to support the BURS Board by rendering their service with dedication and commitment despite the challenging working conditions.

I also wish to thank our stakeholders who continue to pay their tax dues, and thus making the achievement of our mandate possible through their continued cooperation and good working relationship.

I further express my appreciation to the BURS cooperating partners for their support to the Revenue Service in various capacities which has assisted us to realise our objectives for the year. The Revenue Service will continue to bank on this support to enhance our tax collection mandate.

In conclusion, I would like to extend my sincere gratitude to the Government of Botswana, particularly the Minister of Finance and Economic Development, for providing policy guidance and support to BURS.

Dr. T. Nyamadzabo
Board Chairperson



COMMISSIONER GENERAL'S REVIEW

INTRODUCTION

I am pleased to submit the report on the operations and financial performance of the Botswana Unified Revenue Service covering the financial year ended 31st March, 2018.

COMMISSIONER GENERAL'S REVIEW

INTRODUCTION

I am pleased to submit the report on the operations and financial performance of the Botswana Unified Revenue Service covering the financial year ended 31st March, 2018.

The main thrust of the report is to show the performance of BURS for 2017/18 financial year. The report indicates the challenges and strategies used to address those challenges to achieve BURS mandate. The report is based on the Balanced Scorecard reporting approach concerning People, Processes, Customer Focus, and the Financial perspectives.

PEOPLE PERSPECTIVE – LEARNING AND GROWTH

Organizational and Pay Structure Review

The financial year 2017/18 marked the commencement of implementation of the revised BURS Organisational Structure. This was following the completion of the project to review of the BURS Organisational Structure and Pay structures in 2016/17.

Key among the main features of the revised structure was to bring some more focus into decentralising the BURS functions to the regional offices to improve service delivery as well as to change the pay policy from benchmarking the maximum of the BURS pay ranges in each band against the Median of the parastatals market, to a new pay policy of benchmarking the BURS guaranteed packages against the All Organisations Market at different anchor points.

The implementation of the revised organisational structure involved first converting employees into the new structure,

before filling new positions. In this respect, all BURS employees were converted. The process of filling newly created positions started in 2017/18, and will continue with the creation of more positions to address the identified needs. The Board of Directors had decided that the structure should be implemented over a period of three years to 2019/20 financial year.

Consequently, capacity of the regional offices has been strengthened by appointment of higher-level officers to head the regions in order to improve collaboration and accountability at the regions. This is in alignment with the BURS strategic objective of 'Improved Customer Service'.

Besides the organisational structure, some improvement was made on the pay component by introducing attraction allowance in certain areas such as Information Technology (IT), IT Audit, and Legal Services, where BURS was hard hit by attrition. To improve competitiveness with the market, and to retain skills in critical areas, BURS undertook a project to review attraction allowance with a view to consider the feasibility of extending the allowance to other areas where staff have gained unique skills and experience. The recommendations of the review were to be processed in the 2018/19 financial year.

Staff Capacity Building

BURS continues to provide a budget for staff development to ensure that its employees are fully capacitated through a variety of training programmes both locally and internationally so that they can effectively contribute to the realization of the BURS Vision. During the 2017/18 financial year, BURS allocated P7,646,250.00 to the training vote, which constituted an increase over the 2016/17

financial year's provision by P738, 315.00 or 9.6%. The budget was utilised to fund ninety-two (92) courses against a target of eighty (80), attended by seven hundred and nineteen (719) employees against a target of seven hundred (700). Out of the courses attended, five (5) were long-term training while eighty-seven (87) were short and in-house courses. Long-term training courses included Master's Degree in Revenue Laws and Administration offered by the Institute of Tax Administration (ITA) in Tanzania. Four employees from the former Internal Revenue and the Customs and Excise Divisions pursued the Master's Degree in Revenue Laws and Administration in the quest to build capacity in the Domestic Taxes and Customs areas.

BURS continues to develop capacity in the customerservicefield, which has been identified as one of the critical areas for improving BURS capacity to deliver. The initial training targeted employees who directly serve customers in front offices such as those at border posts, taxpayer service centres and the call centre. In 2017/18, the customer service training was enhanced by incorporating training on the BURS Values. BURS trained one hundred and fifteen (115) employees, bringing the overall total employees trained on customer service by end of the financial year to three hundred and ninety-two (392). BURS strives to have all BURS employees trained on customer service in the quest to improve service delivery in support of the Government's commitment through the 10 point agenda and the national agenda on ease of doing business.

During the 2017/18 financial year, BURS undertook a review of the Graduate Trainee Programme (GTP) with a view to improve the programme and align it to contemporary standards. The GTP is a flagship programme introduced to equip newly appointed graduates with domestic taxes and customs

and excise expertise, as part of developing a total tax person.

The review was outsourced to the Uganda Revenue Authority (URA), which has extensive experience in running a tax academy.

PROCESS PERSPECTIVE – ENTERPRISE EFFECTIVENESS

Strategic Plan Implementation

For ease of implementation, the BURS five-year Strategic Plan is broken down into annual business plans which are developed and executed at the beginning of each financial year. The financial year 2017/18 was the first year of implementation of the revised BURS Strategic Plan which resulted from the mid-term review of the 2014 to 2019 Plan that was undertaken between October 2016 and January 2017.

Performance against the 2017/18 Annual Business Plan

The implementation of the revised Strategic Plan with specific reference to the Annual Business Plan for the period ending 31st March 2018 was as follows:

Objective 1 – Improve Enterprise Effectiveness:

There were 6 Strategic Objectives which were driven by 16 Initiatives. Performance for 2 Initiatives was on track as they were completed and four were still in progress while nine were lagging behind. One Initiative was not rated because a different approach was adopted hence different Activities had to be developed for it.

Objective 2 – Maximize Responsiveness to Taxpayers:

The Strategic Goal of Maximising Responsiveness to Taxpayers had 3 Strategic Objectives driven by 7 Initiatives. Out of the

7 Initiatives, performance for one Initiative was on track and was completed, two were in progress while four Initiatives were lagging behind.

Objective 3 – Maximize Revenue Collection and Improve Cost Effectiveness:

Under the Strategic Goal of Maximising Revenue Collection there were 3 Strategic Objectives which were driven by 7 Initiatives. Out of the 7 Initiatives, performance for 2 was on track and they were completed, three initiatives were still in progress while the other 2 Initiatives were behind schedule.

The Transformation Agenda

The BURS Transformation and Modernisation Office continued to deliver its mandate during the 2017/18 financial year by executing a number of initiatives. Some of the notable achievements included establishment of the Transformation, Strategy and Projects Committee. The Committee was established by EXCO to assist the leadership in its oversight responsibilities of championing the BURS Transformation Strategy and plan. Other initiatives included making improvements to strategy management and analytics by introducing Key Performance Indicators (KPI) reporting instrument at corporate level, establishment and resourcing of the Strategy Management and Planning Office, to enhance management of the corporate strategy.

Use of the Canine Facility (Sniffer dogs)

Since the introduction of the Canine Facility by BURS in December 2016, the Customs sniffer dogs continue to provide the non-intrusive search and detection service at Botswana's ports of entry to detect and in the process prevent the smuggling of contraband such as drugs, arms and ammunition, explosives, chemicals, endangered fauna and flora or

undeclared cargo, including currency.

The sniffer dogs are utilised to ensure compliance with the provisions of the Customs and Excise Duty Act in the wake of the ever-escalating instances of smuggling of contrabands into Botswana and the need to effectively curb the problem.

Review of Revenue Laws

During the year under review and predominantly under the guidance of an expert from the AFRITAC South office of the International Monetary Fund (IMF), BURS spearheaded the development and review of various pieces of revenue legislation as indicated in the following synopsis:

- **Tax Administration Bill**

In line with the relevant clause in the National Budget Speech of 2017, BURS spearheaded the development of a Tax Administration Bill. When enacted, the Tax Administration Bill is an Act that consolidates the administrative provisions of the Income Tax and the Value Added Tax Acts. The purpose of the Act is to reduce and streamline administrative provisions in both Acts so that there is consistency in the application of provisions that are common to both Acts. During the period under review various development workshops and meetings were held by teams comprising officers of BURS and the Ministry of Finance and Economic Development. The IMF expert facilitated 3 such workshops/meetings during the year under review.

- **Review of the Income Tax Act**

Also, in accordance with the 2017 Budget Speech, the BURS commenced the

Collecting for Progress



review of the Income Tax Act. Primary to the review was a desire to modernise the Act to ensure that its design is consistent with current legislative drafting styles and to incorporate new age issues such as transfer pricing regulations. Further, during the review exercise the team was also mandated to incorporate provisions that meet the requirements of the Base Erosion and Profit Shifting (BEPS) Inclusive Framework and the Forum on Harmful Tax Practices (FHTP). All discussions around the review were facilitated by the IMF expert.

- **Review of the Value Added Tax Act**

The Budget Speech of 2017 also initiated a comprehensive review of the Value Added Tax Act. Specifically, the review of the Value Added Tax Act was to focus on a review of the tax expenditure provisions in the Act. The work on the Act commenced during the year also with the assistance of the IMF Expert.

- **Review of the Transfer Duty Act**

Work on the amendment of the Transfer Duty Amendment Bill continued during the course of the year. The work was an ongoing exercise that had commenced some years prior to the period under review. Worth particular noting was the proposal for the BURS to commence assessments and collection of Transfer Duty, a role currently played by the Registrar of Deeds. The work remained ongoing at the end of the year under review.

- **Review of the Capital Transfer Tax Act**

During the year under review BURS spearheaded work on the review of the

Capital Transfer Tax Act. The purpose of reviewing this Act was two-fold. In the first instance the review was meant to align the Act to the Transfer Duty Act with a view to ensuring that the spirit of the two legislations are not in direct conflict with each other. Secondly, the provisions of the Act were reviewed to reflect current realities in areas such as exemptions under the Act. This work was completed during the period under review.

- **Development of the SPEDU Development Approval Order**

In an effort to improve the investment climate in the Selebi-Phikwe and Francistown areas, BURS participated in the development of the SPEDU Development Approval Order. The Order was enacted in 16th February 2018 and was intended to provide a preferential investment environment primarily through granting a low tax rate to beneficiary companies operating in the affected areas.

With regard to the Customs legislation, BURS worked with the Ministry of Finance and Economic Development and the Attorney General's Chambers to finalise the Customs Bill. The main objective of the Bill is to: create an enabling and conducive environment for cross-border business; enable Botswana to meet some of her commitments to curb money laundering and; further align Botswana's Customs legislation with international best practices, in particular, the Revised World Customs Organisation's Kyoto Convention and the Southern African Customs Union (SACU) Agreement. Following accession to the Revised Kyoto Convention by all SACU Member States and a SACU Customs legislative review process, all SACU Member States including Botswana agreed that the

Convention should be implemented by revising their customs legislations.

Technical Assistance Programmes

BURS continued to enjoy the support of the IMF through a technical assistance expert in the area of tax legislation development. During the year under review, the expert made three (3) visits of an average of ten (10) days each to Gaborone and engaged extensively with various stakeholders.

On the Customs front, Cooperation continued between BURS and the World Customs Organisation on accreditation of experts and delivery of technical missions by those already accredited by the WCO in various Customs technical areas including, Rules of Origin, Transit and Implementation of the World Trade Organisation (WTO) Trade Facilitation Agreement. Botswana-European Union Cooperation (BEUC) assisted BURS with funding of Customs training whose purpose was to raise awareness with regard to the SADC-EU Economic Partnership Agreement (EPA), which came into effect in June 2016.

DEVELOPMENT PROJECTS

COMPLETED PROJECTS

Construction of Residential Flats at Ramatlabama Border Post

Construction work started on 15th April 2015 and the initial completion date was 14th April 2016. This was revised to 29th September 2016 as the work was delayed by challenges presented by the presence of clay expansive soil on site and non-availability of the specified bricks locally. The September 2016 completion date was not achieved but the project eventually completed in June 2017.

Design and Construction of the Mamuno Border Post Sewerage System

The project completion was initially scheduled for 3rd December 2016 and was extend to 3rd February 2017. However due to persistent inclement weather which prevented the continuation of work the project completion date was further extended to 17th March, 2017, which was also not achieved. The project was eventually completed in May 2017.

Maintenance and Refurbishment of Tlokweng Border Residential Facilities

Refurbishment work on the residential facilities was completed.

ONGOING AND DELAYED PROJECTS

Construction of the BURS Head Office Building

The project was planned for completion by December, 2016, but had to be extended initially to 14th March 2017 to accommodate an increase in scope (addition of two floors to the northern wing) to provide accommodation for 200 officers at an extra cost of P39 million which was sourced from savings realised within the project. The indicated completion date was not achieved and the completion date was moved to 30th November 2018. The delay in the project was caused by; the change in scope to include two additional floors, resourcing challenges on side of service provider as well as the difficulties enquired in sourcing the required specialised materials.

Design and construction of a One Stop Border at Pioneer Gate

The project was started in 2010 and was scheduled to be completed within 3 years but because of challenges relating to land issues it could not get off. However, arrangements

were made to re-start the project in financial year 2017/18.

Sewerage Infrastructure Upgrade for Tlokweng Border

The tendering process for this project was began in March 2017 but the project was delayed by the need to carry out an environmental impact assessment, which was not considered when developing the project plan.

Maintenance and Refurbishment of Tlokweng Border Office Facilities

Refurbishment work on the commercial office facility was initially scheduled for completion by September 2017 but as at March 2018 the project was still in progress and estimated at 99%. The delay of the project was mainly caused by lack of adequate resourcing by the contractor hence they were charged the Liquidated and Ascertained Damages (LADs).

General Maintenance of Martins Drift and Kazungula Road Borders

The tender for consultancy work was awarded in January 2017 and the consultants embarked on a detailed scoping of the work. The project was expected to take three years.

CUSTOMER PERSPECTIVE- FOCUS AND NEEDS

Acquisition of the Tax and Customs Management Systems

A new Customs Management System (CMS), which replaced the ASYCUDA system, was implemented in January, 2017 while the overall project, which included interfacing with other stakeholders was completed as Phase 1 of the project in December 2017. The implementation of the following Phase 2 modules was completed in June 2018 namely: Appeals, Passenger Cargo, Post Clearance Audit, Vehicle Registration module,



Miscellaneous Payments, Offence Management, Electronic Certificate of Origin, AEO, State Warehouse, Exemption Management, Refund Management, Resource Management and Guarantee Management. However, Other Government Agencies (OGA) modules were pending activation due to delay in OGA commitment although their processes were completed including training of their clients.

The Revenue Service embarked on a project to develop and implement a modern web-based Tax Management and Revenue Collection System (TMRCS) to replace the current legacy system which no longer meets business requirements due to its design limitations. This is an eighteen (18) months project which commenced on the 1st September 2017 and the system will go live in two phases, first go-live on the 1st April 2019 and the second go-live on the 30th July 2019 followed by eighteen (18) months post implementation support. The development partner for the project is Nortal AS Limited in a joint venture with a local company, Morofin (PTY) LTD.

The new TMRCS will interface with third party information systems as well as all internal systems within BURS for data validation and analytics to ensure more efficiency and data integrity for the Revenue Service.

The current e-services platform will also be enhanced to align to the re-engineered forms, processes and procedures brought about by the new TMRCS.

Taxpayer Education and Compliance

During the 2017/18 financial year BURS conducted several taxpayer education workshops, business to business education, one on one trainings for Individuals and public awareness campaigns to educate the taxpayers on the use of the e-services, as a way of improving voluntary compliance.

The effort resulted in 29% of Individual Taxpayers filing their returns through the e-services platform as against the target of 40%. However, e-services usage for the other categories of tax returns was still low, having recorded a usage of 3.2%, 4.34% and 4.06% for Pay As You Earn (PAYE), Other Withholding Tax (OWT) and Corporate Income Tax respectively against a target of 45%. For VAT, the situation was slightly better with e-services usage of 12% for category A and B companies, 58.7% for category C companies against a target of 75%. Usage among large taxpayers for filing VAT returns was at 92% which was way above the targeted 75%. The e-services usage statistics are shown in tabular form below.

2017-18 E-services Usage Statistics – Return filing

Tax Type	Individual	PAYE	OWHT	Corporate	VAT
Usage (%)	29	3.2	4.34	4.06	C: 58.68 A: 12.72 B: 12.12 Large Taxpayers: 92
Targets (%)	40	45	45	45	75

STAKEHOLDER ENGAGEMENT

Private Sector Stakeholders

BURS has established formal relationships with its key stakeholders so as to better execute its mandate. These stakeholders include the Botswana Institute of Chartered Accountants (BICA) and the two Associations representing the Customs Clearing and Forwarding Agents. In terms of these relationships, BURS holds regular meetings with them to discuss operational matters with the aim of improving customer service.

Public Sector Stakeholders

BURS participated in all the meetings of the Joint Commission on Defence and Security (JCDS), to foster cooperation with other regional law enforcement and revenue administrations.

Participation in the International Tax Arena

BURS continues to be Botswana's focal point for various collaborations on taxation. As a result, BURS continuously and consistently participates in various regional continental and international bodies. The following is a brief synopsis of the activities on the international tax front that BURS was involved in.

Global Forum on Transparency and Exchange of Information for Tax Purposes

Having joined the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) in 2010 Botswana has been subjected to three (3) peer review processes over the last eight (8) years. The reviews assess Botswana's alignment to the global standard of exchange of information. BURS has actively participated in all the reviews and occasionally participates in meetings of the Global Forum.

During the year under review BURS continued to be an integral participant in Botswana's team preparing for a peer review of Botswana's exchange of tax information and beneficial ownership environment that is to be undertaken during 2019.

African Tax Administration Forum (ATAF)

Formed in 2008, Botswana has been active in the African Tax Administration Forum (ATAF) since inception and became a full member by depositing its instruments of ratification with ATAF Secretariat in 2015. Through BURS, Botswana has benefited significantly from the offerings of ATAF including in particular capacity building and technical assistance events.

Through interacting with ATAF, officers of the BURS have represented Botswana and ATAF at global forums such as various working parties at the standard-setting OECD. During the year under review BURS officers participated in meetings of the ATAF Cross Border Taxes Working Group together with the Value Added Taxes Working Group and these officers represented ATAF at global meetings.

Southern African Development Community

As a member of the regional Southern African Development Community (SADC) BURS has continued to play a crucial role in participating at the Tax Subcommittee of the Finance and Investment Directorate of SADC. In particular BURS has consistently participated in the three workings groups of the Subcommittee, namely the Tax Incentives, Tax Agreements and the Indirect Tax Working Groups. During the year under review BURS participated in

meetings of the Tax Agreements and Indirect Taxes Working Groups both held in Pretoria, South Africa.

Commonwealth Association of Tax Administrators (CATA)

As a member of the Commonwealth, Botswana has been a member of CATA since inception in 1978. BURS, representing Botswana, has consistently participated in events of CATA and has, since 2015 been a member of the Management Committee that oversees the administration of the Association. BURS has consistently participated in the flagship event of the Association, the annual Technical Conference and has also actively participated in training programmes facilitated by the Association.

During financial year 2017/18, BURS participated in two meetings of the CATA Management Committee held in London, United Kingdom in April 2017 and in Ghana in October 2017. The meeting in Ghana was held after the 38th Annual Technical Conference that was held there under the theme “*Leveraging Technology to enhance Revenue Administration*”.

FINANCIAL PERSPECTIVE

Tax and Customs Collections

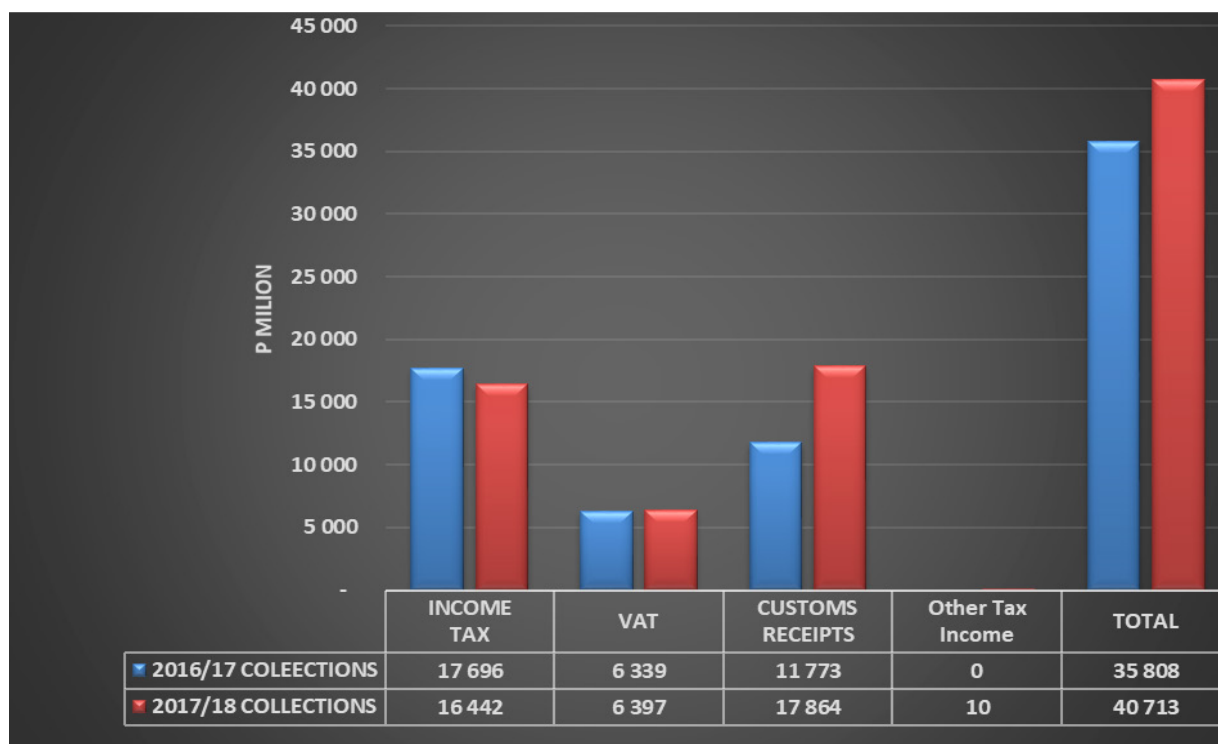
BURS collected total tax revenue amounting to P40.714 billion for the period under review compared to P35.808 billion during the 2016/17 financial year as shown in Figure 1 below. The collection was below the target of P41.204 billion by P490 million. The 2017/18 collection of P40.714 billion exceeded the 2016/17 collection of P35.808 by P4.906 billion which translates to a 13.7% increase in revenue collection. The increase was attributable to significant increase in SACU receipts which increased from P11.773 billion in 2016/17 to P17.864 billion for the period under review. The increase in SACU receipts was as a result of upsurge in the size of the SACU Pool from R79.286 billion in the 2016/17 financial year to R99.637 billion in 2017/18. VAT also grew slightly from P6.339 billion in 2016/17 to P6.397 billion during the period under review.

**P40.714 billion
Collected**

**13.7% increase
in revenue
collection**

The income tax for the year under review performed dismally as it decreased from P17.696 billion in 2016/17 to P16.442 billion in 2017/18 which is a decrease of 7%. This decrease was however cushioned by the significant increase in Customs receipts.

Figure 1: Comparison of Revenue collection



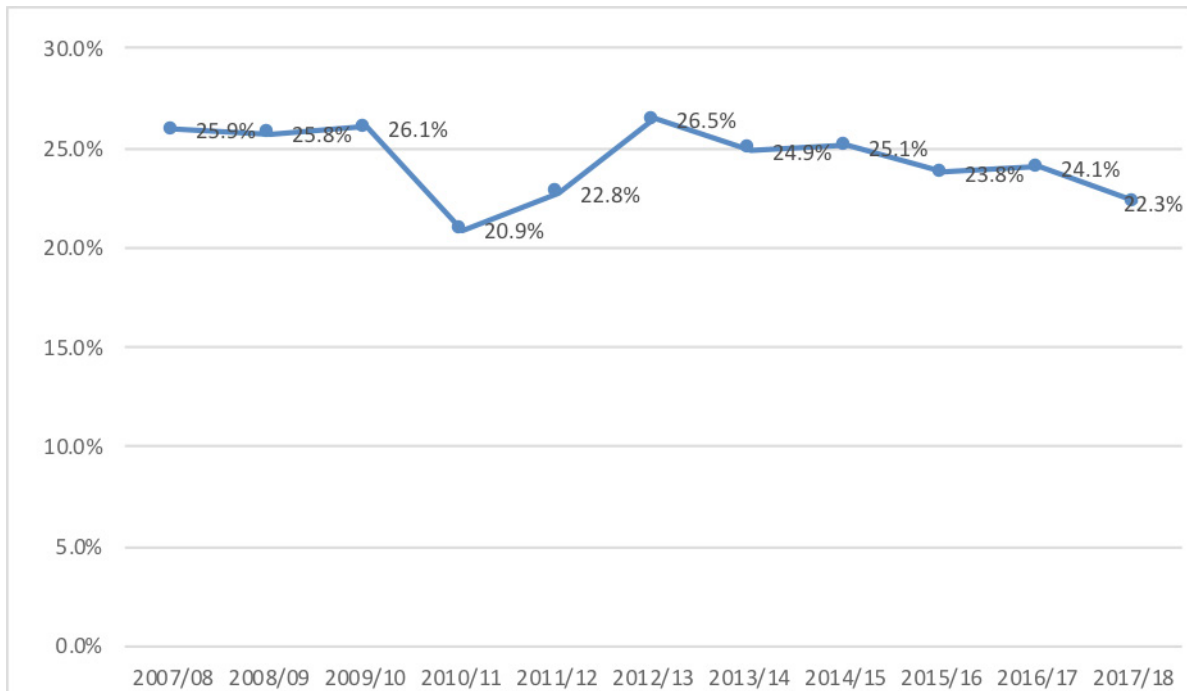
Cost of Collection

For the financial year 2017/18, BURS spent P659.386 million to collect P40.714 billion which translates into a cost to collection ratio of P1.00/P61.74. This means for every P1.00 that BURS spent, the benefit to the Government in return was P61.74. Compared to the previous year's cost to collection ratio which was P1/58.29, this indicates a ratio increase amounting to P3.45 collected per Pula spent. The increase in the cost to collection ratio was as a result of the increase in revenue collected over the previous year although at the same time the BURS operational costs increased.

Tax Revenue as a Percentage of GDP

For the year under consideration, tax revenue collections, as a percentage of GDP, slightly decreased when compared to the previous year. The tax revenue as percentage of GDP went slightly down to 22.3% in 2017/18 from 24.1% in the previous year.

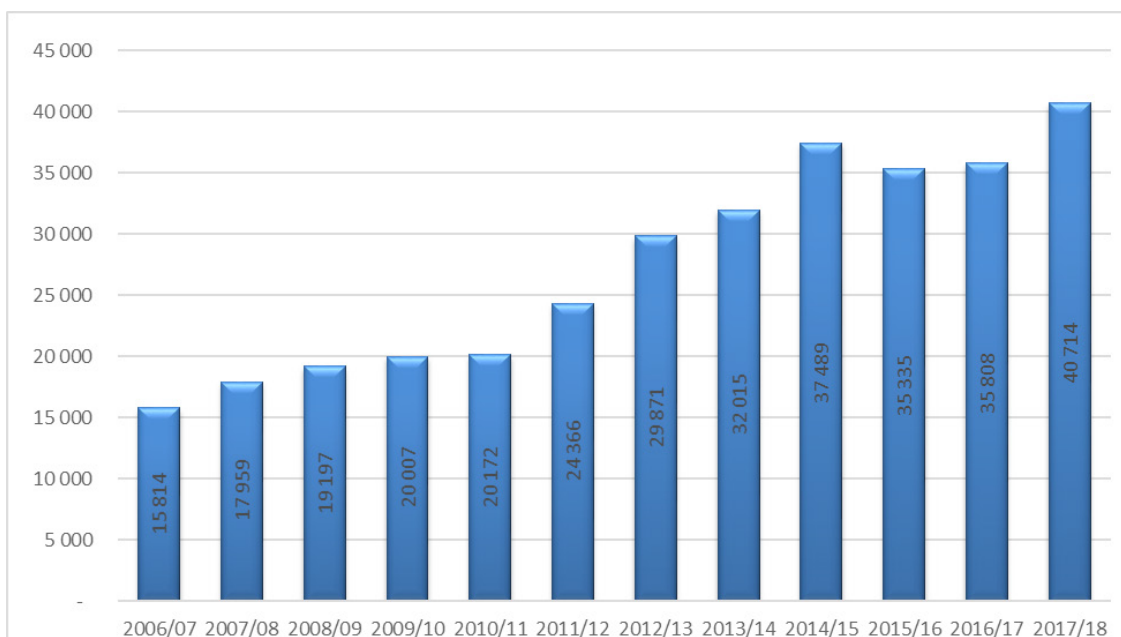
Figure 2: Tax Revenue as a Percentage of Nominal GDP



Comparison of Tax Revenue Collection with the Previous Years

BURS tax collections continue to show a significant increase since the merging of Customs and Taxes. The collection was only stagnant during 2009/2010 due to the global economic recession but from there on showed improvement. The decrease was only experienced in the past two years. This was mainly due to a decline in SACU receipts and poor performance in the mineral sector. However, for the year under consideration, there was an increase in collection as a result of a jump in the SACU receipts. Tax revenue increased from P35.808billion to P40.714 billion.

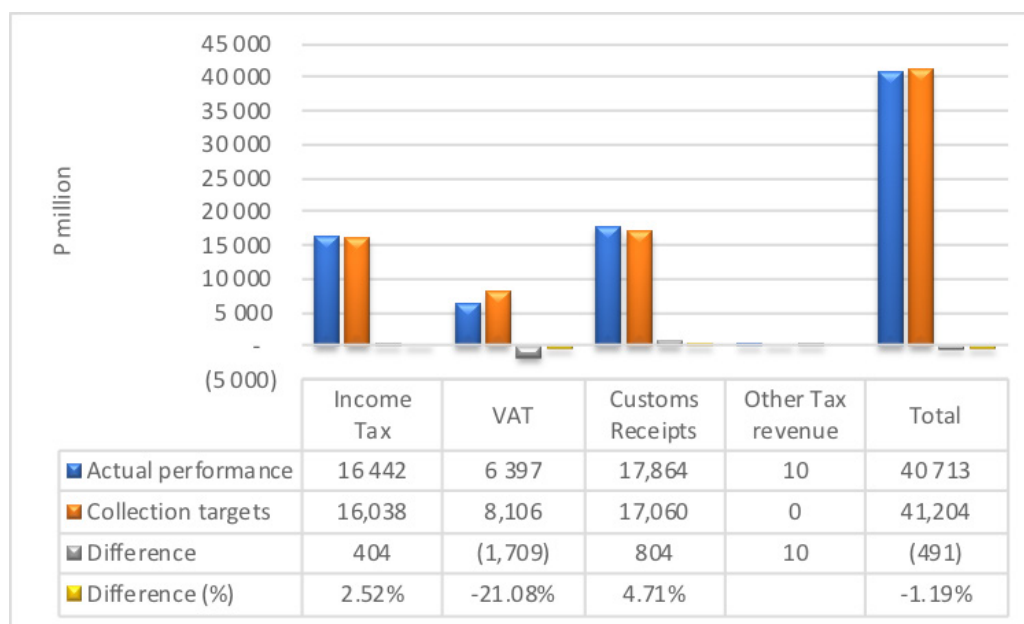
Figure 3: Yearly Total Tax Collections



Tax Revenue Collection and targets

A comparison between actual collections and targets shows that BURS collection for the period under review was below the target of P41.204 billion by P490 million which translates to 1.19 %. This was mainly due to the underperformance of VAT against target which was below the target of P8.106 billion by P1.709 billion or 21%. However, Customs receipts surpassed the target of P17.060 billion by P804 million whereas Income tax surpassed the target of P16.038 billion by P404 million.

Figure 4: Tax Revenue Collections by Tax Type and Targets



Income Tax Revenue Collection

Income tax revenue collection for the year was derived from different sources as shown in the table below. The major source of the tax collection is the Assessed Tax. However, for the year under review the Assessed Tax decreased from P9.506 billion to P7.726 billion while Deducted Tax increased from P5.288 billion in 2016/17 to P6.125 billion for the period under review. Capital Transfer Tax increased from P7.474 million in 2016/17 to P8.777 million for the financial year 2017/18. The total Income Tax collection for the period under review decreased from P17.696 billion to P16.442 billion compared to the previous year. This decrease of P1.253 billion depicts a 7.08% decrease.

Table 2: Income Tax Collections by Source

Type of Tax	2016/17 Collections (P' 000)	2017/18 Collections (P' 000)
Withholding Tax	3,112,596	2,899,616
Deducted Tax (Pay As You Earn)	5,287,575	6,124,528
Assessed Tax	9,505,690	7,726,445
Penalty Interest	105,785	101,554
Capital Transfer Tax	7,474	8,777
Gross Income Tax Receipts	18,019,120	16,860,920
Less: Refunds	(323,433)	(418,562)
Total Income Tax	17,695,687	16,442,358

Value Added Tax Revenue collection

For the year under consideration VAT marginally increased from P6.339 billion in 2016/17 to P6.397 billion despite an increase in refunds from P2.263 billion in 2016/17 to P2.322 billion for the period under review. The increase in VAT could be attributed to increase in import VAT collections which are normally the main contributor to VAT collections. Import VAT rose from P4.363 billion to P4.434 billion which is an increase of 1.6%. Fuel levy also played a role as it increased from P113 million to P125 million.

Table3: VAT Collections by Source

	2016/17 Collections (P' 000)	2017/18 Collections (P' 000)
VAT Import	4,363,161	4,433,520
VAT Internal	4,072,640	4,121,517
VAT Interest & Penalties	53,280	39,732
Fuel Levy	113,001	124,581
Gross Receipts	8,602,082	8,719,350
Less Refunds	(2,263,220)	(2,322,118)
Net VAT Collection	6,338,862	6,397,232

SACU Revenue Shares

The SACU Revenue Pool increased by R20.351 billion from R79.286 billion in 2016/17 to R99.637 billion in 2017/18 which represented an increase of 25.7%. As a result, Botswana's revenue share for the period also increased by P7.5 billion from R15.547 billion in 2016/17 to R23.031 billion in 2016/17 which is an increase of 48.14%.

Table 4: SACU Revenue Pool Shares by Country (Rands)

	2016/17 Shares (in Rands)	2017/18 shares (in Rands)	Percentage of the Total Pool
Botswana	15,546,562,327	23,030,720,747	23%
Lesotho	4,518,965,827	6,154,199,159	6%
Namibia	14,070,729,689	19,597,422,509	20%
South Africa	39,898,133,589	43,746,171,634	44%
Swaziland	5,252,103,452	7,108,733,426	7%
Total	79,286,494,885	99,637,247,475	100%

Customs and Excise Duty Collections

Being a member of SACU, Botswana like other SACU Members is required to pay all the collections of customs duties, excise duty and additional duties into a Common Revenue Pool (CRP). During the year under review, Botswana collected and paid a total amount of P579.6 million collected into the CRP compared to P417.5 million which was collected in the previous financial year. This represents a growth of P162.1 million or 38.8%. Excise Duty was the main driver of this revenue out-turn followed by Import Customs Duty. On the other hand, there was decline in Additional Customs Duty.

Table 5: Botswana's Customs and Excise Duty Collections paid to the CRP

C U S T O M S DUTIES	2016/17 (P)	2017/18 (P)	VARIANCE (P)
Customs Duty	175,379,726	242,023,942	66,644,216
Ad valorem Duty	12,888,022	21,185,267	8,297,245
Excise duty	205,898,139	306,064,372	100,166,233
A d d i t i o n a l Customs Duty	23,320,256	10,319,276	(13,000,980)
TOTAL	417,486,143	579,592,857	162,106,714

Collections on Behalf of Government Departments

During the period under review, BURS collected P767.9 million on behalf of Government departments and agencies compared to P629.2 million which was collected in the previous financial year as shown in Table 6 below. This is an increase of P138.7 million or 22 percent. Most of the collections came from the Alcohol Levy which contributed 63.3%, followed by Transport Permits by 25.7% while other levies combined contributed around 11%. The largest decrease was for Flour Levy which decreased from P7.1 million in 2016/17 to P2.1 million in 2017/18. This decrease can be attributed to the implementation of the statutory instrument where the rate of flour levy was reduced by 1.5% in 2017/18.

Table 6: Service Levies

Type of Levy	Gross Collections		Variance
	2016/17 P'000	2017/18 P'000	P'000
Copyright	7,479	8,329	850
Tobacco Levy	40,513	62,301	21,788
Transport Permits	134,465	197,669	63,204
Road Safety Tokens	10,726	11,263	537
Flour Levy	7,077	2,087	(4990)
Alcohol Levy	428,964	486,227	57,263
Total	629,224	767,876	138,652

DEBT MANAGEMENT

Collection of Tax Arrears

The opening balance of arrears as at 1st April 2017 was P2,694,440,334 which comprised of P1,448,317,394 and P1,246,122,940 being VAT and Assessed Income Tax respectively. Collections of old arrears for the 2017/18 financial year were P288,296,371 whilst discharges, remissions and waivers amounted to P392,169,159. Uncollected arrears that accrued in the 2017/18 financial year stood at P1,273,114,403 as at 31st March 2018. In spite of efforts to reduce the arrears through recoveries and remissions, the total outstanding arrears as at 31st March 2018 stood at P3,287,089,207 which was an increase of 21% over the total outstanding as at 31st March 2017 which was P2,694,440,334.

The outstanding balance indicates that the interest and penalties account for 66% of the arrears whilst the principal tax outstanding is 34%. The bulk of the arrears are charges for late payment of tax and late filing of returns.

Arrears collected (current year and old Arrears)

Table 7: Schedule of Arrears of Revenue for the period 1st April 2017 to 31st March, 2018

	Balance at beginning of the year	Collection of previous years' arrears	Abandonment, discharges, remissions/ waivers & adjustments	Balance of prior years' arrears	Arrears in respect of current year	Balance at end of the year
31 March 2018	P	P	P	P	P	P
VAT internal	555 034 939	(132 796 302)	(33 199 076)	389 039 561	241 100 061	630 139 622
VAT interest and penalties	893 282 455	(28 933 749)	(67 512 080)	796 836 626	271 077 860	1 067 914 486
Assessed tax	359 110 821	(95 965 574)	(208 425 949)	54 719 298	386 323 291	441 042 589
Assessed tax interest and penalties	887 012 119	(30 600 746)	(83 032 054)	773 379 319	374 613 191	1 147 992 510
Total	2 694 440 334	(288 296 371)	(392 169 159)	2 013 974 804	1 273 114 403	3 287 089 207
31 March 2017						
VAT internal	484 089 339	(68 395 822)	(45 597 214)	370 096 303	184 938 636	555 034 939
VAT interest and penalties	751 199 335	(33 012 203)	(49 518 304)	668 668 828	224 613 627	893 282 455
Assessed tax	224 340 569	(92 360 415)	(157 043 585)	(25 063 431)	384 174 252	359 110 821
Assessed tax interest and penalties	775 951 907	(30 611 436)	(168 359 096)	576 981 375	310 030 744	887 012 119
Total	2 235 581 150	(224 379 876)	(420 518 199)	1 590 683 075	1 103 757 259	2 694 440 334

Customs Declarations

For the 2017/18 period, the total number of import declarations stood at 578,016 as compared to 515,461 processed in the previous financial year. The increase in the number of declarations was attributable to a rise in imports of goods in general owing to recovery from global economic recession which was experienced from 2015. Export declarations stood at 51,049 for 2017/18 as compared to 41,333 processed in the previous year and 18,083 customs declarations were selected for checking in 2017/18 as compared to 85,732 in 2016/17. Therefore, the percentage of selected declarations for the period under review stood at 2.79% against the 15 % the previous year

Table 8: Customs Declarations

Declarations	2016/17	2017/18	VARIANCE
Import	515,461	578,016	62,555
Export	41,333	51,049	9,716
Physical Exam	113	18,004	17,891
Documentary check	175	79	(96)
Post clearance audit	85,444	0	(85,444)

CUSTOMS CONTROLS

Detentions

A total of 800 detentions were recorded during the financial year under review compared to 688 in the previous year. As per the table below, North Region recorded the highest number of detentions which stood at 561. The detained goods were mainly vehicles, various food items including agricultural products, medicaments, clothing, beauty products, electric appliances, fuel, alcohol beverages, etc. The main reasons for detentions were either pending production of proper documents/permits or pending proper clearance or payment of taxes/penalties or re-exportation or investigation/valuation.

Seizures

808 seizures were recorded during the 2017/18 financial year compared to 579 in 2016/17. The North Region recorded the highest number of seizures which stood at 562 as indicated on the table below. The seized goods were mainly cigarettes, tobacco leaves, vehicles & parts, assorted clothing, medicaments, ornaments, fuel & containers, drums, kitchenware, stationary, substances suspected to be dagga, food items including agricultural products, electronic appliances, alcohol beverages, etc. The main reasons for seizing the goods were due to non-declaration or ex-detentions or false declaration or transporting smuggled or illicit goods.

Table 9: Summary Statistics for Detentions & Seizures by Region

Region	Detentions	Seizures
North	561	562
South	239	246
Total	800	808

Objections and Appeals

Objections to tax assessments are a fundamental part of a fair and transparent tax system that allows taxpayers to challenge the Commissioner General's decisions under the revenue laws thus placing upon the Commissioner General the obligation to review his/her decision.

CHALLENGES

Although Revenue Service continued to register good performance in terms of achieving its mandate of mobilising the required revenue for government, there were still some number of challenges experienced which negatively impacted optimum service delivery. Some of the challenges are highlighted below.

Slow Uptake of E-Services

The BURS strategy for e-services uptake still faces a challenge of not getting a good response from taxpayers despite the uptake strategy that was implemented from financial year 2016/17. This is shown by the percentage uptake for filing of returns in 2017/18 which was below target for all categories of tax returns except for Large Taxpayers' VAT returns. Taxpayer education workshops and publicity campaigns will continue to be carried out under the strategy for e-services uptake in

order to address this challenge.

Underperformance of VAT

Underperformance of VAT and increasing tax arrears were the two major sources of concern for the Revenue Service and served to reverse the gains that were being made with respect to the revenue mobilisation drive. Because of these two major challenges the Revenue Service has decided to intensify its inspection on business operations through the Debt Management Unit to follow up tax arrears as well as to ascertain tax compliance statuses of companies.

CONCLUSION

In conclusion I request all our stakeholders to continue working with the Revenue Service as we move on with our assigned duty to mobilise tax revenue for funding the government budget. The Revenue Service pledges that it will continue to do its part in finding ways to simplify the processes of paying taxes and make it easy for customers to comply with the revenue laws.

Let me thank the BURS employees at all levels for having showed commitment and dedication to duty through provision of excellent customer service and for providing support to management which has enabled the Revenue Service to achieve our mandate. I urge all staff to keep up the good work and also encourage them to continue with the same spirit in the coming years.

Gratitude is also extended to the taxpayers who have continued to comply with their obligations and remit their taxes to the Revenue Service notwithstanding the challenging economic climate. I urge them to continue working with us as we continue improve how we serve them.

Let me also express our appreciation to BURS strategic partners which include: The International Monetary Fund (IMF), African Tax Administration Forum (ATAF), the Japan International Cooperation Agency (JICA), Organisation for European Cooperation and Development (OECD), other Tax Administrations, Government Ministries and Departments as well as parastatals for continuing to support BURS during the year under review. We will continue tapping from your diverse forms of assistance to realise our vision.

Lastly, I wish to also thank the Government of Botswana, the Honourable Minister of Finance and Economic Development and the entire leadership of the Ministry, the BURS Board and its Committees for continuing to support BURS in the discharge of its ever-challenging tax collection and border management mandate. We will certainly be looking forward for their leadership and direction in the ensuing years.

Mr. Segolo Lekau
Acting Commissioner General



burs

botswana unified revenue service

FINANCIAL STATEMENTS

31 March 2018

OWN ACCOUNTS

**BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
GENERAL INFORMATION
31 March 2018****BOARD OF DIRECTORS**

Taufila Nyamadzabo	: Chairperson
Wankie B. Wankie	: Vice Chairperson
Keneilwe R. Morris	: Commissioner General
Gaamangwe Lebele	: Non-executive Director
Ontlametse B. Ward	: Non-executive Director
Keletso Mothusi	: Non-executive Director
Gaongalelwe G.P. Mosweu	: Non-executive Director

BOARD SECRETARY

Bame A. Tumiso

NATURE OF BUSINESS

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

ADDRESS

Plot 53976
Kudumatse Drive
Private Bag 0013
Gaborone

AUDITOR

Deloitte & Touche

BANKERS

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

BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS) FINANCIAL STATEMENTS 31 MARCH 2018

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BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

FINANCIAL STATEMENTS

31 March 2018

DIRECTORS' STATEMENT OF RESPONSIBILITY

The Directors are responsible for the preparation and fair presentation of the financial statements of Botswana Unified Revenue Service ("BURS"): Own Accounts, comprising the statement of financial position as at 31 March 2018, the statements of comprehensive income, changes in reserves, and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS").

The Directors are required by the Botswana Unified Revenue Service Act, 2003 ("BURS Act") to maintain adequate accounting records and are responsible for the content and integrity of and related financial information included in this report, and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error. The auditors are engaged to express an independent opinion on the financial statements and their report is presented on pages 43 to 44.

The financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

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

These controls are monitored throughout BURS and all employees are required to maintain the highest ethical standards in ensuring BURS's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in BURS is on identifying, assessing, managing and monitoring all known forms of risk across BURS. While operating risk cannot be fully eliminated, BURS endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors state that, for the year ended 31 March 2018, BURS has not complied with the following paragraphs of the BURS Act:

- Paragraph 28 (2) which requires the Revenue Service to submit its books of accounts and statement of accounts to an auditor appointed by the Board within 60 days of the year-end and requires that the accounts be audited no later than 3 months after the year-end; and
- Paragraph 29 (1) which requires the Revenue Service to submit, to the Minister, a comprehensive report on the operations of the Revenue Service during that financial year, within 6 months of the end of that year.

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

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

DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements set out on pages 45 to 67, which have been prepared on the going concern basis, were approved by the Board on 4 November 2019 and were signed on its behalf by:



Board Chairperson



Commissioner General

Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Botswana Unified Revenue Service ("BURS"): Own Accounts set out on pages 45 to 67, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of BURS as at 31 March 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of BURS in accordance with the requirements of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B), together with other ethical requirements that are relevant to our audit of the financial statements in Botswana, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 22 of the financial statements, which states that BURS is in a dispute with third parties regarding the ownership of the properties at Zanzibar and Plaatjan. As these third parties hold the legal title BURS may need to purchase the land from the third parties.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters.

Other Information

The Directors are responsible for the other information. The other information comprises the General Information and the Directors' Statement of Responsibility and Approval of the Financial Statements. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing BURS' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate BURS or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the BURS' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BURS' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on BURS' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause BURS to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Legal and Regulatory Requirements

For the year ended 31 March 2018, BURS has not complied with the following paragraphs of the BURS Act:

- Paragraph 28 (2) which requires the Revenue Service to submit its books of accounts and statement of accounts to an auditor appointed by the Board within 60 days of the year-end and requires that the accounts be audited no later than 3 months after the year-end; and
- Paragraph 29 (1) which requires the Revenue Service to submit, to the Minister, a comprehensive report on the operations of the Revenue Service during that financial year, within 6 months of the end of that year.



Deloitte & Touche
 Certified Auditors
 Certificate Number: F C Els (CAP 0062018)

Gaborone
 19 November 2019

**BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2018**

	Notes	<u>2018</u> P'000	<u>2017</u> P'000
Income			
Government funding for recurrent expenditure	6	584 260	502 918
Other income	7	90 605	73 153
Total income		<u>674 865</u>	<u>576 071</u>
Other gains and losses	8	-	2 190
Expenses			
Administrative expenses	9	(223 634)	(207 106)
Staff costs	10	(435 752)	(407 182)
Total expenses		<u>(659 386)</u>	<u>(614 288)</u>
Surplus/(deficit) for the year		<u>15 479</u>	<u>(36 027)</u>
Revaluation surplus	17	-	7 630
Total comprehensive income/(loss) for the year		<u>15 479</u>	<u>(28 397)</u>

BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
STATEMENT OF FINANCIAL POSITION
as at 31 March 2018

	Notes	2018 P'000	2017 P'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	1 304 188	1 106 222
Intangible assets	13	67 438	62 533
		<u>1 371 626</u>	<u>1 168 755</u>
Current assets			
Inventories	14	2 786	3 747
Trade and other receivables	15	92 904	84 629
Cash and cash equivalents	16	308 920	203 299
		<u>404 610</u>	<u>291 675</u>
Total assets		<u>1 776 236</u>	<u>1 460 430</u>
RESERVES AND LIABILITIES			
Reserves			
Properties revaluation reserve	17	177 757	177 757
Accumulated surplus		41 328	25 849
		<u>219 085</u>	<u>203 606</u>
Non-current liabilities			
Capital grants	18	1 397 268	1 141 601
Current liabilities			
Trade and other payables	19	159 883	115 223
Total reserves and liabilities		<u>1 776 236</u>	<u>1 460 430</u>

**BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
STATEMENT OF CHANGES IN RESERVES
for the year ended 31 March 2018**

	Notes	Properties revaluation reserve P'000	Accumulated surplus P'000	Total P'000
Balance at 31 March 2016		170 127	61 876	232 003
Deficit for the year		-	(36 027)	(36 027)
Other comprehensive income for the year	17	7 630	-	7 630
Balance at 31 March 2017		177 757	25 849	203 606
Surplus for the year		-	15 479	15 479
Balance at 31 March 2018		177 757	41 328	219 085

BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
STATEMENT OF CASH FLOWS
for the year ended 31 March 2018

	Notes	2018 P'000	2017 P'000
Cash flows from operating activities			
Surplus/(deficit) for the year		15 479	(36 027)
Interest income	7	(2 370)	(2 121)
Adjustment for non-cash items	21	1 011	20 997
Operating surplus/(deficit) before working capital changes		<u>14 120</u>	<u>(17 151)</u>
Changes in working capital:			
- Decrease/(increase) in inventories		961	(481)
- (Increase)/decrease in trade and other receivables		(8 275)	62 925
- Increase/(decrease) in trade and other payables		44 660	(6 631)
Net cash generated from operating activities		<u>51 466</u>	<u>38 662</u>
Cash flows from investing activities			
Interest received	7	2 370	2 121
Purchase of property, plant and equipment	11	(201 257)	(280 459)
Purchase of intangible assets	13	(43 592)	(20 810)
Proceeds on disposal of property, plant and equipment		1 635	892
Net cash used in investing activities		<u>(240 844)</u>	<u>(298 256)</u>
Cash flows from financing activities			
Capital grants adjustment on disposal of property, plant and equipment	18	(754)	(868)
Net development funding received from the Government of Botswana	18	295 753	323 000
Net cash generated from financing activities		<u>294 999</u>	<u>322 132</u>
Net increase in cash and cash equivalents		105 621	62 538
Cash and cash equivalents at beginning of year		203 299	140 761
Cash and cash equivalents at end of year	16	<u>308 920</u>	<u>203 299</u>

**BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS
31 March 2018**

1 GENERAL INFORMATION

Botswana Unified Revenue Service ("BURS") is a semi-autonomous body corporate established by an Act of Parliament (Botswana Unified Revenue Service Act, 2003) as part of the Government of Botswana's reform strategy for revenue administration. BURS is charged with the mandate of:

- a) assessing and collecting tax on behalf of the Government; and
- b) administering and enforcing the revenue laws, which include the Customs and Excise Act, Income Tax Act, the Capital Transfer Act and the Value Added Tax Act, respectively.

For financial reporting purposes, the financial statements of BURS are reported as: Administered Government Revenue Accounts and Own Accounts. The financial statements – Administered Government Revenue Accounts cover transactions relating to the revenue collected on behalf of the Government.

The financial statements – Own Accounts cover those operational transactions, such as funding received from Government, which are managed by BURS and utilised in running the organisation. The purpose of the distinction between the two sets of financial statements is to facilitate, among other things, the assessment of the administrative efficiency of BURS in achieving its mandate. The financial statements are reported in Botswana Pula and in thousands (P'000).

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, BURS has adopted all the new and revised Standards and Interpretations of the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 April 2017.

The adoption of these standards has not resulted in any significant changes to the BURS' accounting policies and has not affected either the amounts or the presentation and disclosure of amounts reported in these financial statements.

Standards and interpretations in issue affecting the current year

IAS 7 Disclosure initiative (effective annual periods beginning on or after 1 January 2017)

Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (effective annual periods beginning on or after 1 January 2017)

The amendment clarify the method of evaluating the future taxable profits giving rise to deferred tax asset. The carrying amount of an asset does not limit the estimation of probable future taxable profits.

It also clarifies that unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

Annual Improvements to IFRS Standards 2014–2016 Cycle (effective annual periods beginning on or after 1 January 2017)

Makes amendments to IFRS 1, IFRS 12 and IAS 28.

Other than improved disclosures and presentation, the adoption of these Standards and Interpretations has not resulted in material changes to BURS' financial results.

BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Standards and interpretations in issue but not yet effective

At the date of approval of these financial statements, the following applicable standards and interpretations were in issue but not yet effective:

IFRS 9 Financial Instruments (effective annual periods beginning on or after 1 January 2018)

On its effective date IFRS 9 superseded IAS 39: Financial Instruments: Recognition and Measurement. The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

Amendments to IFRS 9 - Prepayment features with negative compensation (effective annual periods beginning on or after 1 January 2019)

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost even in the case of negative compensation payments.

IFRS 15 Revenue from Contracts with Customers (effective annual periods beginning on or after 1 January 2018)

IFRS 15 superseded the following revenue Standards and Interpretations on its effective date: IAS 18: Revenue, IAS 11: Construction Contracts, IFRIC 13: Customer Loyalty Programmes, IFRIC 15: Agreements for the Construction of Real Estate, IFRIC 18: Transfers of Assets from Customers and SIC 31: Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 introduces a 5-step approach to revenue recognition. The core principle of IFRS 15 is that the Company should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, the Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

IFRS 16 Leases (effective annual periods beginning on or after 1 January 2019)

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 17 Insurance Contracts (effective annual periods beginning on or after 1 January 2021)

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS and requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

**BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018**

**2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS
(CONTINUED)**

Adoption of New and Revised International Financial Reporting Standards (continued)

Standards and interpretations in issue affecting the current year (continued)

IFRIC 22 Foreign Currency Transactions (effective annual periods beginning on or after 1 January 2018)

The interpretation addresses foreign currency transactions or part of transactions where there is consideration that is denominated or priced in a foreign currency and the prepayment asset or deferred income liability is non-monetary. IFIRC 22 has not had an impact on the financial position and/or financial performance of the Company.

IFRIC 23 Uncertainty over Income Tax Treatments (effective annual periods beginning on or after 1 January 2019)

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes.

Amendments to IAS 28 - Long-term Interests in Associates and Joint (effective periods beginning on or after 1 January 2019)

Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (effective date not yet published)

The amendment clarified the treatment of a sale or contribution of assets between an investor and associate or joint venture.

IAS 40 Transfers of Investment Property (effective annual periods beginning on or after 1 January 2018)

The amendment clarify that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

Annual Improvements to IFRS Standards 2015–2017 Cycle (effective annual periods beginning on or after 1 January 2019)

Makes amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23.

The Directors will evaluate the effect of all the new standards, amendments and interpretations that are in issue for adoption in the applicable periods.

BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS) NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) 31 March 2018

3 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain assets. Historical cost is generally based on the fair value of the consideration given in exchange of the assets. The principal accounting policies underlying the preparation of these financial statements are set out below.

Revenue recognition

Interest income

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

Commissions, auction sale proceeds, and other income earned

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

Government funding from collections

In terms of the Memorandum of Understanding signed between BURS and the Ministry of Finance and Economic Development ("MFED") in 2007, BURS should remit all revenue collected to the Government Remittance Account.

However, subsequent to the signing of this Memorandum, the MFED has, through the Notice of Funds of the Revenue Service Order, 2012, authorised the Revenue Service to retain, not more than 2 percent (2%) of the revenue collected per annum to fund the recurrent budget and not more than 1 percent (1%) of the total revenue collected be used for the development budget and that annual ceilings should be approved, on an annual basis, by the MFED. The Revenue Service implemented such notice with effect from 1 April 2013.

Government funding relating to the recurrent expenditure of BURS, disbursed for the purpose of giving immediate financial support to BURS with no future related costs, is recognised in profit or loss in the period in which they become receivable.

Capital and development funds, whose primary purpose is to construct, or otherwise acquire non-current assets, are recognised in the statement of financial position and an amount equivalent to the depreciation determined on a historical cost basis and impairment losses, if any, transferred from the capital grants to the statement of comprehensive income over the useful lives of the related assets.

Recognition of assets, liabilities and provisions

Assets

Assets are recognised in the statement of financial position when it is probable that the future economic benefits associated with the assets will flow to BURS and that the assets have costs or values that can be measured reliably.

Liabilities and provisions

Liabilities and provisions are recognised in the statement of financial position when BURS has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources/economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of assets, liabilities and provisions (continued)

Contingent liabilities

No liability is recognised when BURS has a possible obligation arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of BURS, or when it is not probable that an outflow of resources will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Inventories

Inventories are stated at cost on a First-in-First-out basis. Inventories for BURS represent supplies to be consumed in the rendering of services.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Trade and other receivables represent the amounts owed to BURS as a result of providing services or allowing other parties to use BURS assets, and amounts as an advance or as a deposit for providing services to BURS. Loans and receivables are measured at amortised cost less any impairment.

Impairment of financial assets

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

Property, plant and equipment

Land and buildings

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

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Revaluations are performed after every five years. Any revaluation increase arising on the revaluation of such land and buildings is credited as equity to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to the statement of comprehensive income to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit and loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to the accumulated surplus/(deficit).

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

Freehold land is not depreciated.

Motor vehicles, computer and office equipment, leasehold improvements, and porta-camps

Computers and office equipment, plant and machinery, office furniture, leasehold improvements and porta-camps, are stated at cost less accumulated depreciation and accumulated impairment losses.

BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Depreciation

Depreciation is charged, using the straight-line basis to write off the cost or valuation of assets, other than freehold land and properties under construction, over their estimated useful lives.

The revised estimated useful economic lives used in the calculation of depreciation are set out below:

<u>Category</u>	<u>Economic life (in years)</u>
Leasehold land and buildings	the shorter of 50 years or remaining lease period
Freehold property	50
Motor vehic (light vehicles)	10
Motor vehicles (vans and trucks)	11
Office furniture	6.67
Computer and office equipment	5
Porta-camps	10
Plant and machinery	4
Cargo scanners	13
Sewerage systems	15
Security dogs	8
Leasehold improvements	the shorter of 6.67 years or remaining lease period remaining

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Assets held under finance leases

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Repairs and maintenance

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

Intangible assets

Computer software costs

Costs associated with maintaining computer software programmes are recognised as an expense as they are incurred. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as capital improvements and added to the original cost of the software. The intangible assets are amortised over 4 years.

Investment property

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

**BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018**

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

The financial statements of BURS are prepared and presented in Botswana Pula, the currency of the primary economic environment in which BURS operates and the functional currency. Transactions in currencies other than Botswana Pula are recorded at functional currency rate ruling at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. All differences are taken to the profit and loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Retirement benefits

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

Terminal gratuities

Employees on contract employment terms receive terminal gratuities in accordance with their contracts of employment. An accrual is made for the estimated liability towards such employees up to the end of the reporting period. For employees on daily rate terms, an accrual is made for the severance benefits.

Non-current assets held for sale

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Deposits and advance payments of operating leases are recognised in the statement of financial position under trade and other receivables.

Financial instruments

Financial assets

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

BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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

Effective interest method

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

Loans and receivables

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

Derecognition of financial assets

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

Financial liabilities and equity instruments issued by BURS

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method described above, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

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

**BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018**

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Related party transactions

BURS enters into various transactions with the Government of Botswana and related entities, its key management personnel, and the Board of Directors.

Construction contracts

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

Employee bonus plans

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

4 CRITICAL JUDGEMENT AREAS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Useful lives of plant and equipment and residual values

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

Fair value of investment property, land and buildings

The fair value of investment property, land and buildings is arrived at on the basis of a valuation conducted by independent professional valuers not related to BURS and qualified for the purpose of the valuation.

Other estimates made

BURS also makes estimates for:

- the assessment of impairments and the calculation of the recoverable amount of assets;
- the calculation of the provision for doubtful debts;
- the calculation of guarantees and performance bonuses; and
- the calculation of any provision for claims, litigation and other legal matters.

BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018

5 FINANCIAL RISK MANAGEMENT

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

Currency risk

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

Interest rate risk

Financial instruments that are sensitive to interest rate risk are bank balances and cash. Interest rates earned on financial instruments compares favourably with those currently available in the market.

A 1% increase in interest rates would result in the surplus for the year of P3,088,391 (2017: P2,032,674), while a decrease in interest rates by a similar margin would result in an equal opposite effect.

Credit risk

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

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

There are no significant concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. BURS manages its liquidity risk to ensure it is able to meet expenditure requirements. This is achieved through prudent liquidity risk management which includes maintaining sufficient cash resources.

Since BURS is funded through a subvention from the Government, BURS does not regard there to be any significant liquidity risk. All of BURS liabilities are current and will be settled within three months of the year end with the exception of certain employee benefits which are linked with employment contracts.

Capital risk management

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

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

**BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018**

	2018	2017
	P'000	P'000
5 FINANCIAL RISK MANAGEMENT (CONTINUED)		
Categories of financial instruments		
<i>Financial assets</i>		
Loans and receivables (including bank balances and cash)	398 702	279 047
<i>Financial liabilities</i>		
Other liabilities	104 911	66 315
6 GOVERNMENT FUNDING FOR RECURRENT EXPENDITURE		
Funding for recurrent expenditure (Note 20)	530 155	482 566
Transfer from development expenditure (Note 18)	14 347	-
Amortisation of capital grants (Note 18)	39 758	20 352
	<u>584 260</u>	<u>502 918</u>
7 OTHER INCOME		
Bank interest	2 370	2 121
Rental income	1 133	3 083
Agency fees and commissions	78 561	63 393
Profit on disposal of property, plant and equipment	881	24
Sundry income	7 660	4 532
	<u>90 605</u>	<u>73 153</u>
Agency commissions represent fees charged by BURS for collecting revenues on behalf of the following respective Government Departments and Parastatals:		
i. Road safety and permit fees (Ministry of Transport and Communications - Department of Road Transport and Safety)		
ii. Alcohol, Tobacco and Flour levies (Ministry of Investment, Trade and Industry - Department of Trade and Consumer Affairs)		
iii. Motor vehicle road insurance (Motor Vehicle Accident Fund)		
iv. Training levy (Human Resource Development Council)		
v. Copyright levy (Ministry of Investment, Trade and Industry - Registrar of Companies)		
8 OTHER GAINS AND LOSSES		
Gain arising on change in fair value of investment property (Note 12)	-	300
Revaluation losses reversed (Notes 11 and 17)	-	1 890
Total adjustments on fair valuation of properties (Note 21)	<u>-</u>	<u>2 190</u>

BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018

	<u>2018</u> <u>P'000</u>	<u>2017</u> <u>P'000</u>
9 ADMINISTRATIVE EXPENSES		
Auditor's remuneration - current year	1 166	1 135
- prior year	616	-
Computer support	16 997	15 263
Consultancy costs and legal costs	2 714	7 403
Depreciation of property, plant and equipment (Note 11)	28 721	23 511
Amortisation of intangible assets	9 953	4 549
Electricity and water	10 202	8 448
Printing, stationery and office expenses	51 631	33 982
Operating lease rentals	24 700	25 357
Fair value portion of investment property on disposal (Note 12)	-	15 503
Repairs and maintenance	10 896	13 503
- Development expenditure (Note 13)	2 231	-
- Recurrent expenditure	8 665	13 503
Motor vehicle fuel	4 346	3 572
Seminars, workshops, travelling and other administrative expenses	40 726	31 893
- Development expenditure (Note 13)	2 865	-
- Recurrent expenditure	37 861	31 893
Telephone and postage	13 346	15 773
Training expenses	7 620	7 214
	<u>223 634</u>	<u>207 106</u>
10 STAFF COSTS		
Salaries and wages	378 545	351 938
Employee benefits:	48 027	46 499
- Gratuity and severance	2 573	2 759
- Pension contribution	36 384	33 632
- Leave	9 070	10 108
Medical aid contribution	9 180	8 745
	<u>435 752</u>	<u>407 182</u>

**BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018**

11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Land	Buildings	Leasehold improvements	Motor vehicles	Office furniture	Computers & office equipment	Plant & machinery	Porta camps	Work-in- progress	Security dogs	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Cost/valuation											
At 31 March 2017	99 932	318 704	24 070	39 663	16 680	45 885	64 777	8 545	593 726	232	1 212 214
Additions	914	1 599	-	13 352	1 519	11 168	47	357	172 301	-	201 257
Disposals	-	-	-	(2 807)	(113)	(2 460)	-	-	-	-	(5 380)
Transfers	-	46 105	-	-	-	1 229	18 593	3 467	(69 394)	-	-
Transfer from intangible assets (Note 13)	-	-	-	-	-	23 638	-	-	-	-	23 638
Transfer from advance payments (Note 15)	-	2 546	-	-	-	-	-	-	-	-	2 546
At 31 March 2018	100 846	368 954	24 070	50 208	18 086	79 460	83 417	12 369	696 633	232	1 434 275
Accumulated depreciation											
At 31 March 2017	557	5 822	19 411	15 058	9 715	27 115	23 040	5 272	-	2	105 992
Current year charge	447	6 489	553	4 101	1 395	8 600	6 438	670	-	28	28 721
Disposals	-	-	-	(2 345)	(82)	(2 199)	-	-	-	-	(4 626)
At 31 March 2018	1 004	12 311	19 964	16 814	11 028	33 516	29 478	5 942	-	30	130 087
Carrying amount											
At 31 March 2018	99 842	356 643	4 106	33 394	7 058	45 944	53 939	6 427	696 633	202	1 304 188

Work-in-progress is made up of the following:

Residential and office accommodation

696 633

**BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 31 March 2018**

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold Land	Buildings	Leasehold improvements	Motor vehicles	Office furniture	Computers & office equipment	Plant & machinery	Porta camps	Work-in- progress	Security dogs	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Cost/valuation											
At 1 April 2016	99 932	270 731	23 567	41 052	15 524	42 322	64 590	8 088	364 751	-	930 557
Additions	-	4 339	503	1 867	1 579	8 343	50	457	263 089	232	280 459
Disposals	-	-	-	(3 256)	(423)	(6 859)	(118)	-	-	-	(10 656)
Transfers	-	34 114	-	-	-	-	-	-	(34 114)	-	-
Transfer from intangible assets (Note 13)	-	-	-	-	-	2 079	255	-	-	-	2 334
Net revaluations (Note 17)	-	9 520	-	-	-	-	-	-	-	-	9 520
At 31 March 2017	99 932	318 704	24 070	39 663	16 680	45 885	64 777	8 545	593 726	232	1 212 214
Accumulated depreciation											
At 1 April 2016	-	-	18 744	13 859	8 854	28 701	17 228	4 883	-	-	92 269
Current year charge	557	5 822	667	3 856	1 164	5 136	5 918	389	-	2	23 511
Disposals	-	-	-	(2 657)	(303)	(6 722)	(106)	-	-	-	(9 788)
At 31 March 2017	557	5 822	19 411	15 058	9 715	27 115	23 040	5 272	-	2	105 992
Carrying amount											
At 31 March 2017	99 375	312 882	4 659	24 605	6 965	18 770	41 737	3 273	593 726	230	1 106 222

Work-in-progress is made up of the following:

Residential and office accommodation

593 726

**BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018**

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings carried at revalued amounts

The revaluations of land and buildings are performed after every five (5) years. The last revaluations were performed as at 31 March 2016 by Willy Kathurima Associates, an independent professional valuer who is not related to BURS and is qualified for the purpose of the valuations. The revaluations were performed in accordance with the standards of the Appraisal and Valuation Manual and the Real Estate Institute of Botswana. Willy Kathurima Associates is a member of the Real Estate Institute of Botswana. The next revaluations will be performed in the financial year ending 31 March 2021.

The fair value of land and buildings has been arrived at on the basis of a valuation conducted by Willy Kathurima. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

	2018 P'000	2017 P'000
The fair values at the end of the year are as follows:		
Revaluation losses reversed to profit and loss (Note 8)	-	1 890
Gain on revaluations of properties (Note 17)	-	7 630
Net gain on revaluations of properties	<u>-</u>	<u>9 520</u>

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

Land		
- Cost	35 404	34 490
- Accumulated depreciation	<u>(6 545)</u>	<u>(6 301)</u>
	<u>28 859</u>	<u>28 189</u>
Buildings:		
- Cost	323 691	273 441
- Accumulated depreciation	<u>(27 363)</u>	<u>(23 588)</u>
	<u>296 328</u>	<u>249 853</u>

Land includes Plaatjan and Zanzibar with a fair value of P300,000 each. Ownership of this land is currently in dispute with third parties and as a result a contingent liability has been disclosed in Note 22.

12 INVESTMENT PROPERTY

At fair value

Balance at beginning of the year	-	25 700
Gain from fair value adjustments (Note 8)	-	300
Disposals	-	(26 000)
- Fair value portion of investment property on disposal (Note 9)	<u>-</u>	<u>(15 503)</u>
- Cost of investment property on disposal (Note 18)	<u>-</u>	<u>(10 497)</u>
Balance at end of the year	<u>-</u>	<u>-</u>

The investment property was transferred to Public Procurement and Asset Disposal Board ("PPADB") as at 31 March 2017, at no consideration based on the directive issued by MFED, the parent ministry of both BURS and PPADB.

BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018
13 INTANGIBLE ASSETS

	Computer software P'000	Work-in- progress P'000	Total P'000
Cost			
At 31 March 2016	6 294	48 691	54 985
Additions	-	20 810	20 810
Transfers	63 751	(63 751)	-
Transfer to property, plant and equipment (Note 11)	-	(2 334)	(2 334)
Amounts written off (Note 18)	-	(1 482)	(1 482)
At 31 March 2017	70 045	1 934	71 979
Additions	6 295	37 297	43 592
Adjustments for non-capital expenditure	-	(5 096)	(5 096)
- Repairs and maintenance (Note 9)	-	(2 231)	(2 231)
- Seminars and workshops (Note 9)	-	(2 865)	(2 865)
Transfer to property, plant and equipment (Note 11)	-	(23 638)	(23 638)
At 31 March 2018	76 340	10 497	86 837
Accumulated amortisation			
At 31 March 2016	4 897	-	4 897
Charge for the year	4 549	-	4 549
At 31 March 2017	9 446	-	9 446
Charge for the year	9 953	-	9 953
At 31 March 2018	19 399	-	19 399
Carrying amount at 31 March 2018	56 941	10 497	67 438
Carrying amount at 31 March 2017	60 599	1 934	62 533

Computer software consists of software for the Human Resources SAP module, e-Filing, e-Payment, Withholding Tax ("WHT"), Customs Management System ("CMS") and the Auto Capturing Scanner. Work-in-progress consists of the IP Based cabling project. There are no intangible assets that have been pledged as security.

14 INVENTORIES

	2018 P'000	2017 P'000
Printing and stationery	2 417	3 242
Office supplies	369	285
Uniform and protective clothing	-	220
	<u>2 786</u>	<u>3 747</u>

Inventories represent unconsumed supplies held in store at year-end to be consumed in the rendering of services, pending issuance to different cost-centres. Inventories are stated at cost on a First-in-First-out basis.

15 TRADE AND OTHER RECEIVABLES

Receivable from related parties (Note 20)	74 890	69 111
Advance payments	13 094	3 250
- Advance payments made for capital expenditure	15 640	3 250
- Transfer to property, plant and equipment (Note 11)	(2 546)	-
Prepayments	3 122	8 881
Staff receivables	1 036	770
Other receivables	762	2 617
	<u>92 904</u>	<u>84 629</u>

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Receivables are provided for based on estimated irrecoverable amounts determined by reference to each debtor's financial position. In determining the recoverability of receivables, BURS considers the change in the quality of the receivable from the date the credit was granted up to the reporting date. The Directors believe that there is no credit provision required as at end of the financial reporting period (2017:P Nil).

**BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018**

	<u>2018</u> P'000	<u>2017</u> P'000
16 CASH AND CASH EQUIVALENTS		
Cash in hand	40	16
Trust call account	1	1
Business call and current account	42 297	2 790
Fixed deposit account	3 000	3 000
Development funds call account	263 582	197 492
	<u>308 920</u>	<u>203 299</u>
17 PROPERTIES REVALUATION RESERVE		
<i>Revaluation gains</i>		
Balance at beginning of the year	177 757	170 127
Gain on revaluations of properties	-	7 630
- Revaluation surpluses during the year (Note 11)	-	9 520
- Revaluation losses reversed (Note 8)*	-	(1 890)
Balance at beginning and end of year	<u>177 757</u>	<u>177 757</u>
*Revaluation losses relate to previous revaluation surpluses of properties.		
18 CAPITAL GRANTS		
Balance at beginning of the year	1 141 601	851 800
Net development funding receivable from the Government of Botswana	295 753	323 000
- Transfer to recurrent expenditure (Note 6)	(14 347)	-
- Government funding for development expenditure (Note 20)	310 100	323 000
Intangible assets written off (Note 13)	-	(1 482)
Other adjustments	426	-
Cost of investment property on disposal (Note 12)	-	(10 497)
Net book value of disposals of property, plant and equipment	(754)	(868)
Amortisation of capital grants for the year (Note 6)	(39 758)	(20 352)
Balance at end of the year	<u>1 397 268</u>	<u>1 141 601</u>
19 TRADE AND OTHER PAYABLES		
Trade payables	18 858	10 163
Accruals and other payables	82 480	49 058
Employee benefits accruals	54 972	48 908
Payable to related parties (Note 20)	1 672	5 724
Rental accruals	1 901	1 370
	<u>159 883</u>	<u>115 223</u>

BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018

	2018 P'000	2017 P'000
20 RELATED PARTY TRANSACTIONS		
Related parties transactions comprise the following:		
The Ministry of Finance and Economic Development has, through the Notice of Funds of the Revenue Service Order, 2012, Section 26 (1) (d) of the Botswana Unified Revenue Service Act, authorised the Revenue Service to retain 2 percent (2%) of the revenue collected per annum to fund the recurrent budget with the minimum being set and 1 percent (1%) of the total revenue collected be used for the development budget. The Revenue Service has with effect from 1 April 2013 implemented such notice. The amount transferred to BURS Own accounts from Revenue accounts during the financial year ended 31 March 2018 is as follows:		
Amount transferred from Revenue Accounts to Own Accounts	840 255	805 566
Utilised as follows:		
Recurrent expenditure (Note 6)	530 155	482 566
Development expenditure (Note 18)	310 100	323 000
	<u>840 255</u>	<u>805 566</u>
Executive management personnel compensation		
Salaries and other short term employee benefits	6 597	6 781
Post employment benefits	852	1 177
Total executive management personnel compensation	<u>7 449</u>	<u>7 958</u>
Executive Management personnel compensation covers personal emoluments and post employment benefits. Post employment benefits include pension and gratuities.		
Board members sitting allowances	361	152
Transactions with the Board members represent sitting allowances paid to the members for attending meetings of the Board and Board sub-committees.		
Government departments		
BURS' related parties include Government departments for which BURS collects levies on the departments' behalf and earns agency fees and commissions in return. The following business transactions were conducted with related parties:		
<u>Agency fees and commissions:</u>		
Ministry of Investment, Trade and Industry (alcohol levy, flour levy and copyright levy)	29 494	22 826
Ministry of Transport and Communications - Department of Road Transport and Safety (road safety tokens and permits)	17 423	15 737
Human Resource Development Council (training levy)	15 030	13 901
Motor Vehicle Accident Fund (motor vehicle road insurance)	1 022	1 012
	<u>62 969</u>	<u>53 476</u>
<u>Other income:</u>		
Public Procurement and Asset Disposal Board (rental income)	<u>9</u>	<u>1 984</u>

**BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018**

	<u>2018</u> <u>P'000</u>	<u>2017</u> <u>P'000</u>
20 RELATED PARTY TRANSACTIONS (CONTINUED)		
Balances receivable from/(payable to) related parties		
Agency fees receivable from Department of Road Transport and Safety	6 222	8 594
Commissions and other receivables from Revenue Accounts	22 687	14 049
Fluctuation of foreign exchange rates receivable from Revenue Accounts	45 981	46 468
Total receivable from related parties (Note 15)	<u>74 890</u>	<u>69 111</u>
Net bank charges payable to Revenue Accounts (Note 19)	<u>(1 672)</u>	<u>(5 724)</u>
Net due from related parties	<u><u>73 218</u></u>	<u><u>63 387</u></u>
21 ADJUSTMENT FOR NON-CASH ITEMS		
Profit on disposal of property, plant and equipment (Note 7)	(881)	(24)
Total adjustments on fair valuation of properties (Note 8)	-	(2 190)
Amounts transferred from advance payments (Notes 11 and 15)	(2 546)	-
Depreciation of property, plant and equipment (Note 11)	28 721	23 511
Fair value portion of investment property on disposal (Note 12)	-	15 503
Adjustments for non-capital expenditure (Note 13)	5 096	-
Amortisation of intangible assets (Note 13)	9 953	4 549
Adjustments of capital grants (Note 18)	426	-
Amortisation of grants (Note 18)	<u>(39 758)</u>	<u>(20 352)</u>
	<u><u>1 011</u></u>	<u><u>20 997</u></u>
22 CONTINGENT LIABILITIES		
As documented in note 11, BURS is in a dispute with third parties regarding the ownership of Zanzibar and Plaatjan. The fair value of the land in dispute is P600,000 (2017: P600,000) . As these third parties hold the legal title BURS may need to purchase the land from the third parties.		
23 OPERATING LEASE COMMITMENTS		
At the end of the year, BURS had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as detailed below:		
Within one year	18 489	17 638
Within two to five years	7 653	4 214
	<u><u>26 142</u></u>	<u><u>21 852</u></u>
24 CAPITAL COMMITMENTS		
Commitments for the acquisition of property, plant and equipment	<u><u>540 000</u></u>	<u><u>557 500</u></u>

Significant contractual obligations falling due within the next financial year will be financed through funds retained from tax collections approved by the Ministry of Finance and Economic Development during the financial year 2017/18 and funds to be approved during 2018/19.

Significant contractual obligations include; Works contract for the design and construction of high density radiation shielding prefabricated concrete wall for P16 million; Design and construction of yard paving and associated works at the Tlokweng border for P17 million; Proposed maintenance of Kazungula road border post for P30 million; Web-based Integrated Tax Management System for P88 million; Customs Management System for P48 million; Supply and Delivery of Network Security Equipment for the BURS Head Office, Gaborone for P8 million and the design, supply, configuration, migration, support and documentation of Oracle engineered system for P29 million.

The capital commitments will be financed from tax collections as detailed in Note 20 above.

25 EVENTS AFTER THE REPORTING PERIOD

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



FINANCIAL STATEMENTS

31 March 2018

ADMINISTERED GOVERNMENT REVENUE ACCOUNTS

BOTSWANA UNIFIED REVENUE SERVICE (ADMINISTERED GOVERNMENT REVENUE ACCOUNTS)
GENERAL INFORMATION
31 March 2018

BOARD OF DIRECTORS

Taufila Nyamadzabo	: Chairperson
Wankie B. Wankie	: Vice Chairperson
Keneilwe R. Morris	: Commissioner General
Gaamangwe Lebele	: Non-executive Director
Ontlametse B. Ward	: Non-executive Director
Keletso Mothusi	: Non-executive Director
Gaongalelwe G.P. Mosweu	: Non-executive Director

BOARD SECRETARY

Bame A. Tumiso

NATURE OF BUSINESS

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

ADDRESS

Plot 53976
Kudumatse Drive
Private Bag 0013
Gaborone

AUDITOR

Deloitte & Touche

BANKERS

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

**BOTSWANA UNIFIED REVENUE SERVICE
 (ADMINISTERED GOVERNMENT REVENUE ACCOUNTS)
 FINANCIAL STATEMENTS
 31 MARCH 2018**

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of the financial statements 71

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Statement of cash flows 78

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The following schedule do not form part of the financial statements and are presented solely for the information of the Minister of Finance and Economic Development:

Annexure 1 - Schedule of arrears of revenue 86

Annexure 2 - Schedule of movements in collection and payments to third parties 87

**BOTSWANA UNIFIED REVENUE SERVICE (ADMINISTERED GOVERNMENT REVENUE ACCOUNTS)
FINANCIAL STATEMENTS
31 March 2018**

Directors' statement of responsibility

The Directors are responsible for the preparation and fair presentation of the financial statements of Botswana Unified Revenue Service ("BURS"): Administered Government Revenue Accounts, comprising the statement of financial position as at 31 March 2018, the statements of financial performance, changes in net assets, and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, prepared on the modified cash basis of accounting as outlined in the "Basis of preparation" paragraph under significant accounting policies.

The Directors are required by the Botswana Unified Revenue Service Act, 2003 ("BURS Act") to maintain adequate accounting records and are responsible for the content and integrity of and related financial information included in this report, and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error. The auditors are engaged to express an independent opinion on the financial statements and their report is presented on pages 72 to 74.

The financial statements are prepared in accordance with the modified cash basis and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements. The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by BURS and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout BURS and all employees are required to maintain the highest ethical standards in ensuring the Revenue Service's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in BURS is on identifying, assessing, managing and monitoring all known forms of risk across BURS. While operating risk cannot be fully eliminated, BURS endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

As disclosed in Note 14.3 of the financial statements, BURS overpaid Southern African Customs Union ("SACU") by P114, 086, 060 for the customs & excise duty collected for the period up to 31 March 2018. However, the SACU general ledger report reflected total customs & excise duty collections of P477, 544, 216 while the reports generated from the collections systems reflected total customs & excise collections of P494, 495, 532, resulting in a difference of P16,951,316. BURS management is yet to reconcile and explain the difference, which potentially implies that BURS has not yet remitted this amount to SACU.

The Directors state that, for the year ended 31 March 2018, BURS has not complied with the following paragraphs of the BURS Act:

- Paragraph 28 (2) which requires the Revenue Service to submit its books of accounts and statement of accounts to an auditor appointed by the Board within 60 days of the year-end and requires that the accounts be audited no later than 3 months after the year-end; and
- Paragraph 29 (1) which requires the Revenue Service to submit, to the Minister, a comprehensive report on the operations of the Revenue Service during that financial year, within 6 months of the end of that year.

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

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

Directors' approval of the financial statements

The financial statements set out on pages 75 to 85, which have been prepared on the going concern basis, were approved by the Board on 4 November 2019 and were signed on its behalf by:



Board Chairperson



Commissioner General

Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Botswana Unified Revenue Service ("BURS"): Administered Government Revenue Accounts set out on pages 75 to 85, which comprise the statement of financial position as at 31 March 2018, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the BURS Administered Government Revenue Accounts as at 31 March 2018, are prepared in all material respects in accordance with the modified cash basis of accounting as outlined in the "Basis of preparation" paragraph under significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of BURS in accordance with the requirements of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B), together with other ethical requirements that are relevant to our audit of the financial statements in Botswana, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Basis of Preparation and Restriction on Distribution and Use

We draw attention to the basis of preparation note on page 79 of the financial statements which describes the basis of preparation of the financial statements and the significant accounting policies. The financial statements are prepared to assist BURS to meet the requirements of the BURS Act and the reporting to the Government of Botswana. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for BURS and for the Government of Botswana and should not be distributed to or used by other parties. Our opinion is not modified in this respect.

Emphasis of Matter - Overpayment to SACU

Without qualifying our opinion, we draw attention to Note 14.3 of the financial statements, which states that BURS overpaid SACU by an amount of P114, 086, 060 for the customs & excise duty collected for the period up to 31 March 2018. However, the SACU general ledger report reflected total customs & excise duty collections of P477, 544, 216 while the reports generated from the collections systems reflected total customs & excise collections of P494, 495, 532, resulting in a difference of P16,951,316. BURS management is yet to reconcile and explain the difference, which potentially implies that BURS has not yet remitted this amount to SACU.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

We determined the recoverability of refer to drawer ("RD" or "dishonoured") cheques as a key audit matter. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.



INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

Key Audit Matter	How the matter was addressed in the audit
Recoverability of refer to drawer ("RD" or "dishonoured") cheques	
<p>BURS receives cheques from taxpayers for payments of various forms of taxes. A significant number of such cheques are returned to the drawer largely due to insufficient funds in the bank accounts of the taxpayers.</p> <p>In the past management resorted to only accepting cheques from taxpayers who have a good track record. All other taxpayers are required to pay by bank guaranteed cheques or use alternative means of payment, such as cash or Electronic Funds Transfer ("EFT"). BURS issued a public notice that with effect from 15 April 2015, it will no longer be accepting cheques unless they are bank guaranteed cheques. In addition to this notice, BURS has also subscribed to a credit bureau company, where names of all RD cheque holders are submitted.</p> <p>However, the occurrence of RD cheques has continued and over the years the amount of RD cheques has significantly increased and remained at about P100 million. Furthermore, BURS does not have a specific policy on provision for bad and doubtful debts resulting from tax collections. All bad debts relating to taxes and duties are dealt with under the Income Tax and Customs and Excise Act and the Value Added Tax ("VAT Act").</p> <p>Accordingly, we have identified recoverability of the RD cheque balance resulting from tax collections a significant risk of material misstatement.</p>	<p>We performed various procedures, including the following:</p> <ul style="list-style-type: none"> • Obtained an update in respect of the status of uncollected RD cheques and reviewed the adequacy of the provision for uncollectable RD cheques; • Tested the design and implementation of the controls associated with the Directors' assessment of the provision for uncollectable RD cheques; • Challenged the provision for uncollectable RD cheques calculations prepared by the Directors and tested the validity and reasonableness of the assumptions and judgements applied in the provision assessment; and • Evaluated the Directors' provision for compliance with International Accounting Standards number 37 ("IAS 37") - Provisions, Contingent Liabilities and Contingent Assets. <p>The financial statements are prepared on the modified cash basis of accounting, on this basis, the Directors made a 100% provision of all the uncollected RD cheques totalling P92 million as at the end of the year.</p> <p>In conclusion, we consider the judgements and estimates used in making the provision for uncollected RD cheques and the related disclosures in the financial statements to be appropriate.</p>

Related disclosure in the financial statements:

- Note 1 - General accounting policies: Write-offs
- Note 9 - Accounts receivable

Other Information

The Directors are responsible for the other information. The other information comprises the General Information, Directors' Statement of Responsibility and Approval of the Financial Statements, Annexure 1 - Schedule of Arrears of Revenue and Annexure 2 - Schedule of Movements in Collections and Payments to Third Parties. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the basis of accounting determined by the Ministry of Finance and Economic Development, as set out in the "Basis of preparation" paragraph under significant accounting policies and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing BURS' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate BURS or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the BURS' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BURS' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on BURS' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause BURS to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Legal and Regulatory Requirements

For the year ended 31 March 2018, BURS has not complied with the following paragraphs of the BURS Act:

- Paragraph 28 (2) which requires the Revenue Service to submit its books of accounts and statement of accounts to an auditor appointed by the Board within 60 days of the year-end and requires that the accounts be audited no later than 3 months after the year-end; and
- Paragraph 29 (1) which requires the Revenue Service to submit, to the Minister, a comprehensive report on the operations of the Revenue Service during that financial year, within 6 months of the end of that year.

Deloitte & Touche
 Certified Auditors
 Certificate Number: F C EIs (CAP 0062018)

Gaborone
 19 November 2019

**BOTSWANA UNIFIED REVENUE SERVICE (ADMINISTERED GOVERNMENT REVENUE ACCOUNTS)
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2018**

	Notes	<u>2018</u> P'000	<u>2017</u> P'000
Revenue collected on behalf of the Government of Botswana			
Tax revenues and customs receipts			
Income tax	2	16 442 358	17 695 687
Value Added Tax ("VAT")	3	6 397 232	6 338 862
Customs receipts	4	17 864 375	11 773 339
Other tax revenue	5	10 065	-
Total tax revenues and customs receipts		<u>40 714 030</u>	<u>35 807 888</u>
Non-tax revenue	6	28 788	3 182
Provision for doubtful debts	9	(1 526)	(100 593)
Total revenue collected on behalf of the Government of Botswana		<u>40 741 292</u>	<u>35 710 477</u>
Amount retained for BURS funding	7	(840 255)	(805 566)
Net revenue collected on behalf of Government of Botswana		<u>39 901 037</u>	<u>34 904 911</u>
Revenue collected on behalf of Government Departments	8	767 876	629 224
Total net revenue collected for the year		<u>40 668 913</u>	<u>35 534 135</u>

BOTSWANA UNIFIED REVENUE SERVICE (ADMINISTERED GOVERNMENT REVENUE ACCOUNTS)
STATEMENT OF FINANCIAL POSITION
as at 31 March 2018

	Notes	<u>2018</u> P'000	<u>2017</u> P'000
ADMINISTERED ASSETS			
Current assets			
Accounts receivable	9	133 694	5 882
Tax payers' direct debits receivable	10	19 236	-
Amount due from Government Remittance Account	11	45 415	380 290
Cash and cash equivalents	12	242 101	241 419
Total administered assets		<u>440 446</u>	<u>627 591</u>
ADMINISTERED LIABILITIES			
Current liabilities			
Tax payers' direct debits payable	10	8 434	-
Accounts payable	13	432 012	627 591
Total administered liabilities		<u>440 446</u>	<u>627 591</u>

**BOTSWANA UNIFIED REVENUE SERVICE (ADMINISTERED GOVERNMENT REVENUE ACCOUNTS)
STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 March 2018**

	P'000
Amount due from Government Remittance Account	
Balance at 1 April 2016	197 200
Total net revenue collected for the year	(35 534 135)
Total net transfers to Government Remittance Account	35 717 225
- Gross transfers to Government Remittance Account	35 818 509
- Less: Amounts overpaid to Government Remittance Account	(691)
- Less: Provision for dishonoured cheques for the year (Note 9)	(100 593)
Balance at 31 March 2017	380 290
Total net revenue collected for the year	(40 668 913)
Total net transfers to Government Remittance Account	40 334 038
- Gross transfers to Government Remittance Account	40 233 445
- Add: Transfer from payable to Government Remittance Account	100 593
Balance at 31 March 2018	45 415

BOTSWANA UNIFIED REVENUE SERVICE (ADMINISTERED GOVERNMENT REVENUE ACCOUNTS)
STATEMENT OF CASH FLOWS
for the year ended 31 March 2018

	2018 P'000	2017 P'000
Cash flows from operating activities:		
Total net revenue collected for the year	40 668 913	35 534 135
Total net transfers to Government Remittance Account	(40 334 038)	(35 717 225)
Net collections of transfers to Government Remittance Account	334 875	(183 090)
Movement in assets and liabilities		
(Increase)/decrease in accounts receivable	(127 812)	94 206
Net increase in tax payers' direct debits receivable	(10 802)	-
(Decrease)/increase in accounts payable	(195 579)	105 082
Net movement in assets and liabilities	(334 193)	199 288
Increase in cash and cash equivalents	682	16 198
Cash and cash equivalents at beginning of year	241 419	225 221
Cash and cash equivalents at end of year	242 101	241 419

**BOTSWANA UNIFIED REVENUE SERVICE (ADMINISTERED GOVERNMENT REVENUE ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS
31 March 2018**

1 SIGNIFICANT ACCOUNTING POLICES

Statement of accounting policies

The principal accounting policies adopted in the preparation of these financial statements, which were applied consistently throughout the year in dealing with items which are considered material in relation to the financial statements, are set out below and are in accordance with the modified cash basis of accounting.

Basis of preparation

The financial statements are required in terms of Sections 28 and 29 of the Botswana Unified Revenue Service Act, 2003. The financial statements are prepared on the modified cash basis of accounting since BURS took over the responsibility for revenue accounting and reporting from the Government's Department of the Accountant General in 2008.

BURS is putting in place measures to prepare for future implementation of International Public Sector Accounting Standards ("IPSAS"). BURS is engaging with the Ministry of Finance and Economic Development in order to develop detailed guidelines which will outline the procedures and timelines to be followed in Botswana for Government owned enterprises in converting to the accrual basis of accounting. Consequently, BURS has prepared the financial statements on a modified cash basis in line with the accounting principles of the Government of Botswana.

The reported activity - revenue collection accounts

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

The financial statements are presented in Botswana Pula and in thousands (P'000) except for Annexure 1 - schedule of arrears of revenue and Annexure 2 - schedule of movements in collections and payments to third parties, which are reported in units of Pula.

General accounting policies

Penalty interest

Interest is charged to taxpayers when tax liabilities have not been paid by the due dates in accordance with the Income Tax Act, Value Added Tax Act, Capital Transfer Tax Act and Customs and Excise Duty Act.

Customs fines

Income generated from penalties is recorded as Tax Revenue and is payable to the Government Remittance Account. Income generated from customs fines is recorded as non-tax revenue. Fines are charges collected from violators of the Customs and Excise Duty Act such as non-declaration or under-valuation of goods at the time of importation. Penalties are statutory payments for failure to comply with the Income Tax Act, Value Added Tax Act and the Capital Transfer Tax Act, and are paid as admission of guilt.

Debtors

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

BOTSWANA UNIFIED REVENUE SERVICE (ADMINISTERED GOVERNMENT REVENUE ACCOUNTS) **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **31 March 2018**

1 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

General accounting policies (continued)

Write-offs

Write-offs are debts for dishonoured cheques that are irrecoverable and uncollectible either when there are no practical means for pursuing the debt or when all reasonable steps have been taken to recover the debt. Write-offs are recognised in the year that they are authorised.

Any recoveries in respect of written off debts arising from the previous years when the function of revenue accounting was under the Accountant General, are accounted for as revenue received from the replacement of the previous year's dishonoured cheques, and such recoveries are payable to the Government Remittance Account.

Accounts payable

Accounts payables are amounts established as due at year end. These include unremitted collections, refundable deposits and other payables.

Cash and cash equivalents

Cash and cash equivalents represents funds held by BURS pending transfer to the Government Remittance Account, Southern African Customs Union ("SACU") Common Revenue Pool, payment of Value Added Tax ("VAT") refunds and payment of other unremitted collections.

Cash and cash equivalents in BURS 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.

Revenue recognition - Tax revenues and customs union receipts

For these financial statements, tax revenues and customs union receipts are measured at the fair value of the consideration received. Revenue is recognised on a cash basis, which reports the actual cash received in a given period. That is, tax revenues and customs union receipts are recognised when cash is received.

Refunds related to the revenue collected are also accounted for on a cash basis and are recognised in the year the refund is paid out.

Foreign currencies

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

Government remittance account

In terms of the Memorandum of Understanding signed between BURS and the Ministry of Finance and Economic Development in 2007, BURS should remit all revenue collected to the Government Remittance Account.

However, subsequent to the signing of this Memorandum, the Ministry of Finance and Economic Development has, through the Notice of Funds of the Revenue Service Order, 2012, authorised the Revenue Service to retain, not more than 2 percent (2%) of the revenue collected per annum to fund the recurrent budget and not more than 1 percent (1%) of the total revenue collected be used for the development budget and that annual ceilings should be approved, on an annual basis, by the Ministry of Finance and Economic Development.

BOTSWANA UNIFIED REVENUE SERVICE (ADMINISTERED GOVERNMENT REVENUE ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018

	2018 P'000	2017 P'000
2 INCOME TAX		
Income tax revenue collected during the year was derived from the following sources:		
Withholding tax	2 899 616	3 112 596
Deducted tax (Pay-As-You-Earn)	6 124 528	5 287 575
Assessed tax	7 726 445	9 505 690
Penalty interest	101 554	105 785
Capital transfer tax	8 777	7 474
Gross income tax receipts	<u>16 860 920</u>	<u>18 019 120</u>
Less: Refunds	<u>(418 562)</u>	<u>(323 433)</u>
Net income tax receipts	<u>16 442 358</u>	<u>17 695 687</u>

3 VALUE ADDED TAX ("VAT")

VAT is recognised in the statement of financial performance on a net basis. VAT is structured in such a manner that companies are also entitled to claim refunds; hence the breakdown of gross receipts and refunds is disclosed. VAT refunds arise when the input tax for any tax period is greater than the output tax for that period, or when tax paid is in excess of the amount properly charged to tax under the VAT Act. The refunds are paid from the VAT collections. VAT refunds reported in the statement of financial performance for the years ended 31 March 2018 and 31 March 2017 represent the actual cash paid out as VAT refunds. The net VAT revenue received during the year is analysed as follows:

VAT import	4 433 520	4 363 161
VAT internal	4 121 517	4 072 640
VAT interest and penalties	39 732	53 280
Fuel levy	<u>124 581</u>	<u>113 001</u>
Gross receipts	8 719 350	8 602 082
Less: Refunds	<u>(2 322 118)</u>	<u>(2 263 220)</u>
Net VAT receipts	<u>6 397 232</u>	<u>6 338 862</u>

4 CUSTOMS RECEIPTS

The customs receipts represent monies received by Botswana by virtue of her membership of the Southern African Customs Union ("SACU"). SACU member states collect customs and excise duty and deposit the revenue into the SACU Common Revenue Pool in accordance with the provisions of Article 33 of the 2002 SACU Agreement. Refer also to Note 14.3.

The member states annually calculate and distribute the share due to each member state in accordance with a revenue sharing formula in accordance with provisions of Article 34 of the SACU Agreement. The SACU revenue is currently paid to member states on a quarterly basis in advance.

SACU receipts	<u>17 864 375</u>	<u>11 773 339</u>
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5 OTHER TAX REVENUE

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

Replacement of prior years' dishonoured cheques (Note 9)	<u>10 065</u>	<u>-</u>
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**BOTSWANA UNIFIED REVENUE SERVICE (ADMINISTERED GOVERNMENT REVENUE ACCOUNTS)
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 31 March 2018**
6 NON-TAX REVENUE

Non-tax revenue consists of licence fees and customs fines. Licence fees are paid by companies and individuals registered with BURS to transact various types of customs businesses such as the operation of bonded warehouses and customs clearing agents. Customs fines are received in respect of detected non-compliance with the Revenue Laws, usually at border posts or other points of entry.

	2018	2017
	P'000	P'000
The amount reported as non-tax revenue in the statement of financial performance is made up of the following:		
Licence fees	25	38
Customs fines	28 763	3 144
	<u>28 788</u>	<u>3 182</u>

7 AMOUNT RETAINED FOR BURS FUNDING

The Ministry of Finance and Economic Development has, through the Notice of Funds of the Revenue Service Order, 2012, issued in accordance with Section 26 (1) (d) of the Botswana Unified Revenue Service Act, 2003, authorised the Revenue Service to retain a maximum of 2 percent (2%) of the revenue collected per annum to use for recurrent budget and 1 percent (1%) of the total revenue collected to use for the development budget. The Revenue Service implemented such notice with effect from 1 April 2013.

The amount transferred to BURS Own accounts from Administered Government Revenue Accounts during the financial year ended 31 March 2018 is as follows:

Amount retained for BURS funding	840 255	805 566
Consisting of:		
Amount retained for use in recurrent expenditure (Note 14.1)	530 155	482 566
Amount retained for use in development expenditure (Note 14.1)	310 100	323 000
	<u>840 255</u>	<u>805 566</u>
Utilised by BURS as:		
Recurrent expenditure	544 502	482 566
Amount retained for use in recurrent expenditure	530 155	482 566
Add: Transfer from development expenditure funding	14 347	-
Development expenditure	295 753	323 000
Amount retained for use in development expenditure	310 100	323 000
Less: Transfer to recurrent expenditure funding	(14 347)	-
	<u>840 255</u>	<u>805 566</u>

The limits for the year ended 31 March 2018 were as follows:

Recurrent expenditure	- 2 percent (2%) of total revenue collected	814 826	714 210
Recurrent expenditure	- minimum	379 000	379 000
	- maximum	530 155	482 566
Development expenditure	- 1 percent (1%) of total revenue collected	407 413	357 105

**BOTSWANA UNIFIED REVENUE SERVICE (ADMINISTERED GOVERNMENT REVENUE ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018**

8 REVENUE COLLECTED ON BEHALF OF GOVERNMENT DEPARTMENTS

BURS collects revenue on behalf of Government departments. These include:

- i. Road safety and permit fees (Ministry of Transport and Communications - Department of Road Transport and Safety);
- ii. Alcohol, Tobacco and Flour levies (Ministry of Investment, Trade and Industry - Department of Trade and Consumer Affairs); and
- iii. Copyright levy (Ministry of Investment, Trade and Industry - Registrar of Companies).

The amount reported as revenue collected on behalf of other Government departments includes the following:

<u>Revenue collected</u>	<u>2018</u> <u>P'000</u>	<u>2017</u> <u>P'000</u>
Copyright levy	8 329	7 479
Tobacco levy	62 301	40 513
Road safety tokens	11 263	10 726
Transport permits	197 669	134 465
Flour levy	2 087	7 077
Alcohol levy	486 227	428 964
	<u>767 876</u>	<u>629 224</u>

9 ACCOUNTS RECEIVABLE

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

Dishonoured cheques	92 054	100 593
Less: Provision for doubtful debts	(92 054)	(100 593)
Net dishonoured cheques	-	-
Receivable from BURS Own Accounts (Note 14.1)	18 391	5 724
Receivable from SACU Pool - Customs and excise duties (Note 14.3)	114 086	-
Other receivables	1 217	158
	<u>133 694</u>	<u>5 882</u>

The movement in the provision for doubtful debts is as follows:

Balance at beginning of the year	(100 593)	-
Provision made for dishonoured cheques during the year	(1 526)	(100 593)
Replacement of prior years' dishonoured cheques (Note 5)	10 065	-
Balance at end of the year	<u>(92 054)</u>	<u>(100 593)</u>

10 TAX PAYERS' DIRECT DEBITS RECEIVABLE/(PAYABLE)

Tax payers' direct debits receivable	19 236	-
Tax payers' direct debits payable	(8 434)	-
Net amount receivable	<u>10 802</u>	<u>-</u>

The direct debits receivable represent remittances collected by First National Bank of Botswana ("FNBB") through their direct debit mode of payment but the collections were not remitted to BURS at the end of the year. BURS has therefore recognised this as receivable from FNBB in the statement of financial position.

For these financial statements, dishonoured direct debits refundable to FNBB represent amounts paid through the FNBB direct debit arrangement with BURS. These amounts were recognised as collection upon receipt of notification of payment but later dishonoured. BURS has therefore recognised this as a liability payable to FNBB in the statement of financial position.

**BOTSWANA UNIFIED REVENUE SERVICE (ADMINISTERED GOVERNMENT REVENUE ACCOUNTS)
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 31 March 2018**
11 AMOUNT DUE FROM GOVERNMENT REMITTANCE ACCOUNT

The amount due from the Government Remittance Account represents collections transferred in excess to the Government as at year end, whereas the amount due to the Government Remittance Account represents collections awaiting transfer to Government.

	2018 P'000	2017 P'000
Amount due from Government Remittance Account (Note 14.2)	45 415	380 290

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents represents funds held by BURS pending transfer to the Government Remittance Account, SACU Common Revenue Pool, payment of VAT refunds and payment of other unremitted collections.

Bank and cash balances	242 101	241 419
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13 ACCOUNTS PAYABLE

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

31 March 2018

	Other payables P'000	Unremitted collections P'000	Refundable deposits P'000	Total P'000
Temporary deposits	-	-	26 202	26 202
Payable to BURS Own Accounts (Note 14.1)	-	68 668	-	68 668
Payable to Government Remittance Account (Note 14.2)	-	125 509	-	125 509
Gross payments account	-	-	1 658	1 658
Training levy (Human Resource Development Council)	-	97 861	-	97 861
Assurance levy (Motor Vehicle Accident Fund)	-	2 198	-	2 198
Unallocated Electronic Funds Transfer ("EFT") transactions	-	39 884	-	39 884
Unpresented cheques	40 150	-	-	40 150
Income Tax refund account	23 907	-	-	23 907
Cash gains and losses control account	-	1 504	-	1 504
Various suspense accounts	-	4 471	-	4 471
	64 057	340 095	27 860	432 012

31 March 2017

Temporary deposits	-	-	52 499	52 499
Customs and excise duties	-	76 271	-	76 271
Payable to BURS Own Accounts (Note 14.1)	-	60 517	-	60 517
Payable to Government Remittance Account (Note 14.2)	-	28 945	-	28 945
Gross payments account	-	-	76 153	76 153
Training levy (Human Resource Development Council)	-	84 716	-	84 716
Assurance levy (Motor Vehicle Accident Fund)	-	2 016	-	2 016
Unallocated Electronic Funds Transfer ("EFT") transactions	-	149 264	-	149 264
Unpresented cheques	35 793	-	-	35 793
Income Tax refund account	42 826	-	-	42 826
Cash gains and losses control account	-	1 776	-	1 776
Various suspense accounts	-	16 815	-	16 815
	78 619	420 320	128 652	627 591

Other payables

Other payables are amounts established as due at year end. These include unpresented cheques in respect of VAT and Income Tax refunds and the VAT and Income Tax refund clearing account.

Unremitted collections

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

Refundable deposits

Refundable deposits includes money received in the current and previous years by BURS that relates to transactions that may occur in future accounting periods, e.g. money deposited in the gross payments account to cater for future import of goods.

**BOTSWANA UNIFIED REVENUE SERVICE (ADMINISTERED GOVERNMENT REVENUE ACCOUNTS)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 March 2018**

14 RELATED PARTY TRANSACTIONS AND BALANCES

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

The following are transactions and balances with related parties:

	2018 P'000	2017 P'000
14.1 BURS Own Accounts:		
<u>Amount retained for BURS funding (Note 7)</u>		
Recurrent expenditure	530 155	482 566
Development expenditure	310 100	323 000
	<u>840 255</u>	<u>805 566</u>
<u>Accounts receivable (Note 9)</u>		
Point of sale and other bank charges	<u>18 391</u>	<u>5 724</u>
<u>Accounts payable (Note 13)</u>		
Commissions payable	(22 687)	(14 049)
Fluctuation of foreign exchange rates payable to BURS Own Accounts	(45 981)	(46 468)
	<u>(68 668)</u>	<u>(60 517)</u>
Net amount due to BURS Own Accounts	<u>(50 277)</u>	<u>(54 793)</u>
14.2 Amount due (to)/from Government:		
Amount due to Government Remittance Account (Notes 13)	(125 509)	(28 945)
Amount due from Government Remittance Account (Note 11)	45 415	380 290
Net amount due (to)/from Government	<u>(80 094)</u>	<u>351 345</u>
14.3 Amount due from Southern African Customs Union ("SACU"):		
Receivable from SACU Pool (Note 9)	<u>114 086</u>	<u>-</u>

The amount receivable from SACU Pool represents an overpayment by BURS to SACU for the customs & excise duty collected for the period up to 31 March 2018. However, the SACU general ledger report reflected total customs & excise duty collections of P477, 544, 216 while the reports generated from the collections systems reflected total customs & excise collections of P494, 495, 532, resulting in a difference of P16,951,316. BURS management is yet to reconcile and explain the difference, which potentially implies that BURS has not yet remitted this amount to SACU.

15 EVENTS AFTER THE REPORTING PERIOD

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

BOTSWANA UNIFIED REVENUE SERVICE (ADMINISTERED GOVERNMENT REVENUE ACCOUNTS)
ANNEXURE 1 - SCHEDULE OF ARREARS OF REVENUE
for the year ended 31 March 2018

This annexure does not form part of the audited financial statements. It is presented as additional information.

	Balance at beginning of the year P	Collection of previous years' arrears P	Abandonment, discharges, remissions/ waivers & adjustments P	Balance of prior years' arrears P	Arrears in respect of current year P	Balance at end of the year P
31 March 2018						
VAT internal	555 034 939	(132 796 302)	(33 199 076)	389 039 561	241 100 061	630 139 622
VAT interest and penalties	893 282 455	(28 933 749)	(67 512 080)	796 836 626	271 077 860	1 067 914 486
Assessed tax	359 110 821	(95 965 574)	(208 425 949)	54 719 298	386 323 291	441 042 589
Assessed tax interest and penalties	887 012 119	(30 600 746)	(83 032 054)	773 379 319	374 613 191	1 147 992 510
Total	2 694 440 334	(288 296 371)	(392 169 159)	2 013 974 804	1 273 114 403	3 287 089 207
31 March 2017						
VAT internal	484 089 339	(68 395 822)	(45 597 214)	370 096 303	184 938 636	555 034 939
VAT interest and penalties	751 199 335	(33 012 203)	(49 518 304)	668 668 828	224 613 627	893 282 455
Assessed tax	224 340 569	(92 360 415)	(157 043 585)	(25 063 431)	384 174 252	359 110 821
Assessed tax interest and penalties	775 951 907	(30 611 436)	(168 359 096)	576 981 375	310 030 744	887 012 119
Total	2 235 581 150	(224 379 876)	(420 518 199)	1 590 683 075	1 103 757 259	2 694 440 334

Arrears of revenue represent amounts receivable from the taxpayers relating to the current and previous financial years where these amounts are known at the time the accounts are prepared but have not been included in accounts receivables in the financial statements as BURS is currently reporting on modified cash basis.

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

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

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

**BOTSWANA UNIFIED REVENUE SERVICE (ADMINISTERED GOVERNMENT REVENUE ACCOUNTS)
ANNEXURE 2 - SCHEDULE OF MOVEMENTS IN COLLECTIONS AND PAYMENTS TO THIRD PARTIES
for the year ended 31 March 2018**

This annexure does not form part of the audited financial statements. It is presented as additional information.

	SACU Common Revenue Pool	Motor Vehicle Accident Fund	Human Resource Development Council	Total
	P	P	P	P
31 March 2018				
Balance at 1 April 2017	76 271 481	2 016 264	84 716 258	163 004 003
Collections	477 544 216	10 867 742	317 127 756	805 539 714
Payments to third parties	(667 901 757)	(9 599 493)	(287 505 409)	(965 006 659)
Payments - BURS Commission	-	(1 086 795)	(16 476 956)	(17 563 751)
Balance at 31 March 2018	<u>(114 086 060)</u>	<u>2 197 718</u>	<u>97 861 649</u>	<u>(14 026 693)</u>
31 March 2017				
Balance at 1 April 2016	3 427 730	2 300 437	63 307 188	69 035 355
Collections	490 329 894	10 219 768	309 318 344	809 868 006
Payments to third parties	(417 486 143)	(9 481 964)	(272 878 887)	(699 846 994)
Payments - BURS Commission	-	(1 021 977)	(15 030 387)	(16 052 364)
Balance at 31 March 2017	<u>76 271 481</u>	<u>2 016 264</u>	<u>84 716 258</u>	<u>163 004 003</u>

Collections to third parties represent funds that had not been transferred at year end from collections due from service level agreements. BURS have entered into service level agreements with parastatals to collect revenue on their behalf. The agreements are as follows:

- Motor Vehicle Accident Fund ("MVA Fund") for the collection of the fuel levy; and
- Human Resource Development Council ("HRDC") for the collection of the training levy.



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