

EXAMINATION OF THE COMPONENTS OF
THE FISCAL POLICY PAPER FY2023/24
WHICH WAS LAID IN THE HOUSES OF PARLIAMENT
ON FEBRUARY 14, 2023

**INDEPENDENT AUDITOR'S REPORT
AUDITOR GENERAL'S DEPARTMENT OF JAMAICA
FY2023/2024**



The Auditor General is appointed by the Governor General and is required by the Constitution, Financial Administration and Audit Act, other sundry acts and letters of engagement, to conduct audits at least once per year of the accounts, financial transactions, operations and financial statements of central government ministries and departments, local government agencies, statutory bodies and government companies. The Auditor General is also required, under the FAA Act, to review the Fiscal Policy Paper, and other provisions of the Fiscal Responsibility Framework.

The Department is headed by the Auditor General, Pamela Monroe Ellis, who submits her reports to the Speaker of the House of Representatives in accordance with Section 122 of the Constitution of Jamaica and Section 29 of the Financial Administration and Audit Act.

This report has been prepared by the Auditor General’s Department of Jamaica for presentation to the House of Representatives.



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Auditor General's Opinion

1. I examined the components of the Fiscal Policy Paper (FPP), which was laid before the Houses of Parliament on 2023, February 14, in accordance with the Financial Administration and Audit (FAA) Act. Based on my review, I found that the report met the requirements of the Third Schedule and included the minimum content under the Fiscal Responsibility Statement, Macroeconomic Framework and Fiscal Management Strategy.
2. I adhered to the standards issued by the International Association of Supreme Audit Institutions and International Standard on Assurance Engagement (ISAE) 3000 – Assurance Engagements Other than Audits or Reviews of Historical Information issued by the International Auditing and Assurance Standards Board.

Performance against Fiscal Framework

3. On 2020 June 02, the House of Representatives approved the Fiscal Administration and Audit (Suspension of Fiscal Target Requirements) Order, 2020, to suspend Jamaica's fiscal rules until the end of the financial year following the event resulting from the economic impact of the coronavirus (COVID-19) pandemic. The suspension of the fiscal rules allowed the Government to target a lower primary surplus of 3.5 per cent of GDP for FY2020/21, down from 5.4 per cent and for the extension of the achievement of the Debt to GDP target to FY2027/28. The suspension terminated at the end of the financial year following the eventuality.

My Responsibility

4. Section 48B (6) of the FAA Act requires the Auditor General to examine the components of the Fiscal Policy Paper (FPP) within two weeks after the FPP is laid before both Houses of Parliament, and provide a report to the Houses indicating whether: -
 - a. **The conventions and assumptions underlying the preparation of the Fiscal Policy Paper comply with the principles of prudent fiscal management specified in Section 48D:**
 - i. The Fiscal Responsibility Statement reaffirmed the Government's commitment to prudent fiscal management which requires the fiscal targets to be met or exceeded each year, in order to attain the debt target of 60 per cent of GDP by FY2027/28. The Fiscal Management Strategy indicated that the medium-term fiscal programme was formulated in the context of the "legislated targets" under the Fiscal Responsibility Framework and underpinned by the macroeconomic assumptions provided in the Macroeconomic framework. However, the medium-term forecasts depicted Wage to GDP ratios of more than 11.0 per cent for FY2023/24 to FY2026/27, but no reference was made to the Wage to GDP legislative target of 9 per cent. The FPP indicated that for FY2023/24, nominal GDP growth of 9.1 per cent (5.1 per cent real) was projected in the context of a slowdown in the economic growth of advanced economies as

forecasted by the World Economic Outlook and predicated on expected performances from *Agriculture Forestry & Fishing, Hotels & Restaurants, and Transport, Storage & Communications* industries. Further, the pace of growth of the Jamaican economy was forecasted to decelerate over the medium term to 6.1 per cent (1.0 per cent real) against the backdrop of weakened global growth, elevated domestic and international inflation, and a tightened monetary policy stance.

- ii. The principles of prudent fiscal management require the budget to be informed by reasonable revenue projections, underpinned by realistic macroeconomic assumptions, and that related risks and risk-mitigating measures are identified. The FPP identified slower than projected GDP growth as the main risk to fiscal and debt sustainability; with the risk to tax revenue arising from slower growth in the United States of America SA, Jamaica's main trading partner. The Report further indicated that this risk would be managed through continued monitoring of developments in the global economy to gauge spill over effects. Other risks were indicated, including those related to inflation, interest rates, oil price and Government's exposure to contingent liabilities, with the associated risk-mitigating measures identified. Additionally, the FPP stated that "the projected fiscal balance outcomes for the medium-term would be achieved without expenditure adjustment...". Nonetheless, we are aware of the relatively small buffers in the form of fiscal surpluses of \$9.9 billion for FY2023/24 and \$8.5 billion for FY2024/25 relative to the surplus of \$21.3 billion in FY2021/22, which underscored the importance of the recent staff level agreement on a Precautionary and Liquidity Line (PLL) and the Resilience and Sustainability Facility (RSF). These will provide a combined US\$1.7 billion to mitigate the effects of Balance of Payments and weather-related shocks, respectively.
 - iii. At the same time, the FPP confirmed that consequent on the impact of the COVID-19 pandemic, four of the five existing concessionaires had submitted claims or notice of their intent to claim under the provisions of the respective concession agreements. The imperative, therefore, is for the claims to be properly assessed and managed, to not present a risk to the fiscal position and debt trajectory. Another source of fiscal risk is the build-up of payment arrears by some public bodies. The FPP identified seven public bodies where the GOJ is monitoring their arrears and has established a ceiling of \$6.4 billion. Nonetheless, overall, I found that the conventions and assumptions underlying the preparation of the Fiscal Policy Paper FY2023/24 complied with the principles of prudent fiscal management.
- b. The reasons given, pursuant to subsection (5)(d)(ii) are reasonable having regard to the circumstances:**
- i. The FPP reported on Central Government's performance for the period April-December 2022, relative to the original budget, and identified reasons for deviations from targets, in accordance with the requirements of the FAA Act. The FPP attributed the general overperformance of revenue to the country's strong recovery from the effects of the COVID-19 pandemic, as well as policies to address the economic impact of the Russia-Ukraine conflict. The strongest

performance was observed in *International Trade*, emanating from *Travel Tax*, based on a rebound in visitor arrivals. Stronger than budgeted growth in *Income and Profits* tax receipts was driven by increased profitability of *Other Companies* within the context of improved economic activity over the review period; while PAYE exceeded budget due to increased employment which boosted income. There was also higher pay out of dividends after a pause in some sectors, due to the impact of COVID-19, resulting in better-than-expected *Tax on Dividend*. Stronger than budgeted *Production & Consumption* taxes were fuelled by higher consumption associated with increased employment while *Education Tax* receipts also reflected labour market improvements. Additionally, better than budgeted *Accommodation Tax* receipts was associated with the stronger than anticipated visitor arrivals. I found the explanations for the deviations in tax revenue to be reasonable, in a context where the growth in tax revenue exceeded that for nominal GDP relative to FY2021/22, notwithstanding net tax refunds of approximately \$3 billion.

- ii. The greater than budgeted non-tax revenue was attributed to higher than projected inflows from de-earmarked companies and miscellaneous revenue while stronger than expected grant receipts reflected greater than expected disbursements from the European Union and Caribbean Development Bank. Of note, the FPP indicated that Bauxite Levy receipts were lower when compared to the corresponding period in FY2021/22; however, given the relationship between bauxite and alumina production, the reason for the decline is reasonable in a context where the Mining and Quarrying industry was estimated to have declined by 47.5 per cent for FY2022/23 due to lower alumina production.

c. In keeping with my application of criteria prescribed pursuant to regulations made under Section 50 (1), there are public bodies that do not form part of the specified public sector, and identifying those bodies (if any) which in the preceding financial year formed part of the specified public sector:

The FAA Act requires the Minister, no later than August 31, in every third year, to provide the Auditor General with a list of public bodies that the Minister wishes the Auditor General to consider for certification. My obligation under Section 50 (1) of the FAA Act is to certify that a public body carries out functions that are of a commercial nature. In 2022, the Minister responsible for Finance requested an assessment of the operations of Jamaica Mortgage Bank (JMB) Limited and the Bank of Jamaica (BOJ) to determine whether these entities carry out functions primarily of a commercial nature and hence met the criteria for certification as not being part of the Specified Public Sector. My assessment confirmed that both the JMB and the BOJ met the required criteria under Regulations 14(2) of the FAA (FRF) Regulations of not being part of the Specified Public Sector. My certification of both entities was conveyed to the Minister of Finance on 2022, September 29, and the report was tabled in Parliament on 2022, October 11. The next request for certification is anticipated for 2025.

d. A public private partnership involves only minimal contingent liabilities.

The Financial Administration and Audit (FAA) Act requires the Auditor General to determine whether a public private partnership (PPP) involves only minimal contingent liabilities accruing to the Government. This assessment is not required for Government-Pays PPPs as the financing would be included in the public debt stock. However, User-Pays PPPs could present a contingent risk to Government where a financial obligation materialises. According to the Ministry of Finance and the Public Service, the Jamaica Ship Registry PPP through the Maritime Authority of Jamaica, that was previously deemed a “User Pay” PPP, has not received investor interest and is therefore not being pursued.

My Recommendation

5. The FPP should disclose the government’s intention for the wage to GDP legislative target of 9 per cent, given the current and projected breach over the medium-term.



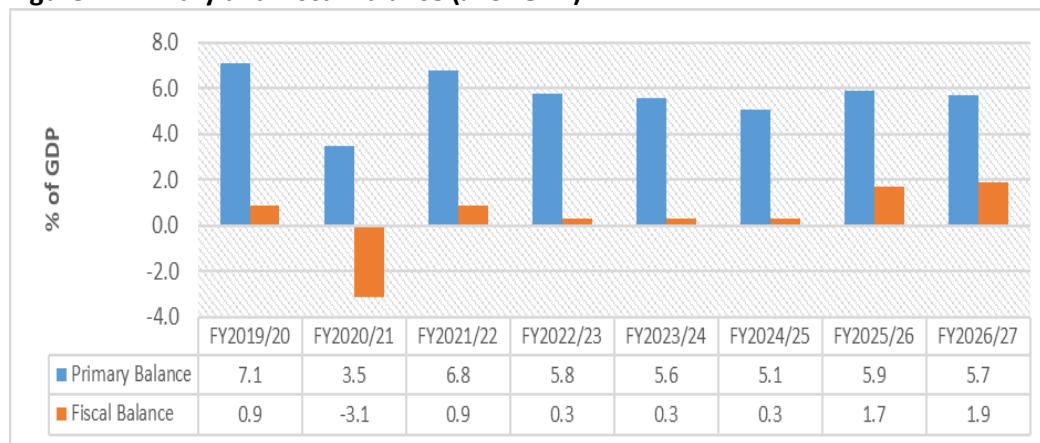
Pamela Monroe Ellis, FCCA, FCA
Auditor General

The Fiscal Management Strategy

Primary and Fiscal Balance

6. For April to December 2022, the primary balance was \$62.6 billion above target (110.4 per cent) whereas the fiscal balance was better than target by \$55.5 billion (136.9 per cent). The performance of both was influenced by the strong revenue performance in a context where Expenditure (excluding amortization) marginally exceeded the original budget. However, for FY2022/23, the estimate is for the fiscal surplus to be largely in line with the original budget as the higher expenditure of 12.5 per cent above budget will be supported by a similar increase in Revenue and Grant relative to budget. The higher estimated primary balance for FY2022/23 reflects the higher estimated interest payments. The FPP indicated that for FY2023/24 and FY2024/25, the projected fiscal balances as a per cent of GDP, will remain unchanged at 0.3 per cent, providing relatively small buffers for expenditure shocks relative to the surplus of \$21.3 billion in FY2021/22. Thereafter, the higher projected surpluses of 1.7 per cent and 1.9 per cent of GDP for FY2025/26 and FY2026/27 respectively, reflect higher revenue to expenditure ratios (**Figure 1**). Concurrently, the primary balance is projected to average 5.6 per cent of GDP between FY2023/24 and FY2026/27, with the 60 per cent debt to GDP target projected to be achieved by FY2026/27.

Figure 1: Primary and Fiscal Balance (% of GDP)



Source: MoFPS

Tax Revenue

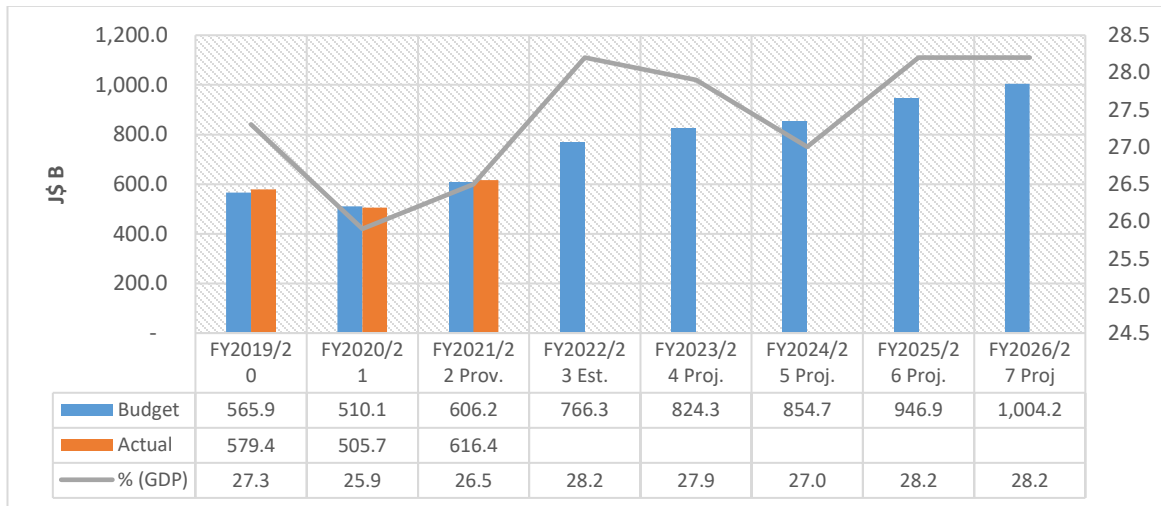
7. Tax revenue for the April to December 2022 period outperformed target by \$52.1 billion (11.2 per cent). The positive performance relative to budget was attributable to higher than projected outturns in all three major tax categories: *International Trade*, *Income & Profits* and *Production & Consumption*. Tax from *International Trade* was the highest performer contributing \$21.4 billion above budget (11.2 per cent) underpinned by the greater than anticipated value of imports. *Travel*

Tax exceeded budget by \$6.8 billion (59.0 per cent) primarily due to greater than expected visitors' arrival consequent on recovery in the tourism sector. Likewise, *Income & Profits* exceeded target by \$15.4 billion (13.3 per cent) reflected in higher tax from *Other Companies* due to greater levels of profitability. *PAYE* exceeded budget by \$4.8 billion (7.8 per cent) consistent with increased employment. *Production & Consumption* was also above budget by \$15.3 billion (9.6 per cent), mainly reflected in *GCT (local)* and *Education Tax* based on improved employment. *Accommodation Tax* also exceeded target by 34.3 per cent consequent on higher than anticipated visitors' arrivals.

8. The FPP accredited the positive deviation in Tax Revenue to the country's economic recovery underpinned by continued improvement in international travel and trade and the policies to mitigate the adverse economic impact of the Russia-Ukraine War. Furthermore, as per request, the Ministry provided information on tax arrears and refunds to 2023 January 31, which showed a net transfer to taxpayers, underscoring the creditable performance of Tax Revenue consistent with a greater level of economic activity. Consequently, we found the explanations provided for the deviation in taxes from budget to be reasonable. Real economic growth for FY2022/23 is estimated to be 5.1 per cent, an upward revision of 1 percentage point indicated in the 2022 Interim FPP.

9. For FY2023/24, Revenue and Grants are projected at 30.3 per cent of GDP, representing a decrease of 0.8 percentage points below the estimated outturn for FY2022/23. The ratio is expected to decline further to 29.3 per cent in FY 2024/25 before increasing to 30.4 per cent in FY2026/27. This is also depicted in Tax Revenue, which is projected to fall to 27.9 per cent in FY2023/24 and then increase to 28.2 per cent by FY2026/27 (Figure 2).

Figure 2: Tax Revenue (% of GDP)

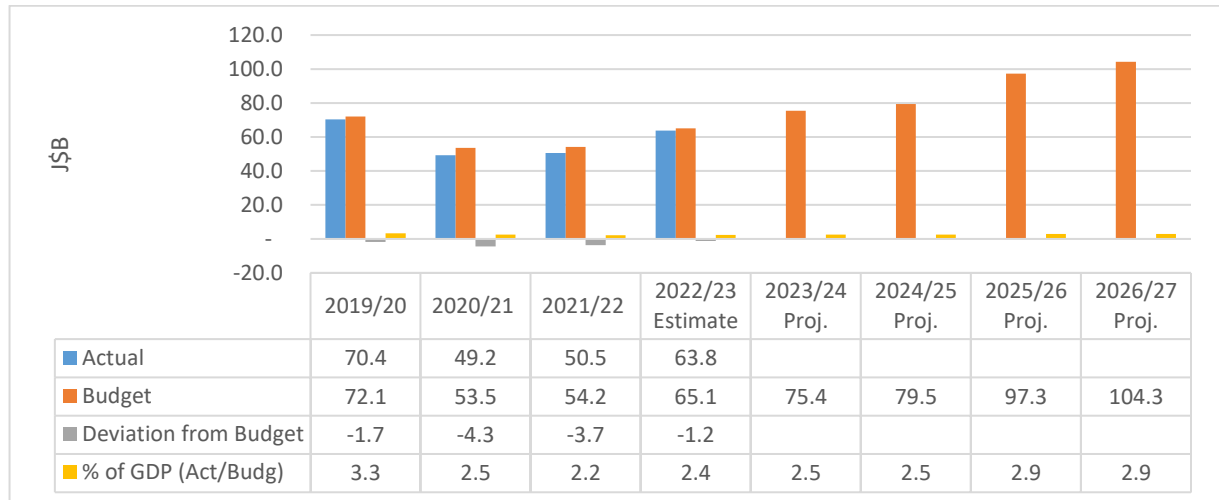


Source: MoFPS

Capital Expenditure

10. Capital Expenditure for April to December 2022 was \$5.9 billion (13.9 per cent) less than originally budgeted which the FPP FY2023/24 attributed to a deceleration in the pace of execution for several planned projects. The FPP estimates Capital Expenditure for FY2022/23 to be \$63.8 billion, which is marginally below budget by 1.9 per cent. Although Capital Expenditure had been trending upwards, coinciding with the projected recovery following a drop in spending during the first year of the pandemic, spending is yet to return to pre-pandemic levels. The FPP projects Capital Expenditure to increase gradually from \$75.4 billion (2.5 per cent of GDP) in FY2023/24 to \$104.3 billion (2.9 per cent of GDP) to the end of the medium-term in FY2026/27 (**Figure 3**). However, both in dollars and as a percentage of GDP, the projections represented a downward revision when compared to the projections in the previous FPP.

Figure 3: Capital Expenditure (J\$ billion)

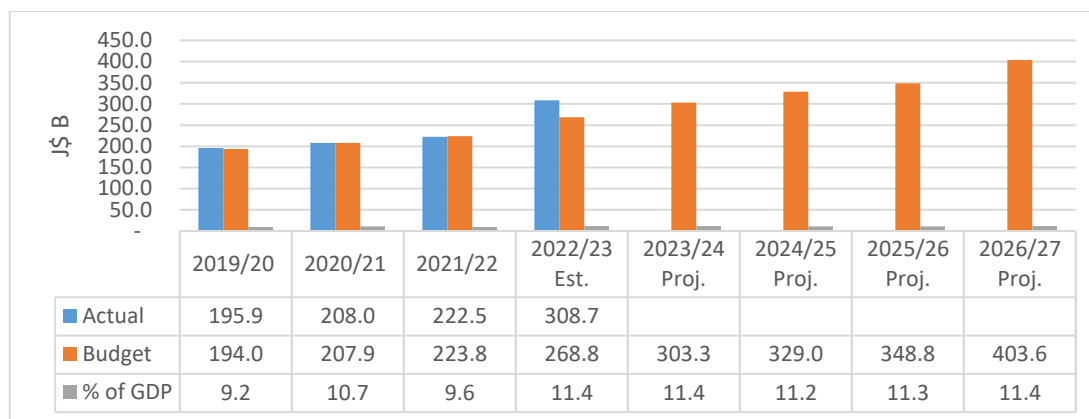


Source: MoFPS

Wages & Salaries

11. For April to December FY2022/23, Wages and Salaries exceeded original budget by \$2.3 billion (1.1 per cent). The FPP indicated that the amount included salary increase and retroactive payments related to the implementation of the first phase of the Public Sector Compensation Reform. The FPP estimates Wages and Salaries for FY2022/23 to be \$39.9 billion, or 14.8 per cent above the original budget, largely reflecting further payments to be made under the Public Sector Compensation Reform. Wages and Salaries, estimated to be 11.4 per cent of GDP for FY2022/23, has consistently exceeded the legislated target of 9 per cent over the years and is projected to remain above the target over the medium-term (**Figure 4**).

Figure 4: Wages & Salaries (J\$ billion)



Source: MoFPS

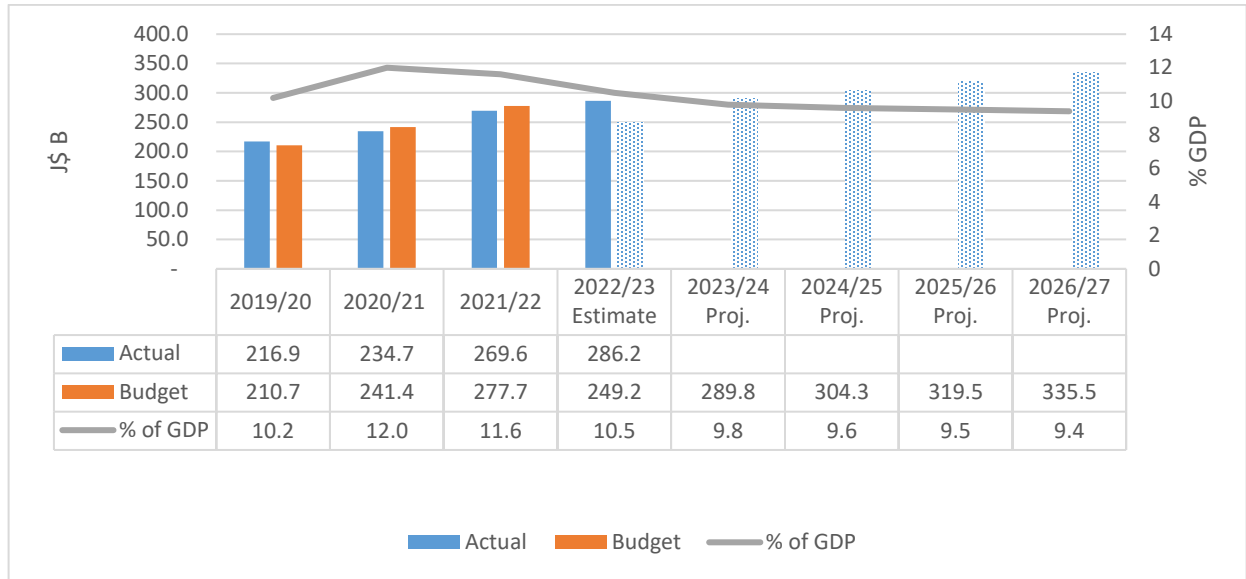
12. Of note, the FPP did not explicitly address the risk of Wages and Salaries being outside the target. Moreover, the nature of the Public Sector Compensation Reform would have also resulted in the reallocation of resources from Programme expenditure to Wages and Salaries leading to an increase, averaging 11.4 per cent of GDP over the medium-term. Although the Ministry responded that the Wage to GDP legislative target is being considered for review, no reference was made to this in the FPP FY2023/24.

Recurrent Programmes

13. For April to December 2022, the expenditure for Recurrent Programmes¹ exceeded the original budget by \$2.9 billion (1.6 per cent), largely attributed to the higher than projected social intervention spending to cushion the impact of rising inflation on the vulnerable. The FPP estimates Programmes at end FY2022/23 to be significantly higher than budget, amounting to \$286.2 billion (14.8 per cent), based on continuing social invention measures to mitigate against inflation. Of note, the Programme expenditure was projected to decline in FY2022/23 relative to the outturn for FY2021/22, largely reflecting the expected reallocation of some Programme expenditures to Compensation of Employees. However, given slower pace for the completion of the Compensation Review, the budgeted reallocation is not expected to fully materialize by end FY2022/23. Accordingly, when compared to the previous year's outturn, Programme expenditure outturn is estimated to be higher by 6.2 per cent (**Figure 5**). Nonetheless, although Programme expenditure is projected to gradually increase over the medium-term, there is a declining trend as a per cent of GDP, given the positive economic outlook and the expected moderation of inflation to be within the targeted range.

¹ Recurrent Programmes includes GOJ allocations for the acquisition of goods and services for Ministries and Departments and Agencies, subventions to Agencies and pension payments to public sector employees.

Figure 5: Programmes (J\$ billion)

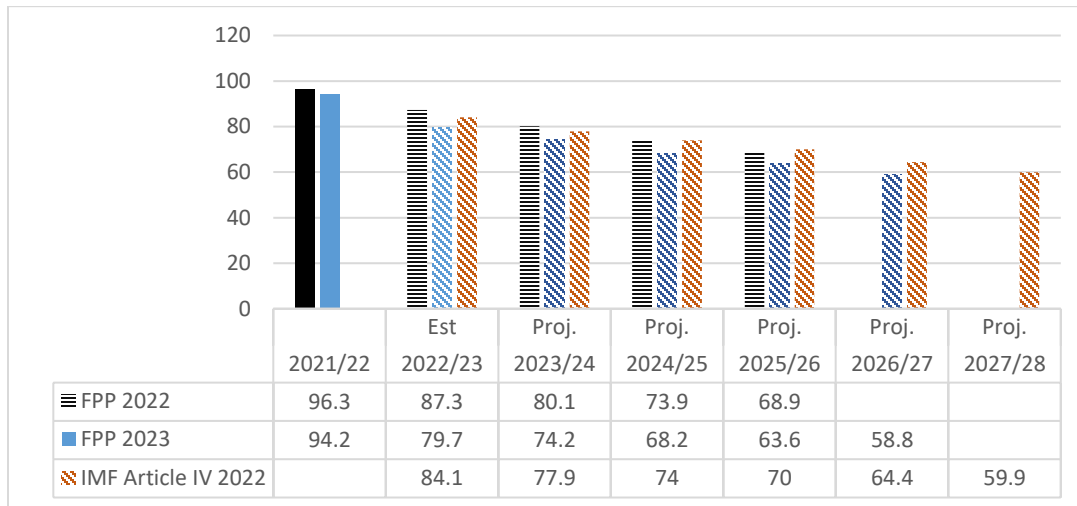


Source: MoFPS

Public Debt

14. Public Debt is estimated to end FY2022/23 at 79.7 per cent of GDP, reflecting a resumption of the downward trajectory following the disruption caused by the COVID-19 pandemic. This estimated debt to GDP ratio represents a downward revision by 7.6 percentage point relative to the 87.3 per cent projected in the FPP FY2022/23. This is consistent with the higher than projected outturn in economic growth, as well as the appreciation of the exchange rate. Further, current estimates also represent a 4.4 percentage point improvement relative to the estimates presented in IMF Article IV 2022 consultation review. Both the current MoFPS and the IMF projections for the medium-term converge towards the stipulated target of 60 per cent of GDP by FY 2027/28 (**Figure 6**).

Figure 6: Medium Term Debt to GDP (% of GDP)



Source: MoFPS/IMF

Fiscal Risk Assessment

15. The FPP indicated that the Jamaican economy has displayed notable resilience in the face of the global macroeconomic uncertainties created by the pandemic and the Russia-Ukraine conflict. Projected real GDP growth of 1.6 per cent for FY2023/24 is in line with the IMF’s projections for growth in Latin America and the Caribbean region of 1.8 per cent for 2023. However, the main downside risks highlighted were the worsening of the health crisis in China, escalation of the Russia-Ukraine conflict, and a possible global economic contraction, inclusive of a slowdown of growth in the United States of America, Jamaica’s main trading partner. The FPP stated that in addition to monitoring developments in the global economy and gauging the possible spillover effects on growth, GOJ is committed to implementing several risk mitigating strategies to address macroeconomic and contingent risks. The medium-term debt management strategy to mitigate the effects of interest rate risk and exchange rate risk, is focussed on the issuance of fixed-rate and local currency debt.

16. The FPP identified the Energy Efficiency and Conservation Programme (EECP) and Energy Management and Efficiency Project (EMEP) to mitigate the effects of fluctuations in oil prices on GOJ expenditure. However, we noted where the Minister of Science, Energy and Technology (MSET) sectoral presentation indicated that the EECP programme ended in FY2020/21. While the Minister reported that the programme achieved all objectives under the scope, no update was provided for the 18 facilities that were to receive energy efficient retrofitting. This is in a context where these facilities experienced increased consumption cost of approximately \$246.5 million in FY2020/21. Accordingly, given the conflicting messages from the FPP and MSET, clarification is required regarding whether there will be a resumption of the EMEP.

17. Given Jamaica’s vulnerability to climate change and weather events, the Government has sought to bolster funding for emergency losses. In addition to the National Disaster Fund, an IDB Contingent Line of Credit, the Catastrophe Bond and Caribbean Catastrophe Risk Insurance Facility insurance policy, the recent staff level agreement for a Precautionary Liquidity Line (PLL) and Resilience and Sustainability Facility (RSF) will provide Jamaica potential access to approximately US\$1.7 billion in the event of balance of payment shocks. The RSF will provide insurance against weather-related shocks and is structured to facilitate the implementation of further initiatives that increase resilience to climate change risks.

State Owned Enterprises

18. The FPP highlighted the risk from some Self-Financing Public Bodies (SFPBs) with some experiencing cash flow problems, requiring financial support while others have over-performed relative to budget for FY2022/23. Whereas some SFPBs have not received funding support, others continue to receive support (transfers) from Government in the form of grants. These include Jamaica Urban Transit Company Limited, Student Loan Bureau, Jamaica Agricultural Commodities Regulatory Authority, and Montego Bay Metro. The FPP identified several avenues where the fiscal risk may be manifested, for example, where these entities are unable to service debt, cover their operating expenses or satisfy their investment needs. Consequently, the government has had to provide unplanned support in the form of grants, loans, debt settlements, as well as receiving lower revenue transfers from some entities. The extent of support for these public bodies is projected to total \$48.4 billion for FY2023/24.

19. The FPP attributed the cash flow concerns to the COVID-19 pandemic era but also recognised that some SFPBs exhibited more sustained financial and operational constraints, which required ongoing GOJ support over the years. One of the sources of fiscal risk from public bodies is the build-up of arrears. The FPP identified seven public bodies where the GOJ is monitoring their arrears, with an established ceiling of \$6.4 billion. Of note, the FPP did not provide a comprehensive disclosure of financial support by the GOJ vis-a-vis the full extent of the exposures by the applicable entities.

Public Private Partnerships

20. The FPP states that there are currently five (5) User-Pays concession agreements in operation. They are the Norman Manley International Airport (NMIA), Kingston Container Terminal (KCT), Sangster International Airport, the North-South Highway, and the Highway 2000 East-West. Consequent on the impact of the COVID-19 pandemic, four of the existing concessionaires have submitted claims or notice of their intent to claim under the provisions of the respective concession agreements. The claims, if not properly assessed, could present a risk to the fiscal position and debt trajectory.

21. The FPP states that three PPP transactions are in progress during FY2022/23, the Rio Cobre Water Treatment Plant, the Schools Energy Efficiency and Solar Project and the Jamaica Ship Registry PPP which is deemed to be a “User Pays” PPP. The Rio Cobre and Schools Energy PPPs, the two “Government Pays” PPPs, are currently executing activities to facilitate financial closure. However, the FPP FY2023/24 indicated that the Government is no longer pursuing the Jamaica Ship Registry as a PPP arrangement. The Ministry indicated that Cabinet, by way of Decision No. 24/22 dated July 11, 2022 gave approval for:

- The termination of the JSR PPP transaction,
- The dissolution of the Enterprise Team, and
- For the Maritime Authority of Jamaica to identify a suitable alternative mode and scope of privatization.

Reasonableness of the Deviation of the Fiscal Indicators

22. Subsection (5)(d)(ii) of the FAA Act requires that the Minister compares the outcomes of the fiscal indicators with the targets for the previous financial year and give the reasons for any deviations. Further, Section 48B (6) of the FAA act requires that the Auditor General indicates whether the reasons given pursuant to subsection (5)(d)(ii) are reasonable having regard to the circumstances.
23. In this section, I have reviewed the explanations provided for April to December 2022 as provided in the FPP for FY2023/24. In determining the reasonableness of the explanations provided by the Minister of Finance, the following were undertaken:
- a. A review of the macroeconomic assumptions provided in the Interim Report indicated vis-à-vis the assumptions indicated in the FPP FY2023/24 February 2023;
 - b. A review of emerging risks discussed in the FPP FY2023/24 and Debt Management Strategy to determine if any risks has materialized or were excluded from initial projections analysis of supplementary information; and
 - c. Confirmation, where possible, of the Minister’s explanations with observed data for FY2022/23 (April to December 2022).
24. My comments on variances provided in **Table 2** relate only to material issues presented in the FPP FY2023/24 and by the Ministry of Finance and the Public Service (MoFPS).
25. The explanations provided by the Ministry for the deviations in most instances were found to be reasonable. However, no explanations were provided for a few major deviations in the FPP, which has since been provided by the MoFPS. These include Motor vehicle License; Individuals; Betting, Gaming, and Lotteries; Stamp Duties; and Other Inflows (incl. PCDF).

Table 2: Comments on the Explanation for the Fiscal Deviations for April - December 2022 relative to Budget

	Provisional	Budget					
Item	April – Dec	April - Dec	Diff	Diff %	GOJ's Explanation Stated in FPP FY2023/24	Audit Comments	Ministry's Response
REVENUE & GRANTS	567,607.9	507,622.2	59,985.7	11.8%			
Tax Revenue	519,335.7	467,205.4	52,130.3	11.2%	The positive performance relative to budget is due to higher-than-expected results from the three tax categories.		
Income & Profits	13,027.0	11,5607.3	15,419.7	13.3%	The Income and Profits category performed above budget by \$15,419.7mn, mainly due to higher-than-programmed inflows from Other Companies and PAYE.	Explanation provided in the FPP was reasonable	
<i>Other Companies</i>	39,259.5	34,000.9	5,258.6	15.5%	The above-programme performance of Other Companies...reflects increased profitability, within the context of improved economic activity over the period.	Explanation provided in the FPP was reasonable	
<i>PAYE</i>	66,898.5	62,064.5	4,833.9	7.8%	PAYE collections were 7.8% above budget, consistent with the increase in employment.	Explanation provided in the FPP was reasonable	
<i>Tax on Interest</i>	19,232.6	15,459.3	3,773.3	24.4%	The over-performance of Tax on interest by 24.4% was influenced by higher interest payments consequent on rising interest rates.	Explanation provided in the FPP was reasonable	
<i>Tax on Dividend</i>	2,499.9	1,555.4	944.5	60.7%	Tax on dividends exceeded projection by 24.1%, signalling higher-	Explanation provided in the FPP was reasonable	



	Provisional	Budget					
Item	April – Dec	April - Dec	Diff	Diff %	GOJ's Explanation Stated in FPP FY2023/24	Audit Comments	Ministry's Response
					than-expected dividend pay-outs.		
<i>Individuals</i>	3,136.6	2,527.2	609.4	24.1%		No explanation given	Improvements in Taxpayer registrations and expansion in on-line filing and payments would have impacted this tax-type
Production & Consumption	175,254.8	159,925.8	15,328.9	9.6%	Mainly driven by GCT (Local) and Education Tax.		
<i>Motor Vehicle Licences</i>	4,333.3	3,829.5	503.8	13.2%		No explanation given	The performance for this tax-type reflects the growth in number of registered motor vehicles.
<i>GCT (Local)</i>	100,860.8	88,652.1	12,208.7	13.8%	GCT (Local), with receipts of \$100,860.8mn exceeded budget by \$12,208.7mn or 13.8%, fuelled by higher consumption associated with improvements in employment as well as by increased economic activities.	Explanation provided in the FPP was reasonable	
<i>Quarry Tax</i>	75.3	45.6	29.7	65.1%	Quarry Tax, which was above budget by 65.1%, benefitted from increases in the building construction component, despite an overall decline	Explanation provided in the FPP was reasonable	

	Provisional	Budget					
Item	April – Dec	April - Dec	Diff	Diff %	GOJ's Explanation Stated in FPP FY2023/24	Audit Comments	Ministry's Response
					in value added from the construction industry.		
<i>Betting Gaming and Lottery</i>	6,284.4	5,701.4	583.1	10.2%		No explanation given	The performance reflects the relatively strong impact the introduction of mobile based betting in conjunction with the wide range and frequency of games played.
<i>Accommodation Tax</i>	2,435.3	1,813.5	621.8	34.3%	The above performance reflected unanticipated increase in visitor arrivals over the period.	Explanation provided in the FPP was reasonable	
<i>Education Tax</i>	28,468.2	26,008.2	2,460.0	9.5%	Primarily reflected in labour market improvements.	Explanation provided in the FPP was reasonable	
<i>Stamp Duty (Local)</i>	5,605.9	4,650.2	955.7	20.6%	Stamp Duty was higher than budget by 20.6%, reflecting an increase in stamp-required transactions associated with the higher than anticipated growth in economic activity.	Explanation provided in the FPP was reasonable	
International Trade	231,053.9	191,672.2	21,381.7	11.2%	International Trade inflows of \$213,053.9mn were 11.2% above budget, driven by higher than anticipated imports and Travel Tax receipts, reflecting recovery of the		

	Provisional	Budget					
Item	April – Dec	April - Dec	Diff	Diff %	GOJ's Explanation Stated in FPP FY2023/24	Audit Comments	Ministry's Response
					tourism sector. The above budgeted outturn largely reflected the greater than anticipated value of imports.		
<i>Stamp Duty</i>	3,237.4	2,670.1	567.3	21.2%		No explanation given.	
<i>Travel Tax</i>	18,420.8	11,586.7	6,834.0	59.0%	Travel Tax ...receipts exceeded budget due to higher-than-expected visitor arrivals.	Explanation provided in the FPP was reasonable	
<i>SCT (Imports)</i>	52,178.6	44,347.6	7,831.0	17.7%	All components of International Trade performed above programme. The above-budget outturn largely reflected the greater than anticipated value of imports.	Explanation provided in the FPP was reasonable	
<i>GCT (imports)</i>	88,558.0	86,838.4	1,719.5	2.0%			
<i>Environmental Levy</i>	4,342.2	3,382.5	959.7	28.4%			
Non-Tax Revenue	42,318.9	34,166.9	8,152.0	23.9%	Non-Tax Revenue was 23.9% over budget due to higher-than-anticipated inflows from de-earmarked entities and miscellaneous revenue flows.		
Bauxite Levy	926.0	910.4	15.6	1.7%			
Capital Revenue	0.0	1,346.2	-1,346.2	-100.0%	There were no Capital Revenue receipts for the review period due to payment delays.		
Grants	5027.3	3993.3	1,034.0	25.9%	The higher than projected EU and the CDB disbursements were the major factors in the	Explanation provided in the FPP was reasonable	

	Provisional	Budget					
Item	April – Dec	April - Dec	Diff	Diff %	GOJ's Explanation Stated in FPP FY2023/24	Audit Comments	Ministry's Response
					Grants' above-budget inflows.		
Other Inflows (incl PCDF)	4,024.1	3,574.2	449.9	12.6%		No explanation given	
Other Outflows	0.0	0.0	0.0	0.0%			
Total Debt (As at end – December 2021)	2,162,231.2				The year-over-year change in the total public debt stock was a decline of 1.4%, reflecting reductions in both Central Government and public bodies' debt over the period.		
Central Govt Domestic	845,782.4						
<i>Central Govt External</i>	1,316,448.8						
<i>Net Public Bodies</i>	22,603.8						