

FREE EDUCATION DEVELOPMENT  
GROWTH FINANCIAL BOTSWANA  
SERVICE TAX GOVERNMENT  
FUTURE TAX  
TEN YEARS



FINANCIAL  
EDUCATION DEVELOPMENT  
GROWTH FINANCIAL BOTSWANA  
SERVICE TAX GOVERNMENT  
FREE HEALTHCARE



10 YEARS OF DEVELOPMENT AND GROWTH TOWARDS A PROMISING FUTURE

**LIST OF FIGURES**

Figure 1: Total Tax Revenue Collections	19
Figure 2: Revenue Growth Rates	19
Figure 3: Tax Revenue as a Percentage of Nominal GDP	20
Figure 4: Tax Revenue as a Percentage of Nominal GDP	20
Figure 5: Tax Revenue Collections by Tax Type and Targets	21
Figure 6: SACU Pool Receipts for 2013/14	22
Figure 7: Number of Seizures	27
Figure 8: Number of Seizures per Region	27



**ORGANISATIONAL VALUES**

**BOTHO**

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

**INNOVATION**

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

**ACCOUNTABILITY**

We take responsibility for all our actions.

**INTEGRITY**

We uphold strong moral principles in all our dealings.

**LIST OF TABLES**

Table 1: Income Tax Collections by Source	21
Table 2: Value Added Tax Collections by Tax Type	22
Table 3: Botswana’s Customs and Excise Duty Collections paid to the CRP	23
Table 4: Service Levies	23
Table 5: Amount of Revenue Recovered	24
Table 6: Tax Arrears	26
Table 7: Monthly Imports for 2012/13 and 2013/14	29
Table 8: Summary of Imports and Export Declarations	29
Table 9: Summary of Passenger Traffic	30



**TABLE OF CONTENTS**

Corporate Governance	04
Board Chairperson’s Statement	12
Commissioner General’s Review	14
Corporate Strategies and New Initiatives	16
Tax Revenue Collection	18
Taxpayer Compliance	25
Taxpayer Education and Information Dissemination	28
Trade And Developments	29
International and Regional Agreements and Developments	31
Development Projects	33
Operational Challenges	34
Conclusion	35
<b>ANNUAL FINANCIAL STATEMENTS</b>	
Annual Government Revenue Accounts	36
BURS Own Accounts	58

TEN

FREE EDUCATION DEVELOPMENT  
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FREE HEALTHCARE

# CORPORATE GOVERNANCE

The Botswana Unified Revenue Service (BURS) is responsible for the assessment and collection of tax revenue, facilitation of legitimate trade and management of borders for the development and security of Botswana. The tax revenue that BURS is responsible for comprises customs and excise duties, Income Tax, Value Added Tax (VAT), Capital Transfer Tax and other government levies.

*Continued on the next page...*



## CORPORATE GOVERNANCE

BURS is made up of seven Divisions: the Office of the Commissioner General, Customs & Excise Division, Internal Revenue Division, Finance & Administration Division, Human Resources Division, Information Technology Division, Internal Audit Division and Legal Services Division.

### OFFICE OF THE COMMISSIONER GENERAL

The Office of the Commissioner General provides strategic and operational leadership needed to ensure that the organisation fulfills its mandate and meets its revenue targets.

### CUSTOMS AND EXCISE DIVISION

The Customs and Excise Division has multiple roles that include: collection of Government revenue (customs and excise duties, import VAT and other levies), facilitation of legitimate imports and exports, protection of Botswana society against cross-border crime and combating unfair and harmful trade practices.

### INTERNAL REVENUE

Internal Revenue Division is charged with the responsibility for the administration of Income Tax, VAT and Capital Transfer Tax. The division's mandate also includes educating the taxpayers.

### INTERNAL AUDIT

The Internal Audit 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.

### 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.

### HUMAN RESOURCES

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

### INFORMATION TECHNOLOGY

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

## BOARD OF DIRECTORS



The Board of Directors is comprised of a non-executive Chairman, other members from the public, parastatal, and private sectors, and the Commissioner General. They are appointed by the Minister of Finance and Development Planning in accordance with provisions of Section 6 of the BURS Act, 2003 (No. 17 of 2004).

- |    |                          |                        |
|----|--------------------------|------------------------|
| 1. | <b>Mrs. L. Khimbele</b>  | [Board Secretary]      |
| 2. | <b>Mr. K. R. Morris</b>  | [Commissioner General] |
| 3. | <b>Mr. A. T. Yalala</b>  | [Deputy Chairperson]   |
| 4. | <b>Dr. T. Nyamadzabo</b> | [Chairperson]          |
| 5. | <b>Mr. S. A. Matala</b>  | [Member]               |
| 6. | <b>Mr. W. B. Wankie</b>  | [Member]               |
| 7. | <b>Mr. G. Lebele</b>     | [Member]               |



## BOARD OF DIRECTORS

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

### MEETINGS ATTENDANCE BY THE BOARD OF DIRECTORS

NAME	POSITION	08/05/13 SP	20/06/13	29/08/13 SP	14/11/13	12/12/13	24/03/14	SITTING ALLOWANCE
Dr. T. Nyamadzabo	Chairperson	√√√	√√√	√√√	√√√	√√√	√√√	P6300.00*
Mr. D. N. Loeto	Vice Chairperson	√√√	√√√	X	X	X	X	P1680.00
Mr. J. Y. Stevens	Member	√√√	√√√	X	X	X	X	P1680.00
Mr. A. T. Yalala	Member	√√√	√√√	√√√	√√√	√√√	√√√	P5040.00
Mr. W. B. Wankie	Member	√√√	√√√	√√√	√√√	√√√	√√√	P5040.00
Ms. R. B. Seipone	Member	√	√√√	√	X	X	X	P840.00
Mr. S. A. Matala	Member	X	X	√√√	√√√	√√√	√√√	P3360.00
Mr. G. Lebele	Member	X	X	X	X	√√√	√√√	P1680.00
Mr. K. R. Morris	Commissioner General	√√√	√√√	√√√	√√√	√√√	√√√	
Mrs. L. Khimbele	Board Secretary	√√√	√√√	√√√	√√√	√√√	√√√	
√√√	Attended							
√	Apology							
X	Pre-/post-term							

\* paid to Government

## 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 such 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: Board Audit and Finance Committee (BAFC); Board Human Resources Committee (BHRC); Board Tender Committee (BTC).

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 with an asterisk are co-opted members of the Committees:

COMMITTEE	MEMBERS	DUTIES
Board Audit and Finance Committee	Mr. S. A. Matala (Chairperson) Mr. A. T. Yalala (Former Chairperson) Mr. G. Lebele Mr. M. Lesokola* Ms. Modikana	The Committee is charged with responsibilities relating to financial performance of investments and budgets, reviewing of financial statements with external auditors prior to approval by the Board and carrying out of the annual statutory audits.
The Committee also functionally supervises the Chief Internal Auditor.		
Board Tender Committee	Mr. W. B. Wankie (Chairperson) Ms. R. B. Seipone Mr. A. T. Yalala Ms. E. Mosesane	The Committee is responsible for adjudication of tenders in respect of the procurement of goods and services valued at P2,000,000 and above, as well as dealing with matters incidental to procurement.
Board Human Resources Committee	Mr. A. T. Yalala (Chairperson) Mr. W. B. Wankie Ms. R. B. Seipone Mr. S. Meti*	The Committee deals with the recruitment of senior members of staff and remuneration policy for all BURS staff, and advises the Board on all staff welfare and human resources related matters.

During the year under review, Ms. Ruth Seipone resigned from the Board and was not replaced.

Mr. D. N. Loeto's term came to an end on 30th June 2013. He had up to that date also served as the Chairperson of the HR Committee as well as a Member of the Board Tender Committee.

Mr. J. Y. Stevens resigned from the Board on the 31st July 2013. As a Member of the Board, Mr. Stevens had also served in the Board Audit & Finance Committee and as its Chairperson since 2008.

Similarly, Ms. O. Zhikhwa had served as a co-opted Member of the Board Tender Committee up to the 7th July 2013 when her Membership came to an end.

Mr. S. A. Matala was appointed a new Member of the Board and he replaced Mr. A. T. Yalala as the Chairperson of the Board Audit and Finance Committee.

## BOARD COMMITTEES

Meetings Attendance by Board Committee Members:

### BOARD TENDER COMMITTEE MEETINGS

NAME	13/05/13	07/06/13 SP	11/07/13	30/07/13 SP	16/08/13 SP	16/10/13 SP	03/12/13 SP	20/02/14 SP	11/03/14	SITTING ALLOWANCE
Mr. W. B. Wankie	√√√	√√√	√√√	√√√	√√√	√√√	√√√	√√√	√√√	P7560.00
Mr. D. N. Loeto	√√√	√√√	X	X	X	X	X	X	X	P1680.00
Mr. A. T. Yalala	√√√	√	√√√	√	√√√	√	√√√	√√√	√√√	P5040.00
Ms. R. B. Seipone	√	√√√	√√√	√√√	√√√	√√√	X	X	X	P4200.00
Ms. O. Zhikhwa	√√√	√√√	X	X	X	X	X	X	X	P1680.00
Ms. E. Mosesane	X	X	X	X	X	√√√	√√√	√√√	√√√	P3360.00
Mr. K. R. Morris	√√√	√√√	√√√	√√√	√√√	√√√	√√√	√√√	√√√	
Ms. L. Khimbele	√	√√√	√√√	√√√	√	√√√	√√√	√	√√√	

### BOARD HUMAN RESOURCES COMMITTEE MEETINGS

NAME	09/04/13 SP	15/04/13 SP	24/05/13	28/06/13 SP	11/07/13 SP	12/07/13 SP	05/08/13	09/08/13 SP	22/11/13	10/02/14	13/03/14 SP	SITTING ALLOWANCE
Mr. D. N. Loeto	√√√	√√√	√√√	√√√	√√√	√√√	X	X	X	X	X	P5040.00
Mr. A. T. Yalala	X	X	X	X	X	X	X	X	√√√	√√√	√√√	P2520.00
Ms. R. B. Seipone	X	√√√	√√√	√√√	√√√	√	√√√	√	X	X	X	P4200.00
Mr. W.B. Wankie	√√√	√√√	√√√	√√√	√√√	√√√	√√√	√√√	√√√	√√√	√√√	P9240.00
Mr. S. A. Matala	X	X	X	X	X	X	X	X	√√√	√√√	√√√	P2520.00
Mr. S. Meti	√√√	√√√	√√√	√√√	√√√	√√√	√√√	√√√	√√√	X	X	P7560.00
Mr. K. R. Morris	√√√	√√√	√√√	√√√	√√√	√√√	√√√	√√√	√√√	√√√	√√√	
Ms. L. Khimbele	√√√	√√√	√√√	√√√	√√√	√√√	X	√√√	√√√	√√√	√√√	

### BOARD AUDIT AND FINANCE COMMITTEE MEETINGS

NAME	18/04/13 SP	06/06/13	10/09/13	10/03/14	SITTING ALLOWANCE
Mr. J. Y. Stevens	√√√	√√√	X	X	P1680.00
Mr. A. T. Yalala	√√√	√√√	√√√	X	P2520.00
Mr. S. A. Matala	X	X	√√√	√√√	P1680.00
Mr. G. Lebele	X	X	X	√√√	P840.00
Mr. M. Lesokola	√√√	√√√	√√√	√√√	P3360.00
Ms. R. Modikana	X	X	√√√	√√√	P1680.00
Mr. K. R. Morris	√√√	√√√	√√√	√√√	
Ms. L. Khimbele	√√√	√√√	√√√	√√√	

√√√	Attended
√	Apology
X	Pre-/post-term
SP	Special Board/Committee meeting

## EXECUTIVE MANAGEMENT



**Mr. Ken R. Morris**  
Commissioner General

## EXECUTIVE MANAGEMENT



**Mr. Segolo Lekau**  
Commissioner Internal Revenue



**Mr. Phodiso P. Valashia**  
Commissioner Customs & Excise



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



**Ms. Lebesani C. Mosweu**  
Director Information Technology



**Mrs. Agnes B. Motlhanka**  
Chief Internal Auditor



**Mrs. Lorato Khimbele**  
Director Legal Services



**Ms. Mukani Pelaelo**  
Director Human Resources



**Mr. Gaitsiwe M. Motsewabagale**  
General Manager Corporate Planning & Communications



**Mr. Raheem Hosseini**  
General Manager Transformation

## INTRODUCTION

I am pleased to present the Botswana Unified Revenue Service (BURS) Annual Report for the financial year ended 31st March, 2014. The report focuses on revenue performance, operations and major strategies and initiatives of the Revenue Service during the year under review.

## BOARD CHAIRPERSON'S STATEMENT

### ECONOMIC CONDITIONS

The 2013 - 14 financial year was a significant year in the existence of the Revenue Service as it marked the final year of the second BURS Strategic Plan covering the period April 2009 to March, 2014. This planning period was the most challenging one since the establishment of BURS mainly because of the financial and economic recession that besieged the world economy. It was a period that saw global demand of goods and services plummeting to an all-time low thus affecting the revenues and profits of businesses and enterprises. As a small open economy that is heavily dependent on exports of primary products, largely diamonds, Botswana was not left unscathed by this development.

Despite the remnants of the economic recession that continued to pose significant risks to the local economy, during this plan period, BURS realised significant

growth on many fronts. Revenue performance grew from P20.007 billion in 2009 to P32.015 billion in 2014, representing a growth rate of 60%. Elsewhere BURS implemented new initiatives and programmes which were aimed at enhancing its service delivery. BURS also embarked on some major projects which were completed during the period. These include the procurement of X-Ray container scanners to help combat cross border offences, opening of new BURS offices to increase the revenue service's national footprint, introduction of the BURS Graduate Trainee Programme, partnerships with developed countries' revenue administrations to enhance BURS capabilities and the refurbishment of several BURS offices. In spite of these positive developments, BURS was not able to start some of its transformation projects such as acquisition of new ICT systems like the integrated tax management system due to funding constraints.

# BOARD CHAIRPERSON'S STATEMENT

## PERFORMANCE HIGHLIGHTS FOR 2013/14

During the year under review Government implemented a new funding model for BURS, where instead of receiving annual subventions from the Government, the Revenue Service is allowed to retain a maximum of 3% of the revenue that it collects annually to fund its operations. 2% of the collections are utilised to meet recurrent expenditures whilst the remaining 1% is set aside for development expenditure.

The 2013/14 financial year was a moderately successful year for BURS in terms of revenue collections as total tax revenue collected amounted to P32.015 billion compared to P29.871 billion collected in 2012/13. This represents a growth rate of 7.2% between the two periods. The revenue collection realised also marginally outperformed the 2013/14 target of P31. 427 billion by P588 million or 1.87%. The proportion of tax revenue to Gross Domestic Product (GDP) stood at 24.9%. This metric compares well to that of other comparator emerging market economies.

On Board composition, during the year under review the tenure of the following Board members ended namely: Mr. Daniel N. Loeto, Vice Chairperson of the Board, Mr. John Y. Stevens, Chairperson of the Audit and Finance Committee and Ms. Ruth B. Seipone, representing the Ministry of Trade and Industry. Messrs Loeto and Stevens were founding members of the Board having been appointed initially in July, 2004. During their long service to BURS the two were very instrumental in guiding the Revenue Service during its formative years. On the other hand Ms. Seipone's tenure was comparatively short, however, her contribution in the Board affairs was also invaluable. The Board also welcomed Mr. Sholo Matala, who replaced Mr. Loeto as the representative of Bank of Botswana in the BURS Board.

Several projects and initiatives were either completed or commenced during the year. These include the launch of the BURS Confidential Hotline System, construction of 36 residential flats for staff at Ramokgwebana and upgrading of the border post buildings in different locations, upgrading of sewerage systems at Kazungula Road, Ramatlabama and Tlokweng Gate border posts, implementation of the Queue Management System at the Gaborone Taxpayers Service Centre and the piloting of the project on e-filing of Value Added Tax (VAT) Returns and e-payment of revenue.

## FUTURE OUTLOOK

The 2014/15 financial year will usher the third BURS Strategic Plan covering the five year period 2014 to 2019. With the advent of improved funding expectations are that the Revenue Service will discharge its revenue collection and border management mandates more efficiently and effectively. During this period BURS should be able to start some of the deferred projects such as the construction of the long awaited BURS Headquarters in the Gaborone CBD and refocus attention on improving service delivery by embracing modern technology. Leadership and management development will also be given more attention whilst the Revenue Service will continue to partner with other more developed revenue and customs administrations to address some of the complex tax administration issues such as tax avoidance, transfer pricing and undervaluation of goods and the challenges of taxing the digital economy. The Revenue Service also enhance tax payer education as a strategy for inculcating a culture of voluntary tax compliance with revenue laws.

## ACKNOWLEDGEMENTS

On behalf of the BURS Board I would like to extend my sincere gratitude to the Government of Botswana and in particular the Ministry of Finance and Development Planning for continuing to support and provide policy guidance to BURS. I would also like to acknowledge the important contribution made by the Board members whose tenure ended during the year. Their valuable service in providing the leadership and strategic direction to BURS was a key factor which enabled it to succeed in achieving its mandate on a sustainable basis.

I also wish to thank all the BURS cooperating partners such as the Swedish Tax Agency, the Japan International Cooperation Agency and other revenue agencies that gave technical and material support to BURS during the year under review.

Finally I would like to extend my sincere appreciation to the Commissioner General, Management and staff of the Revenue Service for having made 2013/14 another successful year for the Revenue Service in spite of the challenges that we have all faced.



**Dr. T. Nyamadzabo**  
Board Chairperson

## INTRODUCTION

It is my pleasure to submit the report on the operations and financial performance of the Botswana Unified Revenue Service covering the financial year ended 31 March, 2014.

## REVENUE COLLECTION

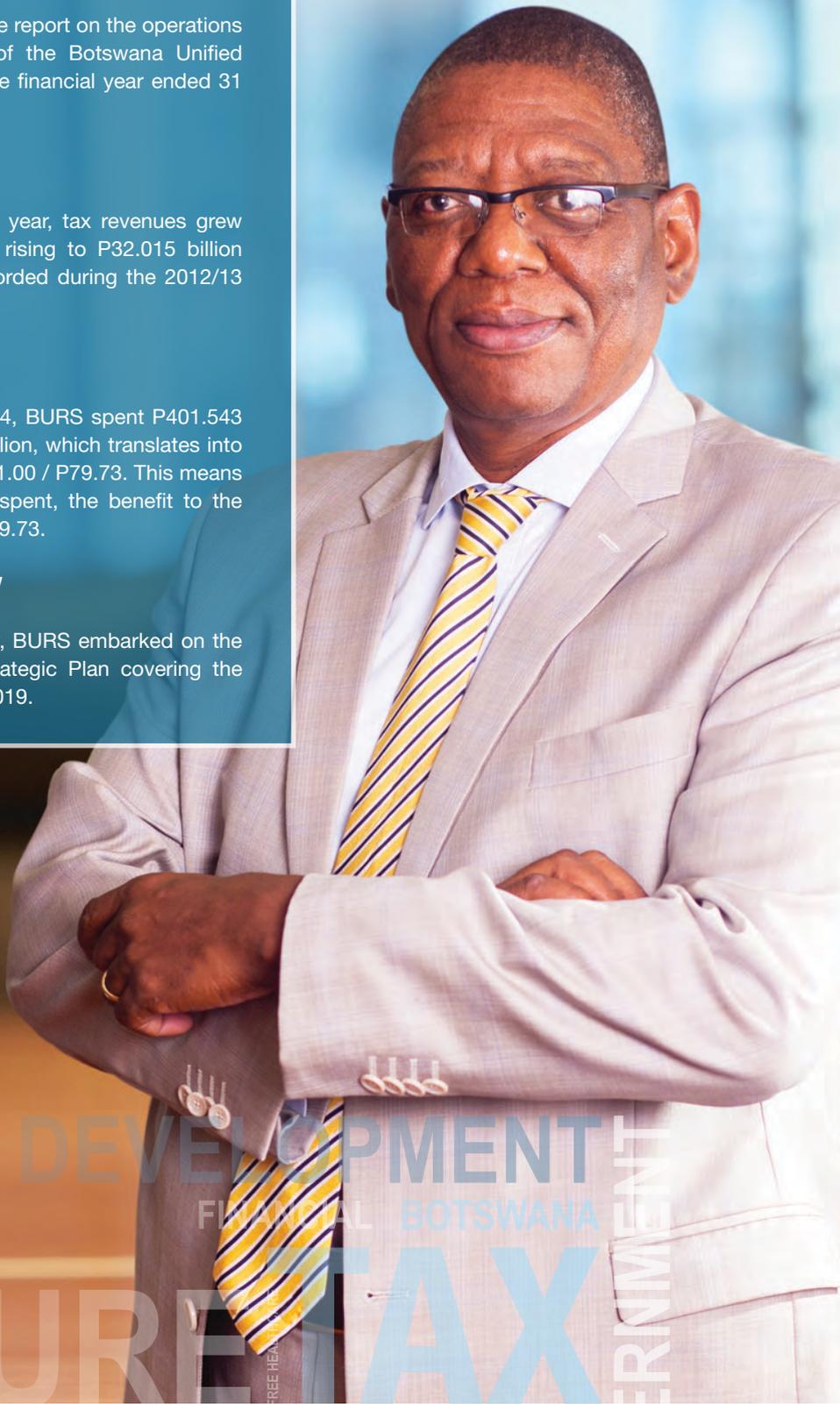
During the 2013/14 financial year, tax revenues grew by P2.144 billion, or 7.2%, rising to P32.015 billion from the P29.871 billion recorded during the 2012/13 financial year.

## COST OF COLLECTION

For the financial year 2013/14, BURS spent P401.543 million to collect P32.015 billion, which translates into a cost to collection ratio of P1.00 / P79.73. This means for every P1.00 that BURS spent, the benefit to the Government in return was P79.73.

## STRATEGIC PLAN REVIEW

During the year under review, BURS embarked on the development of its third Strategic Plan covering the period April 2014 to March 2019.



DEVELOPMENT  
FINANCIAL BOTSWANA  
TAX  
ERINMENT

ECONOMY

## COMMISSIONER GENERAL'S REVIEW



10 Years of Development and Growth  
Towards a Promising Future

BOTSWANA UNIFIED REVENUE SERVICE ANNUAL REPORT 2014

TEN

YEARS

FREE EDUCATION DEVELOPMENT  
BOTSWANA  
SERVICE TAX  
FREE HEALTHCARE GOVERNMENT

## CORPORATE STRATEGIES AND NEW INITIATIVES

### INFORMATION SYSTEMS SUPPORT AND MANAGEMENT

BURS launched its second e-service and re-developed its website to enhance its appearance and to better provide information to the business community. The Revenue Service will further renovate the website to assist corporate taxpayers to view their assessments and tax liabilities whilst traders could view their Customs statements.

BURS then launched its next e-service which availed a facility for electronic filing of VAT returns. After piloting the solution with 200 taxpayers for three months from October to December 2013, the product was finally availed to the wider community for all corporates to file/submit VAT returns electronically.

*Continued on the next page...*



## CORPORATE STRATEGIES AND NEW INITIATIVES

### INFORMATION SYSTEMS SUPPORT AND MANAGEMENT

A complimentary payment solution was also rolled out in partnership with Bank of Botswana to allow taxpayers to settle their tax liabilities and customs duties electronically.

More interfaces were built to remove manual capturing of daily collection from source business systems to the accounting system and also ensure cross settlements of liabilities with refunds amongst all the BURS systems.

BURS started modernisation of its ICT infrastructure and embarked on building a new datacenter together with a disaster recovery site. The new datacenter is to provide BURS with extra processing and storage power along with business continuity assurance.

### ORGANISATIONAL STRUCTURE REVIEW

BURS has embarked on a project to review the BURS Organisational and Pay Structures. The objectives of this project amongst others are to: Develop an Organisational Structure that will enable BURS to effectively deliver on its mandate and strategy and; Develop a Pay Structure that will improve BURS competitiveness to attract and retain the right calibre of employees and to be an employer of choice.

### STAFF CAPACITY BUILDING

#### LEADERSHIP AND MANAGEMENT DEVELOPMENT

BURS engaged the services of the University of Stellenbosch, Business School to take all members of the Executive Management, General Managers and all Managers through Leadership Development and Management Development Programmes. The topics covered included the following: Leading People and Positive Relations; Personal Leadership and Emotional Intelligence; Leading Change and; Building Human Capital. The Management Development Programme also encompassed Business Driven Action Learning projects identified by participants from current issues within the organization that they wanted investigated and addressed.

#### GRADUATE TRAINEE PROGRAMME

The BURS Graduate Trainee Programme (GTP) which commenced in September 2011 was in its third intake. It is planned that a review of the GTP by an independent evaluator will be undertaken when the third intake completes the programme.

#### PERFORMANCE MANAGEMENT SYSTEM DIAGNOSTIC STUDY

BURS has engaged a consultant to conduct a diagnostic study on the Implementation of the Performance Management System (PMS). The Consultant produced a SWOT Analysis report identifying problem areas of the System. A number of recommendations from the report have been approved and a process for the development of PMS Policy, Manual and training Materials is ongoing. The policy and manual would be submitted to BHRC for approval. Training on the new PMS would be provided to Executive Management and also be rolled out as per the implementation plan.

TEN  
FREE EDUCATION DEVELOPMENT  
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SERVICE TAX GOVERNMENT

# TAX REVENUE COLLECTION

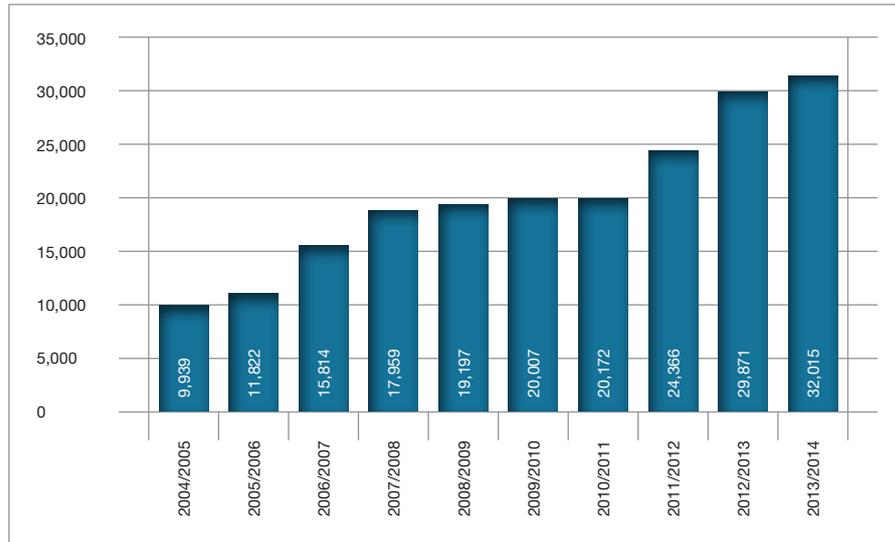
The 2013/14 financial year showed a positive sign of growth. This is despite the fact that non-mining sector performed below expectation. Much growth was largely attributed to the mining sector which grew by 10.6%, an improvement from the 7.0% contraction of the sector experienced during 2012. Owing to this, the Revenue Service experienced a positive performance. However, the positive performance could also be attributed to recent initiatives that are being implemented by the Revenue Service to ensure compliance and improve efficiency.

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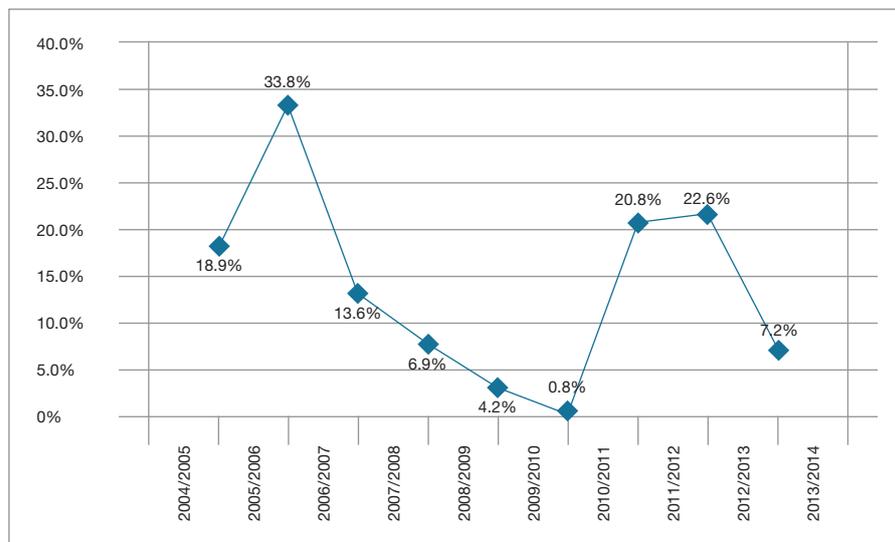
## TAX REVENUE COLLECTION

Figure 1: Total Tax Revenue Collections



During the year under consideration, BURS collected P32.015 billion as shown in figure 1 compared with P29.87 billion collected during the 2012/13 financial year. This reflects an increase of 7.2% in collections compared to 22.6% increase recorded during 2012/13 financial year.

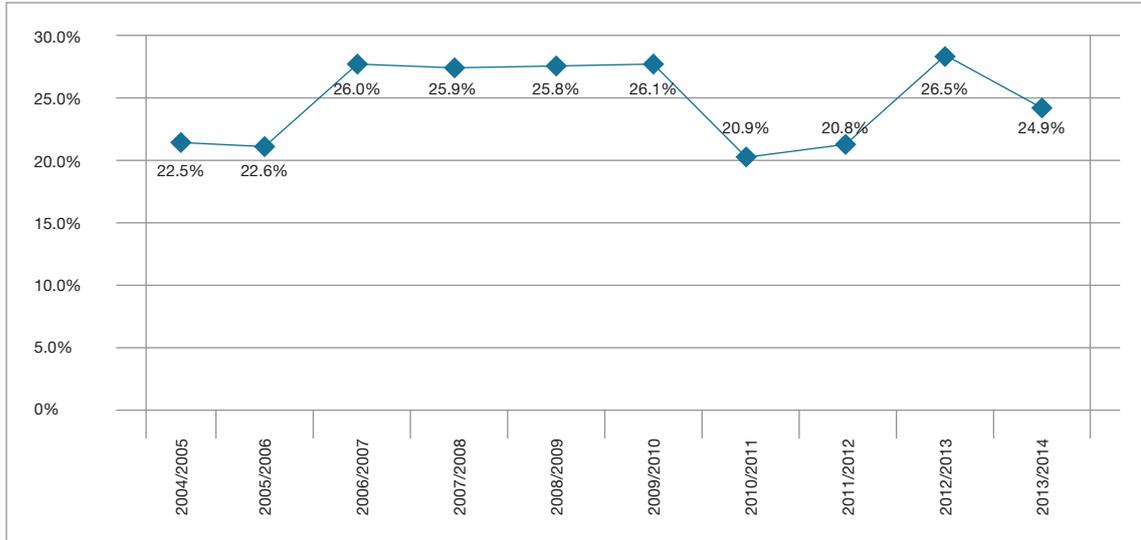
Figure 2: Revenue Growth Rates



As a percentage of GDP, tax revenue collections varied between 22% and 27% throughout the period from 2004/05 and 2013/14. Between 2006/07 and 2009/10 the percentage ranged between 25% and 26% before it declined to 20.9% in 2010/11. From 2010/11 the percentage of revenues improved considerably to 26.5% in 2012/13 and declined noticeably to 24.9% in 2013/14.

## TAX REVENUE COLLECTION

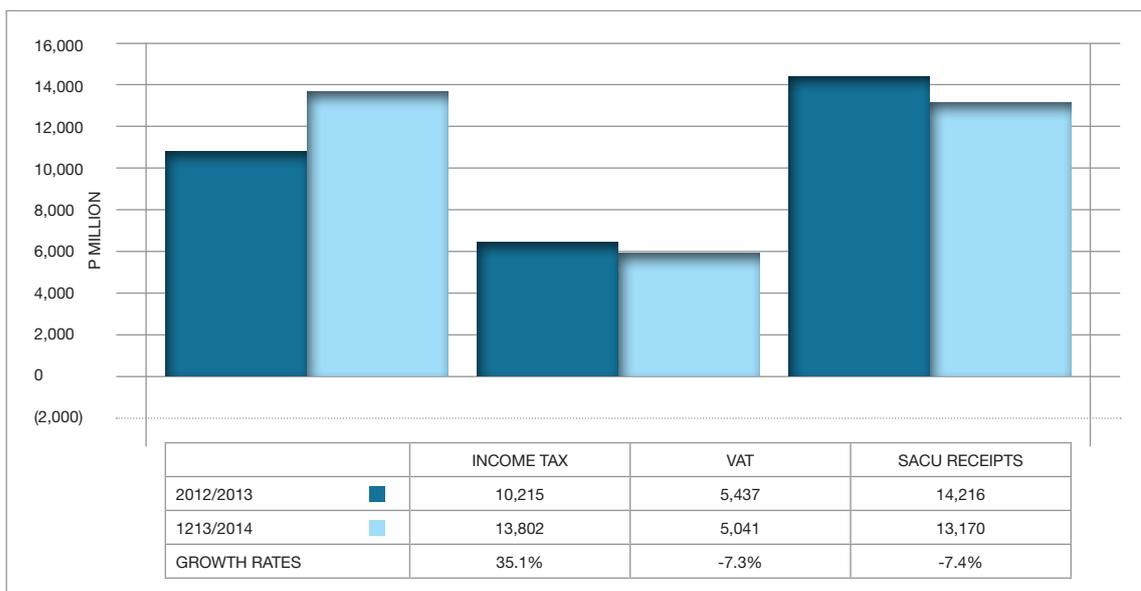
Figure 3: Tax Revenue as a Percentage of Nominal GDP



### TAX REVENUE COLLECTION AND TARGETS

The growth in revenue collection is due to income tax which increased considerably by 35.1% from P10.215 billion to P13.802 billion as depicted in figure 4. All other collections declined considerably compared to the previous year. VAT collections declined by 7.3% from P5.437 billion to P5.041 billion whereas Customs Receipts declined by 7.4% from P14.216 billion to P13.170 billion in the current financial year.

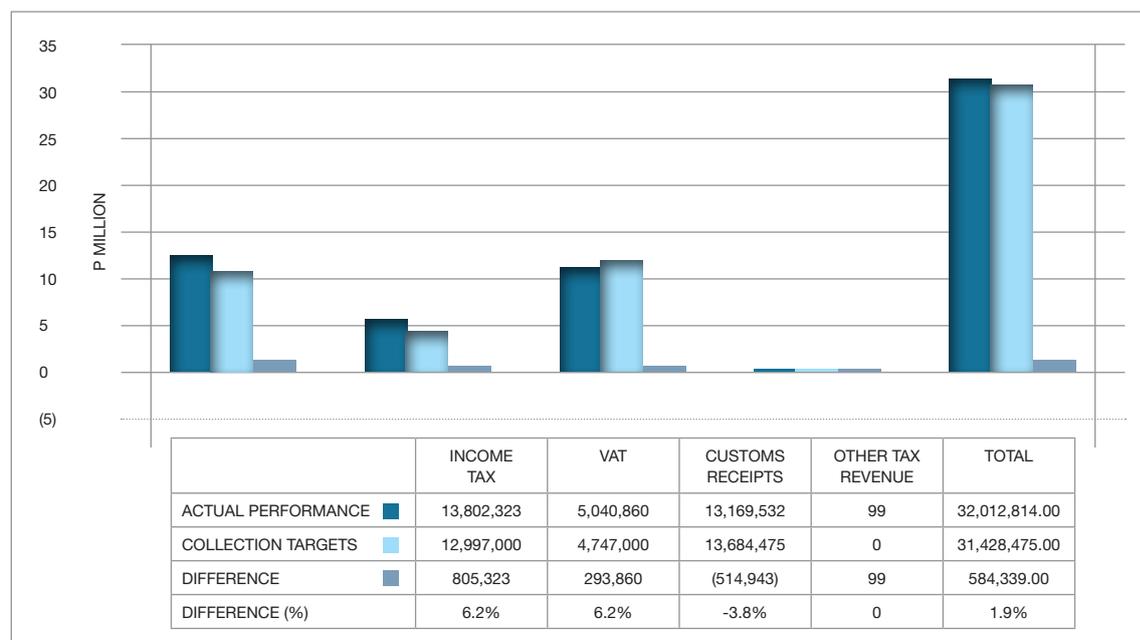
Figure 4: Tax Revenue as a Percentage of Nominal GDP



A comparison between actual collections and targets shows an overall excess of 1.9% over the target during the year under review. The good performance is due to more than expected growth in income tax and VAT by 6.2% each, whilst SACU receipts fell short of the target by 3.8%.

## TAX REVENUE COLLECTION

Figure 5: Tax Revenue Collections by Tax Type and Targets



### INCOME TAX REVENUE COLLECTION

The Income Tax revenue collection for the year is derived from different sources as shown in the table below. The major source of the tax collection is from the Assessed Tax followed by Deducted Tax whose contribution to the total collection was 60.38% and 26.95% respectively. As per the table below the collections for 2012/13 were lower than the year under review. The collections during the current review are higher mainly due to growth in penalty interest, assessed and deducted taxes.

Table 1: Income Tax Collections by Source

	ACTUAL COLLECTIONS 2012/13 (P'000)	ACTUAL COLLECTIONS 2013/14 (P'000)	% GROWTH
Withholding Tax	1,492,182	1,644,518	10.2%
Deducted Tax	3,199,896	3,719,533	16.2%
Assessed Tax	5,470,777	8,334,149	52.3%
Penalty Interest	49,682	102,092	105.5%
Capital Transfer Tax	2,232	2031	-9.0%
Total Income Tax Collected	10,214,769	13,802,323	35.1%

### VALUE ADDED TAX REVENUE COLLECTION

The gross VAT collection for the reporting period is P7.7 billion while the total VAT refunds paid to taxpayers amounted to P2.9 billion. This means that the net collection is P5.0 billion. The highest contributory source is the VAT imports at P4.1 billion followed by internal VAT at P3.7 billion. The refunds are a growing concern that continues to rise over the years as they subdue VAT overall collection. During the year under review, the refunds grew significantly by 31.2% from P2.2 billion in 2012/13. The organization is considering the implementation of a number of interventions to authenticate the refunds.

## TAX REVENUE COLLECTION

Table 2: Value Added Tax Collections by Tax Type

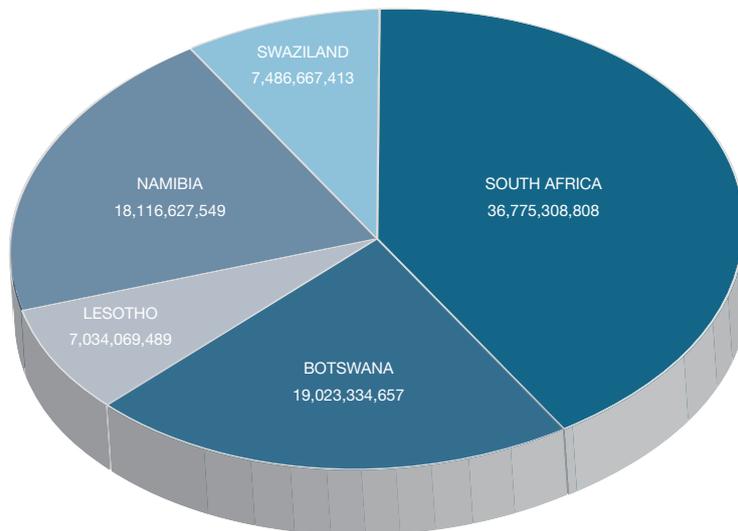
	ACTUAL COLLECTIONS 2012/13 (P'000)	ACTUAL COLLECTIONS 2013/14 (P'000)	% GROWTH
VAT Imports	4,115,545	4,061,476	-1.3%
VAT Internal	3,336,436	3,666,295	9.9%
VAT Interests & Penalties	53,352	67,232	26.0%
Fuel Levy	166,086	176,601	6.3%
Gross Receipts	7,671,419	7,971,604	3.9%
Less Refunds	-2,234,083	-2,930,743	31.2%
Net VAT Collection	5,437,336	5,040,861	-7.3%

### SACU RECEIPTS

Botswana's share from the SACU revenue pool continues to be an important source of revenue for the government. During the year under review Botswana's share from the Common Revenue Pool (CRP) stood at R19 billion (or P13.2 billion), which represents an increase of R3.7 billion (P1.0 billion) from the 2012/13 period. The increase is attributed to an adjustment of R902.7 million to account for the surplus in the CRP realised in the previous year.

Botswana's share from the pool still remains the second highest for the year under review as it constitutes 21.5% of the total shares. The comparative shares paid to SACU Member States are depicted in Figure 6 below:

Figure 6: SACU Pool Receipts for 2013/14



### CUSTOMS AND EXCISE DUTY COLLECTIONS

Article 33 of the Southern African Customs Union (SACU) Agreement, requires Member States to pay all the collections of customs, excise and additional duties into a Common Revenue Pool (CRP). Botswana collected and paid into the CRP a total amount of P327 million collected during 2013/14 compared to P376 million which was collected in the previous financial year. This represents a decline of 13.1%. The decline is caused by a 17.2% fall in Customs duty which is the main contributor to the total collection. Excise duties also decline by 6.7%.

## TAX REVENUE COLLECTION

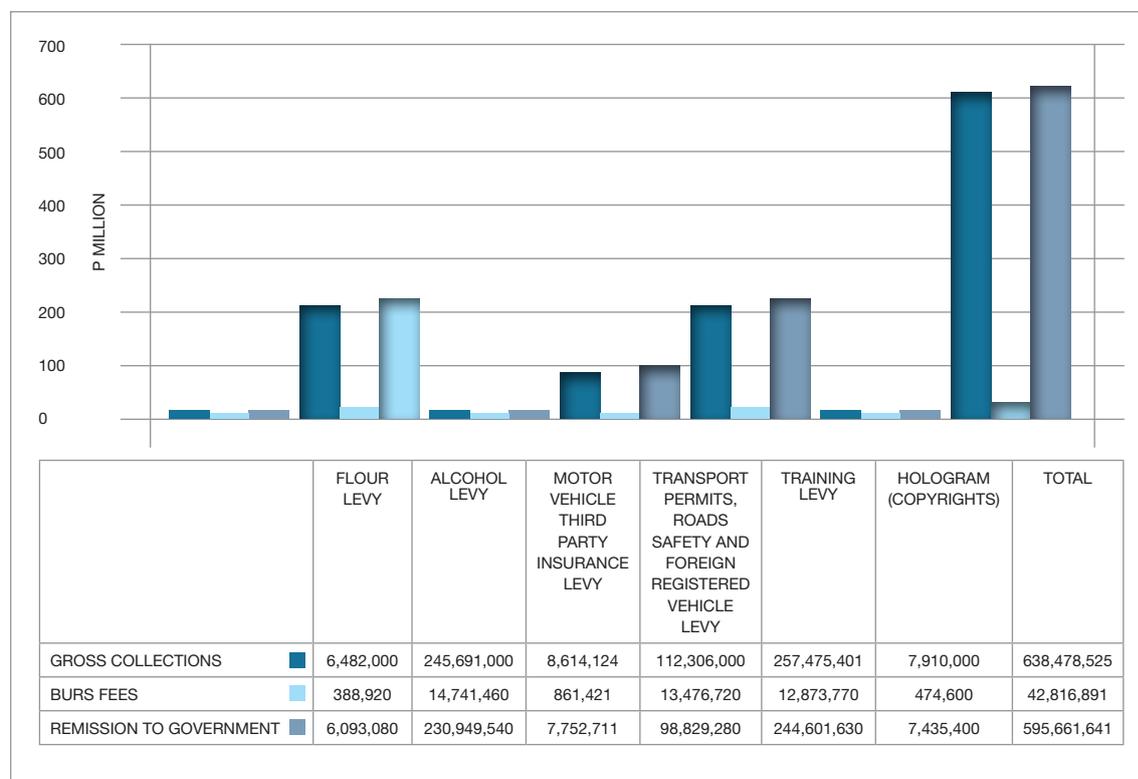
Table 3: Botswana's Customs and Excise Duty Collections paid to the CRP

CUSTOMS DUTIES	2011/12	2012/13	2013/14	VARIANCE (%)
Import Customs Duty	300,217,494	216,805,353	179,449,705	(17.2%)
Advalorem	16,209,478	13,775,034	11,546,459	(16.2%)
Excise duty	106,432,717	144,553,998	134,867,665	(6.7%)
Anti Dumping	891,156	983,315	1,053,908	7.2%
Total	423,750,845	376,117,700	326,917,737	(13.1%)

### COLLECTIONS ON BEHALF OF GOVERNMENT DEPARTMENTS & COLLECTION COST

During the period under review, BURS collected P638.5 million on behalf of Government departments and agencies as shown in Figure 7 below. Most of the collections come from the Training Levy and Alcohol Levy which contributed 45.5% and 44.4% followed by Transport Permits, Road Safety and Foreign Registered Vehicles Levy with 15.9%, all of which constitutes 96.7% of the total service levy collections. The net revenues transferred to Government departments and agencies less the Revenue Service's commission fee (P42.8 million) amounted to approximately P595.7 million.

Table 4: Service Levies



## TAX REVENUE COLLECTION

### CUSTOMS REVENUE RECOVERIES

BURS recovered revenue amounting to P382,029 representing a decrease from last year's recovery of P2,154,372. Customs duties and Value Added Tax accounted for the large portion of the revenue recovered this financial year as shown in the table below:

**Table 5: Amount of Revenue Recovered**

TYPE OF PAYMENT	AMOUNT
Customs Duty	216,091
Value Added Tax	152,405
Advalorem Duty	34
Fee	800
Penalty	12,700
Total Revenue Recovered	382,029

Undervaluation of goods, particularly second hand motor vehicles imported from countries outside the SACU region, continues to be a challenge to BURS. Over the period under review, forty six (46) were subjected to further valuation verifications following initial Customs declarations. As a result of the value verification process, an amount of P98,858 was recovered.

Post clearance audits were undertaken at two Customs stations and ten companies, three being for the Preferred Trader (PT) program. A total of P5,184,535 was recovered from the audits as compared to the previous year's financial recovery of P7,643,571. This shows a decline of 32%. This reduction could be from the fact that the PT companies were compliant to Customs clearance processes and procedures hence, reduced recoveries.

# TAXPAYER COMPLIANCE

## INTELLIGENCE AND RISK MANAGEMENT

- **RISK MANAGEMENT**

BURS continues to use a Compliance Risk Management Model at operational level with the view to drive and align compliance efforts to organisational goals. The Model is driven by a Risk Committee comprising officers of various units within the Internal Revenue Division and whose role is to identify, analyse, assess, prioritise and evaluate identified risks. The differentiated treatment strategies are designed to address the areas identified to be of highest risks.

During the current year, a total of 17 risk areas were identified but due to resource constraints and low adherence to the risk model, only the four highest risk areas were selected for immediate action for small and medium taxpayers. These were (1) None or stop filers, (2) Issues surrounding the deduction, payment and issuance of certificates for withholding taxes (3) The non-declaration of income and (4) The transfer of immovable property. Through coordination efforts of the Intelligence and Risk Management Office, Risk Area Reports relating to the prioritised areas were developed which highlighted the observed compliance trends and the revenue loss. During the year under review treatment strategies were being developed to mitigate the prevalence of the risks and the revenue losses thereof and we look forward to seeing tangible results during the course of 2014/2015.

For large taxpayers, two broad risk areas were seen as requiring priority action and these were (1) Aggressive Tax Planning including Transfer Pricing (TP) and (2) the taxation of specialised industries, in particular the Construction, Mining and Financial sectors. The focus was premised on the fact that elementary investigations have identified transfer pricing and other tax planning strategies as avenues through which tax revenue is likely to be lost particularly where high value taxpayers in certain industries are concerned. Audits of these industries also had the added benefit of availing our officers the opportunity to acquire more knowledge on the operations of these industries.

- **INTELLIGENCE**

For the year under review various strategies for gathering intelligence data were used. These include utilising sources of information such as the Government Accounting and Budgeting System (GABS), the general public, PPADB databases, local authorities, media houses, parastatals and others. The data collected proved vital in pursuit of non-compliant taxpayers and in identification of risks. Tax Evasion Reports were received from various stakeholders such as the general public, DCEC, Police and other law enforcement agencies. The risk analysis undertaken on the Reports highlighted the need to address issues such as non-declaration of tax withheld, under-declaration of earned income, collusion with taxpayers by tax agents to evade as well as forgery of tax clearance certificate.

## TAX COLLECTIONS BY ENFORCEMENT

The number of taxpayers from whom tax was collected by enforcement through seizure of property for the year was ten (10). A total of fifty vehicles and one industrial plot were seized from these taxpayers. Various garnishee orders were issued to delinquent taxpayers and 3rd parties who had the taxpayers' assets. Around P100 million in tax revenue was recovered through this recourse.

## TAXPAYER COMPLIANCE

### AUDIT AND INVESTIGATION

For the current year, the Audit and Investigation function pursued cases as recommended by the Intelligence and Risk Management Office. Issues that came out of the audits include non-declaration of income by taxpayers who were engaged by government, taxpayers who appear to be of high worth yet their lifestyle is not commensurate with their tax submissions and taxpayers who under-declared income through the assistance of tax agents.

VAT refunds were also put under scrutiny as they continue to pose risk. Taxpayers selected for audit with respect to refunds were those in the export market, property development market and those involved in major infrastructural developments. A majority of the resulting assessments related to wrong input claims or the non-declaration of output tax.

A total of 746 cases were audited resulting in additional tax of P243,625,296.32. Ten (10) fraud cases have been investigated and handed over to the Legal Division for prosecution for the period under review.

### ARREARS COLLECTED (CURRENT YEAR AND OLD ARREARS)

The debt management objective for 2013/2014 was to reduce old arrears by 35% by 31st March 2014, which is 2.9% per month. The target was not achieved for March 2014 as arrears were reduced by 13% instead of 35%. The objective for Current year charges is to reduce them by at least 85% on a monthly basis. This target was achieved as current charges of P5,739 million were reduced by P5,137 million (90% reduction).

**Table 6: Tax Arrears**

OLD ARREARS	ASSESSED INCOME TAX	VAT	TOTAL
Balance of Arrears as at 1st April 2013	668,432,460	640,968,239	1,309,400,699
Less payments, discharges, waivers and remissions	289,657,630	111,778,629	401,436,260
Total balance of arrears as at 31 March 2014	378,774,830	529,189,610	907,964,439
Percent Reduction in Arrears (TARGET 35%)	43%	17%	31%
CURRENT YEAR CHARGES (2013/2014)	ASSESSED INCOME TAX	VAT	TOTAL
Arrears in respect of Current Year	263,415,735	205,461,085	468,876,820
Total Tax Outstanding as at 31 March 2014	642,190,565	734,650,694	1,376,841,259

### OBJECTIONS AND APPEALS ACTIVITIES

During the year 48 objections to decisions of the Commissioner General were received while 30 were finalised during the course of the year. The 18 that remained outstanding at the end of the year were received during the latter part of the year and remained outstanding due to insufficient information to process them before the close of the year. The IRD continued to assist the Legal Services Division with input during preparations for participation at the Board of Adjudicators and the High Court and during the course of the year the IRD had provided input into 12 such cases. Both objections and appeals are an integral part of the administration of taxes but neither can be forecast with certainty as the prevalence is determined by the number of aggrieved taxpayers, something BURS cannot anticipate with certainty.

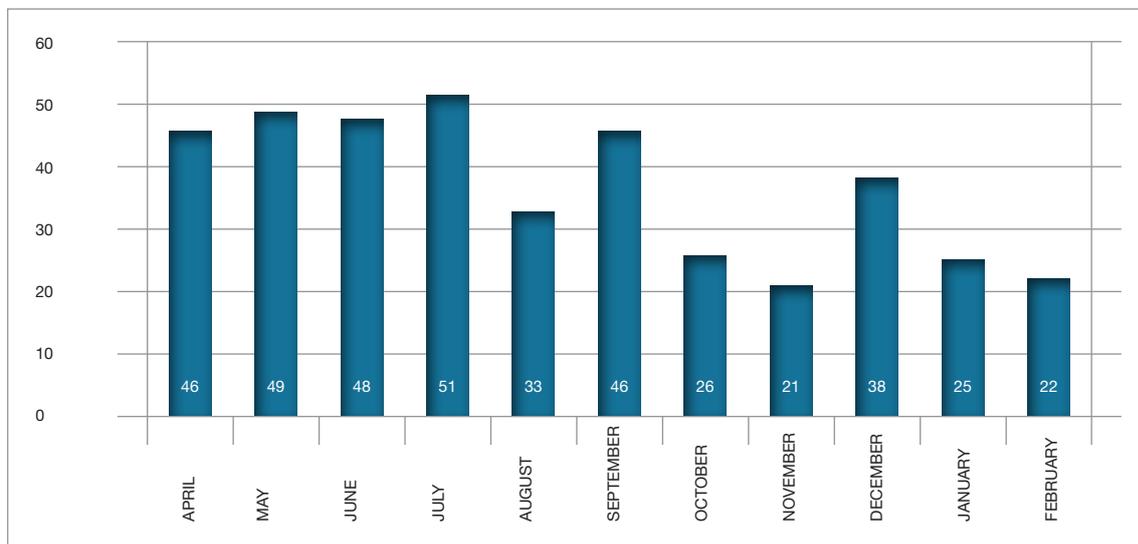
During the 2014/15 financial year, the work in this respect will continue to be enhanced through the finalisation of Objections and Appeals Guidelines for internal use. The purpose of the Guidelines is to adequately deal with Objections in particular by ensuring impartial oversight over decisions undertaken during assessment or audits through full and comprehensive evaluation by a committee comprising officers at management level. Through these Guidelines the process of attending to objections will be consistent throughout each of the BURS regions.

# TAXPAYER COMPLIANCE

## CONTROLS AND SEIZURES

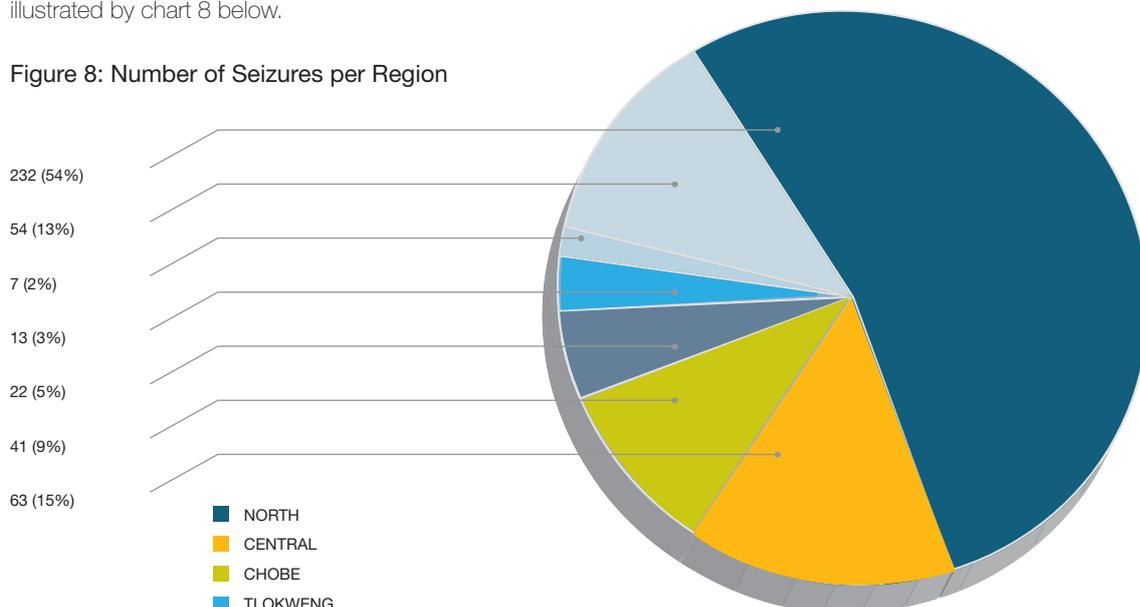
The financial year 2013/14 had 432 Customs seizures of which 326 (75%) were due to non-declaration of goods. A general overview of the table below indicates that the number of seizures were dominant at the beginning going to the middle of the year and falling steeply from October down to March. July recorded the highest number of seizures, with April to June and September following marginally behind it. The month of November and February recorded low levels of seizures.

Figure 7: Number of Seizures



More than half of the seizures (54%) were made at the North region border posts, followed by Central and the South region border posts at 15% and 13% respectively. The South Central region had very low contribution at 2% as illustrated by chart 8 below.

Figure 8: Number of Seizures per Region



## TAXPAYER EDUCATION AND INFORMATION DISSEMINATION

### WORKSHOPS CONDUCTED

For the year under review BURS participated in one form or another in a total of 176 workshops for taxpayers. 101 workshops were conducted in response to requests made by various organisations to be trained on areas of need/interest while 75 were initiated by BURS. The workshops initiated by BURS were mainly on withholding tax and payment procedures for the Government, e-payment for all tax types, VAT e-filing and training newly registered taxpayers on their rights and obligations.

### TRADE FAIRS

BURS participated in 5 fairs during the year being the BOCCIM Fair, Annual Consumer Fair, the Global Expo, Morwa Market Day and Hukuntsi Open Day.

### PUBLICATIONS

As part of the publicity campaign for the BURS Confidential Complaints Hotline Service, BURS published pamphlets, posters and banners about the Hotline service as a way of providing information to the general public on the service.

### MEDIA ENGAGEMENT

BURS used radio stations namely Radio Botswana, Yarona FM and Duma FM during the year to run public awareness campaigns on various taxation issues including the tax implications for the entertainment industry, to remind taxpayers of the return filing season and also to announce workshops for newly registered taxpayers that were to be run countrywide during the year. The publicity campaign for the Hotline Service was also conducted using the broadcast media.

## TRADE AND DEVELOPMENTS

### IMPORT AND EXPORT DEVELOPMENTS

As shown in Table 7 below, during 2013/14, the Customs and Excise Division processed a lesser amount of imports and exports than in the previous financial year. Imports valued at P57.5 billion were processed in 2013/14 as compared to imports valued at P64.9 billion in 2012/13. This shows a decline of P7.4 billion (11.4%) in imports value for the year 2013/14. Exports declarations processed by BURS in 2013/14 were valued at P64.8 billion which shows an improvement of P15.3 billion from export value of P49.5 recorded in 2012/13.

**Table 7: Monthly Imports for 2012/13 and 2013/14**

Period	TOTAL EXPORTS		TOTAL IMPORTS		TRADE BALANCE	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
April	2,426,661,321	6,113,252,197	3,642,380,956	4,181,644,608	(1,215,719,635)	1,931,607,589
May	3,682,210,530	3,827,082,326	5,094,417,990	4,167,730,224	(1,412,207,460)	(340,647,898)
June	3,950,484,255	2,934,598,234	4,427,208,609	3,991,603,424	(476,724,354)	(1,057,005,190)
July	1,428,636,238	6,892,017,721	8,207,266,906	4,298,464,837	(6,778,630,668)	2,593,552,884
August	4,747,030,097	6,465,425,809	5,785,245,005	3,956,385,724	(1,038,214,908)	2,509,040,085
September	7,237,251,241	7,625,219,599	5,871,318,584	7,217,922,903	1,365,932,657	407,296,696
October	4,949,909,950	6,109,029,983	10,085,271,242	6,822,577,631	(5,135,361,292)	(713,547,648)
November	5,217,327,901	8,703,206,446	5,606,799,768	4,665,330,726	(389,471,867)	4,037,875,720
December	1,871,815,994	3,718,087,351	4,305,230,286	4,841,887,343	(2,433,414,292)	(1,123,799,992)
January	5,016,100,488	4,297,561,002	3,953,969,962	4,965,572,738	1,062,130,526	(668,011,736)
February	3,943,396,382	3,806,829,206	3,845,236,848	4,023,140,260	98,159,534	(216,311,054)
March	5,046,073,992	4,331,238,208	4,083,480,063	4,381,195,785	962,593,929	(49,957,577)
Total	49,516,898,389	64,823,548,082	64,907,826,219	57,513,456,203	(15,390,927,830)	7,310,091,879

### IMPORT AND EXPORT DECLARATIONS

During the period under review, BURS processed 536,815 import declarations and 56,352 export declarations at different customs offices and border posts, compared to 543,815 import declarations and 59,772 export declarations processed during the 2012/13 financial year. This shows a decline of 1% and 6% on imports and exports declarations respectively.

The bulk of imports declarations, which stands at 287,079 (53%), were processed at the Tlokweng Border Gate. The lowest numbers of imports declarations were processed at Jwaneng and Matsiloje border posts. Jwaneng recorded 4 declarations whereas Maitengwe processed only 1 declaration.

**Table 8: Summary of Imports and Export Declarations**

FINANCIAL YEAR	IMPORTS	EXPORTS
2012/13	543,878	59,772
2013/14	536,815	56,352
Difference	(7,063)	(3,420)
Variation (%)	(1.30)	(5.72)

## TRADE AND DEVELOPMENTS

### PASSENGER TRAFFIC

The combined number of people entering and leaving Botswana declined during the year when compared to the previous period. During the period under review, a total of 5.2 million people were cleared at various ports of entry, compared to 5.5 million cleared in the 2012/13 financial year. The table below shows that both Passengers entering and leaving Botswana declined slightly by 7% and 4% respectively.

**Table 9: Summary of Passenger Traffic**

PASSENGER TRAFFIC			
Years	Passengers in	Passengers out	Total
2012/13	2,809,996.00	2,704,066.00	5,514,062.00
2012/14	2,606,812.00	2,594,247.00	5,201,059.00

# INTERNATIONAL AND REGIONAL AGREEMENTS AND DEVELOPMENTS

## SOUTHERN AFRICAN DEVELOPMENT COMMUNITY

BURS continued to participate in programmes and meetings of the SADC Tax Subcommittee and the three working groups on tax incentives, tax agreements and indirect taxes. The major output coming out of the work of the Subcommittee was that further work was done on the SADC Model Double Tax Avoidance Agreement and the Commentary thereto. The VAT Guidelines were also enhanced with a view to completion during the financial year 2014/2015. No further work was done on the SADC Tax Incentives Guidelines or on the SADC Tax Database.

BURS also continued to benefit from training being offered under the Regional Economic Integration Support (REIS) Programme including training in the area of exchange of tax information and VAT and excise.

## PARTNERSHIP AGREEMENT (SADC-EU EPA) NEGOTIATIONS

BURS continues to play an important role by participating in the technical working groups for the negotiations under the current SADC - EC EPA. BURS participates in the working groups for the Rules of Origin and Market Access. Currently discussions on unresolved and outstanding issues centered mostly on the cumulation principle and rules of origin. During the financial year 2013/2014, beef amounting to the value of P217.6 million and quantity of 6.2 million kilograms was exported under the SADC - EU EPA arrangement.

## SOUTHERN AFRICAN CUSTOMS UNION

### THE SACU-WCO CUSTOMS DEVELOPMENT PROGRAMME

The SACU-WCO Customs Development programme, funded by SIDA, has approved commencement of a new programme following completion of the previous one in December 2013. Work on the new programme has already started and will elapse in 2018. The following three broad areas of interest have been identified as the focus of the programme: the Preferred Trader Programme, Customs IT Connectivity and Enforcement. Review of legislation has also been added in as an overarching project.

## WTO NEGOTIATIONS ON TRADE FACILITATION

The World Trade Organization's 9th Ministerial Conference in Bali, Indonesia in December 2013 adopted the Agreement on Trade Facilitation. The trade facilitation agreement will be binding on all 159 WTO Member States at the level of all border agencies, and not just customs authorities. The WTO Agreement on Trade Facilitation (ATF) contains 13 Articles regarding Trade Facilitation in Section I and Special & Differential treatment for developing countries and Least-Developed Countries in Section II including provision for technical assistance for implementation. The WCO has developed a number of instruments and tools, which respond to Members' needs as regards WTO ATF implementation. The WCO is continuing to develop and fine-tune an inter-active guidance tool designed to help Customs implement the WTO ATF. To ensure that business can benefit, it is important that business understands what the agreement provides for and how the implementation process can be influenced, in this regard BURS holds consultations for the business community on the ATF. This will assist business to ensure its voice is heard in the way that governments implement the obligations and specific commitments they have undertaken in reaching the agreement.

## AGOA

During the period under review, only one company exported textile and clothing under AGOA even though the company's exports seem to be declining when compared to the previous years. Textile and clothing products exported under AGOA amounted to US \$ 6,365,397.22 in terms of value and 1,311,484 kilograms in terms of quantity.

## INTERNATIONAL AND REGIONAL AGREEMENTS AND DEVELOPMENTS

### OECD GLOBAL FORUM ON TRANSPARENCY AND EXCHANGE OF INFORMATION FOR TAX PURPOSES (GLOBAL FORUM)

Botswana became a member of the Global Forum in 2010 and underwent a Phase 1 Review in which members are assessed by their peers on their regulatory framework on tax transparency and their ability to exchange tax information without impediment. After not succeeding in being considered a compliant jurisdiction, BURS participated in a supplementary Phase 1 review during the latter part of the year under consideration. The review meeting was held in Malta during March 2014 and was successful in elevating Botswana to the position of a compliant jurisdiction. Botswana, led by the BURS is in the process of preparing for a Phase 2 review on administrative compliance that is to be launched during the second quarter of 2015.

### FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)

In the latter part of the year the United States of America promulgated legislation that impacts on financial tax information of their residents while they are in foreign jurisdictions. The legislation, the Foreign Account Tax Compliance Act (FATCA) has implications on Botswana's ability to share tax information with the United States of America given that no legal mechanism currently exists for the two countries to exchange tax information. However the penalties for financial institutions not subscribing to this Act are very harsh and may have an impact on the financial sector in Botswana, as with other countries around the world. During the year under review BURS together with the Ministry of Finance and Development Planning, Tax Policy Unit started engagements with the banking sector with a view to exploring the options available for Botswana to ensure compliance with the Act but also ensure that any exchange of tax information is undertaken within the ambit of the law. In view of the commencement date of the 1st July 2014 BURS will continue to engage with the Ministry in this regard.

### AFRICAN TAX ADMINISTRATION FORUM (ATAF)

Botswana remained a member of ATAF in good standing during the course of the year. Botswana continued to be represented by the Commissioner General as a member of the governing council of ATAF. Botswana has continued to benefit significantly from participation at various training courses and workshops on topical issues affecting tax administration in the African continent.

During the year a Botswana citizen was appointed to the ATAF Secretariat as a Director, the second tier in the ATAF hierarchy. We were especially proud that the officer was an officer of the BURS at the time of her appointment and we look forward to her representing us well in the management of the Forum. BURS remains committed to supporting the work of ATAF as we see the opportunity to both improve capacity within BURS but also an opportunity to enhance our footprint across Africa.

### COMMONWEALTH ASSOCIATION OF TAX ADMINISTRATORS

BURS continued to represent Botswana as a member of the Commonwealth Association of Tax Administrators (CATA). BURS participated at the 34th Annual Technical Conference held in Kigali, Rwanda in October 2013 at which the Commissioner General invited delegates to participate at the Conference that Botswana would be hosting in November 2014.

## DEVELOPMENT PROJECTS

### BURS HEADQUARTERS BUILDING

In 2009 BURS embarked on a major project that entails the construction of its new head office on plot 54379 Gaborone Central Business District (CBD). The project encompasses a state-of-the-art technological building which has been designed to meet the vision and expanded mandate of the Revenue Service. The proposed project will comprise of "A Grade" offices comprising of a 3 storey basement, main 8 storey tower block, two 3 storey office blocks and a 3 storey ancillary block which will house a cafeteria, gymnasium and conference rooms. Its Gross Building Area is approximately 34,782m<sup>2</sup> both basement and main building.

The anticipated building will house all BURS head office departments and shall also accommodate Public Procurement and Asset Disposal Board (PPADB) as a sister organisation falling within the same Ministry. The project advanced bulk earthworks contract (basement excavation and lateral support) commenced in January 2014 and the works are due for full completion at the end of the month of May 2014.

Procurement of the main contractor is at a very advanced stage. The estimated construction duration is 26 calendar months to August 2016.

### TLOKWENG BORDER POST SEWERAGE

The project involved the connection of Tlokweng Border sewer to the public sewer line in Tlokweng village. The project is complete and was handed over on 15th November 2013.

### RAMATLABAMA BORDER SEWERAGE UPGRADE

The scope of work entailed the construction of an evaporation bay/pond and connection of all the Border facilities to the same. The project was completed on 8th July 2013.

### UPGRADING OF RAMOKGWEBANA BORDER POST

The project involved the upgrading of the border post buildings as well as the construction of 36 residential flats for staff and was completed and handed over in July 2013.

### OTHER PROJECTS

The Botswana Interbank Settlement System (BISS), a solution developed, at the request of BURS by Bank of Botswana to aid tax payers, through their respective banks to settle their tax liabilities using the Real Time Gross Settlement System and Electronic Fund Transfer currently used by the commercial banks, as well as aiding BURS to transfer funds within the BURS bank accounts held with Bank of Botswana, Government remittance accounts and to pay funds directly into BURS bank accounts held with commercial accounts, was implemented on the 6th December 2013, with BURS and Office of the Accountant General participating as Bank of Botswana departments. Cash payments from tax payers and transfers between BURS accounts within Bank of Botswana, transfers to Government remittance and to Commercial banks have been made to date without any hitch; hence as far as receiving and transferring money is concerned BISS is serving the purpose.

BURS interface with the BOB is also working properly as two End of Day files are generated daily for upload into the Integrated Tax Management System and ASYCUDA and tax payer accounts updating.

## OPERATIONAL CHALLENGES

Since BURS took over the function of revenue accounting and reporting from the Government in 2007, BURS has been struggling to comply with the statutory requirement of submitting the audited accounts within the stipulated period. This was mainly attributed to the manual nature of managing the BURS financial transactions and reconciliation of payments made through the Electronic Funds Transfer (EFT) System.

BURS has taken measures to improve the reconciliation of EFT payments. Further BURS had also put a number of measures in place to improve the turnaround period in preparation for the audit of the 2013/14 financial year accounts. Such measures included committing additional resources to facilitate allocation of payments received to revenue streams and correction of configuration problems relating to the BURS information technology systems interfaces.

As a result of these measures, significant progress has been achieved on the audit in that for the first time the field work was completed before end of September 2014. However, in spite of these improvements BURS still was not able to meet the six months statutory obligations. Nonetheless the accounts were approved by the BURS Board in March 2015.

## CONCLUSION

BURS slightly exceeded the revenue collection target that was set by Government for the 2013/14 financial year. The good performance was mainly due to the good performance of income tax collection which recorded a significant increase of 35.1% over the previous year's collection.

BURS continues to make efforts to be more efficient by adopting new and improved strategies, processes and procedures and have actually taken a decision within its Strategic Plan to place the use of information technology at the forefront of its efforts to improve service and carry out its mandate. The development of the BURS human capital and intensified taxpayer education campaigns are also the cornerstone of BURS strategy to improve the revenue collection business.

I would like to take this opportunity to thank the taxpayers and other BURS stakeholders without whose contribution BURS would not have achieved the good performance. I also thank the entire BURS staff for their efforts in ensuring that the organisation moves forward in the execution of its mandate.

Finally, on behalf of BURS management, I would like to thank the Honourable Minister of Finance and Development Planning, the Board of Directors, Board Committees and other stakeholders for their guidance and continued support to BURS.



Mr. Ken R. Morris  
Commissioner General

# ADMINISTERED



## ORGANISATIONAL VALUES

### BOTHO

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

### INNOVATION

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

### ACCOUNTABILITY

We take responsibility for all our actions.

### INTEGRITY

We uphold strong moral principles in all our dealings.

# Annual

FINANCIAL STATEMENTS CONTENTS

# ACCOUNTS

10 Years of Development and Growth  
Towards a Promising Future



## CONTENTS



BOTSWANA UNIFIED REVENUE SERVICE ANNUAL REPORT 2014

### TABLE OF CONTENTS

Directors' Statement of Responsibility	39
Directors' Approval of the Annual Financial Statements	40
Independent Auditor's Report	41
Statement of Financial Performance	43
Statement of Financial Position	44
Statement of Changes in Net Assets	45
Statement of Cash Flows	46
Notes to the Annual Financial Statements	47
Unaudited Annexures	56

## GENERAL INFORMATION

### BOARD OF DIRECTORS

Taufila Nyamadzabo	: Chairperson Ex officio
Alexander T. Yalala	: Vice Chairperson
Keneilwe R. Morris	: Commissioner General
Daniel N. Loeto	: End of term 30 June 2013
John Y. Stevens	: Resigned 1 July 2013
Wankie B. Wankie	
Ruth Seipone	: End of term 1 November 2013
Sholo A. Matale	: Appointed 1 July 2013
Gaamangwe Lebele	: Appointed 1 October 2013

### BOARD SECRETARY

Lorato Khimbele

### NATURE OF BUSINESS

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

### ADDRESS

Plot 53976  
Kudumatse Drive  
Gaborone

Private Bag 0013  
Gaborone

### AUDITOR

Deloitte & Touche

### BANKERS

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

## DIRECTORS' STATEMENT OF RESPONSIBILITY

The Directors are responsible for the preparation and fair presentation of the annual financial statements of Botswana Unified Revenue Service: Administered Government Revenue Accounts, comprising the statement of financial position as at 31 March 2014, the statement of financial performance, the statement of changes in net assets, and the statement of cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, prepared on the modified cash basis of accounting as outlined in Note 1.2.

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

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

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

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

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

## DIRECTORS' STATEMENT OF RESPONSIBILITY

The Directors state that, for the year ended 31 March 2014, BURS has not complied with the following paragraphs of the Botswana Unified Revenue Service 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's ability to continue as a going concern and there is no reason to believe the entity will not be a going concern in the year ahead.

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

The external auditor is responsible for independently reviewing and reporting on BURS's annual financial statements. The annual financial statements have been audited by BURS's external auditors and their audit report is presented on pages 41 and 42.

### DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 43 to 55, which have been prepared on the going concern basis, were approved by the Board on 5th March 2015 and were signed on its behalf by:



Board Chairperson



Commissioner General

# INDEPENDENT AUDITOR'S REPORT

## TO THE MINISTER OF FINANCE AND DEVELOPMENT PLANNING

We have audited the annual financial statements of Botswana Unified Revenue Service: Administered Government Revenue Accounts which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, the statement of changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 55.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The members of the Board are responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the Ministry of Finance and Development Planning, as set out in accounting policy Note 1.2, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

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

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

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

### OPINION

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Unified Revenue Service: Administered Government Revenue Accounts as at 31 March 2014 and of its financial performance and its cash flows for the year then ended in accordance with the modified cash basis of accounting as outlined in accounting policy Note 1.2.

## INDEPENDENT AUDITOR'S REPORT

### TO THE MINISTER OF FINANCE AND DEVELOPMENT PLANNING

#### OTHER MATTERS

Without qualifying our opinion, we draw attention to the fact that the annexures set out on pages 56 to 57 do not form part of the annual financial statements and are presented as additional information. We have not audited these annexures and accordingly we do not express an opinion thereon.

#### REPORT ON LEGAL AND REGULATORY REQUIREMENTS

For the year ended 31 March 2014, BURS has not complied with the following paragraphs of the Botswana Unified Revenue Service 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  
Practicing Member: C. V. Ramatlapeng (20020075)

Gaborone  
Date: 05 March 2015

## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 P'000	2013 P'000
Revenue collected on behalf of the Government of Botswana			
Tax revenues and Customs Union Receipts			
Income Tax	2	13,802,323	10,214,769
Value Added Tax	3	5,040,860	5,437,336
Customs Union Receipts	4	13,169,532	14,216,098
Other tax revenue	5	99	67
<b>Total tax revenues and Customs Union Receipts</b>		<b>32,012,814</b>	<b>29,868,270</b>
Non-tax revenue	6	2,678	2,789
<b>Total revenue collected on behalf of the Government of Botswana</b>		<b>32,015,492</b>	<b>29,871,059</b>
Amount retained for BURS funding	7	(491,773)	-
Net revenue collected on behalf of Government of Botswana		31,523,719	29,871,059
Revenue collected on behalf of Government Departments	8	372,389	360,573
<b>Total net revenue collected for the year</b>		<b>31,896,108</b>	<b>30,231,632</b>

**STATEMENT OF FINANCIAL POSITION**

AS AT 31 MARCH 2014

	Notes	2014 P'000	2013 P'000
<b>ADMINISTERED ASSETS</b>			
Current assets			
Accounts receivable	9	72,151	59,806
Cash and cash equivalents	10	558,482	682,803
<b>Total administered assets</b>		<b>630,633</b>	<b>742,609</b>
<b>ADMINISTERED LIABILITIES</b>			
Current liabilities			
Accounts payable	11	592,909	524,660
Amount due to Government Remittance Account	12	37,724	217,949
<b>Total administered liabilities</b>		<b>630,633</b>	<b>742,609</b>

## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2014

	P'000
<b>Amount due to/(from) Government Remittance Account</b>	
Balance at 1 April 2012	(130,593)
Total net revenue collected for the year	30,231,632
Transfers to Government Remittance Account	(29,883,090)
<b>Balance at 31 March 2013</b>	<b>217,949</b>
<b>Balance at 1 April 2013</b>	<b>217,949</b>
Total net revenue collected for the year	31,896,108
Transfers to Government Remittance Account	(32,076,333)
<b>Balance at 31 March 2014</b>	<b>37,724</b>

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 MARCH 2014

	2014	2013
	P'000	P'000
<b>Cash flows from operating activities:</b>		
Collections net of transfers to Government Remittance Account for the year	(180,225)	348,542
<b>Movement in assets and liabilities</b>		
Increase in accounts receivable	(12,345)	(8,100)
Increase/(decrease) in accounts payable	68,249	(37,531)
Net movement in assets and liabilities	55,904	(45,631)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(124,321)</b>	<b>302,911</b>
Cash and cash equivalents at beginning of year	682,803	379,892
<b>Cash and cash equivalents at end of year</b>	<b>558,482</b>	<b>682,803</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 1. SIGNIFICANT ACCOUNTING POLICIES

### 1.1 STATEMENT OF ACCOUNTING POLICIES

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

### 1.2 BASIS OF PREPARATION

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

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

### 1.3 THE REPORTED ACTIVITY - REVENUE COLLECTION ACCOUNTS

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

The financial statements are presented in Botswana Pula and in thousands (P'000) except for the analysis of Arrears of Revenue (see unaudited annexures), which is reported in units of Pula.

### 1.4 GENERAL ACCOUNTING POLICIES

#### 1.4.1 PENALTY INTEREST

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

#### 1.4.2 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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

### 1.4.3 DEBTORS

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

### 1.4.4 WRITE-OFFS

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

### 1.4.5 ACCOUNTS PAYABLE

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

## 1.5 REVENUE RECOGNITION

### TAX REVENUES AND CUSTOMS UNION RECEIPTS RECOGNITION

For these financial statements, tax revenues and Customs Union Receipts are measured at the fair value of the consideration received. Revenue is recognised on a cash basis, which reports the actual cash received in a given period. That is, tax revenues and Customs Union Receipts are recognised when cash is received. Refunds related to the revenue collected are also accounted for on a cash basis and are recognised in the year the refund is paid out.

## 1.6 FOREIGN CURRENCIES

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

### 2. INCOME TAX

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

	2014	2013
	P'000	P'000
Withholding tax	1,644,518	1,492,182
Deducted tax (Pay As You Earn)	3,719,533	3,199,896
Assessed tax	8,334,149	5,470,777
Penalty interest	102,092	49,682
Capital transfer tax	2,031	2,232
<b>Income tax receipts</b>	<b>13,802,323</b>	<b>10,214,769</b>

### 3. VALUE ADDED TAX

Value Added Tax (VAT) is recognised in the statement of financial performance on a net basis. VAT is structured in such a manner that companies are also entitled to claim refunds; hence the breakdown of gross receipts and refunds is disclosed. VAT refunds arise when the input tax for any tax period is greater than the output tax for that period, or when tax paid is in excess of the amount properly charged to tax under the VAT Act. The refunds are paid from the VAT collections. VAT refunds reported in the statement of financial performance for the years ended 31 March 2014 and 31 March 2013 represent the actual cash paid out as VAT refunds. The net VAT revenue received during the year is analysed as follows:

	2014	2013
	P'000	P'000
VAT import	4,061,476	4,115,545
VAT internal	3,666,295	3,336,436
VAT interest and penalties	67,232	53,352
Fuel levy	176,600	166,086
<b>Gross receipts</b>	<b>7,971,603</b>	<b>7,671,419</b>
Less: Refunds	(2,930,743)	(2,234,083)
<b>Net VAT receipts</b>	<b>5,040,860</b>	<b>5,437,336</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

### 4. CUSTOMS UNION RECEIPTS

The Customs Union Receipts represent monies received by Botswana by virtue of her membership of the South African Customs Union (SACU). SACU Member States collect customs and excise duties and deposit the revenue into a Common Revenue Pool in accordance with the provisions of Article 33 of the 2002 SACU Agreement. The Member States annually calculate and distribute the share due to each Member State in accordance with a revenue sharing formula in accordance with provisions of Article 34 of the SACU Agreement. The SACU revenue is currently paid to Member States on a quarterly basis in advance.

	2014	2013
	P'000	P'000
Customs Union Receipts	13,169,532	14,216,098

### 5. OTHER TAX REVENUE

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

	2014	2013
	P'000	P'000
Received from the replacement of previous years dishonoured cheques	99	67

### 6. NON-TAX REVENUE

Non-tax revenue consists of licence fees and customs fines. Licence fees are paid by companies and individuals registered with BURS to transact various types of customs businesses such as the operation of Bonded Warehouses and Customs Clearing Agents. Customs fines are received in respect of detected non-compliance with the Revenue Laws, usually at border posts or other points of entry. The amount reported as non-tax revenue in the statement of financial performance is made up of the following:

	2014	2013
	P'000	P'000
Licence fees	28	31
Customs fines	2,650	2,758
	<b>2,678</b>	<b>2,789</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 7. AMOUNT RETAINED FOR BURS FUNDING

The Ministry of Finance and Development Planning 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 of the revenue collected per annum to use for recurrent budget and 1 percent 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 Revenue accounts during the financial year ended 31 March 2014 is as follows:

	Notes	2014 P'000
Amount retained for BURS Funding		491,773
<b>Consisting of:</b>		
Amount retained for use in recurrent expenditure	7	401,280
Amount retained for use in development expenditure	7	90,453
		<b>491,733</b>
<b>Utilised by BURS as:</b>		
Recurrent expenditure		398,527
Amount retained for use in recurrent expenditure		40,1280
Add: Utilised for development expenditure		(2,753)
Development expenditure		93,206
Amount retained for use in development expenditure		90,453
Add: recurrent fund utilised for development expenditure		2,753
		<b>491,733</b>
The limits for the year ended 31 March 2014 were as follows:		
Recurrent expenditure:		
- Minimum		379,000
- Maximum		401,280
Development expenditure:		
- 1 percent of total revenue collected		320,155

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

### 8. REVENUE COLLECTED ON BEHALF OF GOVERNMENT DEPARTMENTS

BURS collects revenue on behalf of Government departments. These include the Department of Roads Transport and Safety, the Department of Consumer Affairs and the Registrar of Companies. The levies which are collected on behalf of the Department of Road and Transport Safety are permit fees and road safety tokens, whilst the copyright levy and flour levy are collected on behalf the Department of Trade and Consumer Affairs and alcohol levy is collected on behalf of the Ministry of Health. The amount reported as revenue collected on behalf of other Government departments includes the following:

	2014	2013
	P'000	P'000
Copyright levy	7,910	6,303
Road safety tokens	9,290	4,636
Transport permits	103,016	93,825
Flour levy	6,482	5,948
Alcohol levy	245,691	249,861
	<b>372,389</b>	<b>360,573</b>

### 9. ACCOUNTS RECEIVABLE

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

	2014	2013
	P'000	P'000
Dishonoured cheques	70,722	58,734
Receivable from BURS Own Accounts (note 13)	1,429	1,072
	<b>72,151</b>	<b>59,806</b>

### 10. 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.

	2014	2013
	P'000	P'000
Bank and cash balances	558,482	682,803

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

### 11. ACCOUNTS PAYABLE

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

	Other payables P'000	Unremitted Collections P'000	Refundable deposits P'000	Total P'000
<b>31 March 2014</b>				
Temporary deposits	-	-	47,853	47,853
Customs and excise duties	-	70,770	-	70,770
Payable to BURS Own Accounts (note 13)	-	21,964	-	21,964
Gross payments	-	-	35,143	35,143
Training levy (Botswana Qualification Authority)	-	62,066	-	62,066
Assurance Levy (Motor Vehicle Accident Fund)	-	2,025	-	2,025
Unallocated EFT transactions	-	163,059	-	163,059
Unpresented cheques	10,996	-	-	10,996
Income Tax Refund account	159,833	-	-	159,833
Various Suspense Accounts	-	19,200	-	19,200
	<b>170,829</b>	<b>339,084</b>	<b>82,996</b>	<b>592,909</b>
<b>31 March 2013</b>				
Temporary deposits	-	-	42,565	42,565
Customs and excise duties	-	101,667	-	101,667
Payable to BURS Own Accounts (note 13)	-	10,353	-	10,353
Gross payments	-	-	24,519	24,519
Training levy (Botswana Qualification Authority)	-	52,643	-	52,643
Assurance Levy (Motor Vehicle Accident Fund)	-	2,244	-	2,244
Unallocated EFT transactions	-	178,738	-	178,738
Unpresented cheques	8,820	-	-	8,820
Income Tax Refund account	101,120	-	-	101,120
Various Suspense Accounts	-	1,991	-	1,991
	<b>109,940</b>	<b>347,636</b>	<b>67,084</b>	<b>524,660</b>

### OTHER PAYABLES

Other payables are amounts established as due at year end. These include unpresented cheques in respect of VAT and Income Tax refunds, VAT and Income Tax refunds, overpayment from Bank of Botswana and a bank clearing account.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

### 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.

### 12. AMOUNT DUE TO/(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.

	2014	2013
	P'000	P'000
Amount due to Government Remittance Account (note 13)	37,724	217,949

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

### 13. RELATED PARTY TRANSACTIONS

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

The following balances with related parties were outstanding:

	2014 P'000	2013 P'000
Amount due to Government Remittance Account	(37,724)	(217,949)
<b>Amount due to Government</b>	<b>(37,724)</b>	<b>(217,949)</b>
<b>Botswana Unified Revenue Service (Own Accounts)</b>		
<b>Accounts receivable (note 9)</b>		
Point of sale and other bank charges	1,429	1,072
	1,429	1,072
<b>Accounts payable (note 11)</b>		
Commission payable	(12,731)	(1,778)
Development projects funds in transit	-	(5,830)
Fluctuation of foreign exchange rates	(9,233)	(2,745)
	(21,964)	(10,353)
<b>Net amount due to BURS Own Accounts</b>	<b>(20,535)</b>	<b>(9,281)</b>
<b>Total due to related parties</b>	<b>(58,259)</b>	<b>(227,230)</b>

## UNAUDITED ANNEXURES

TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014

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

### ANNEXURE 1:

#### SCHEDULE OF MOVEMENTS IN COLLECTIONS AND PAYMENTS TO SACU AND THIRD PARTIES

	SACU Pool Pula	Motor Vehicle Assurance Fund Pula	Botswana Training Authority Pula	TOTAL Pula
<b>Balance at 01 April 2013</b>	<b>101,667,328</b>	<b>2,243,771</b>	<b>52,642,824</b>	<b>156,553,923</b>
Collections	380,705,994	9,091,606	263,736,492	653,534,092
Payments to third party	(411,608,193)	(8,400,555)	(241,126,130)	(661,134,878)
Payments - BURS Commission	-	(909,159)	(13,186,825)	(14,095,984)
<b>Balance at 31 March 2014</b>	<b>70,765,129</b>	<b>2,025,663</b>	<b>62,066,361</b>	<b>134,857,153</b>
<b>Balance at 01 April 2012</b>	<b>137,643,768</b>	<b>2,298,389</b>	<b>54,800,961</b>	<b>194,743,118</b>
Collections	390,737,488	10,097,935	230,275,364	631,110,787
Adjustments	408,568	6,068	(40,425)	374,207
Payments to third party	(427,122,492)	(9,142,759)	(220,773,422)	(657,038,673)
Payments - BURS Commission	-	(1,015,862)	(11,619,654)	(12,635,516)
<b>Balance at 31 March 2013</b>	<b>101,667,328</b>	<b>2,243,771</b>	<b>52,642,824</b>	<b>156,553,923</b>

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; Botswana Training Authority for the collection of the training levy and the Motor Vehicle Accident Fund for the collection of the assurance levy.

# UNAUDITED ANNEXURES

TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014

## ANNEXURE 2: SCHEDULE OF ARREARS OF REVENUE

Description	Balance at 01 April 2013	Collection of previous years' arrears	Abandonment, discharges, remissions/ waivers & adjustments (see note below)	Balance of prior years' arrears outstanding	Arrears in respect of current year	Balance at 31 March 2014
	Pula	Pula	Pula	Pula	Pula	Pula
VAT internal	313,572,478	(65,443,477)	(16,388,587)	231,740,414	134,506,805	366,247,219
VAT interest and penalties	327,395,761	(4,047,811)	(25,898,755)	297,449,195	70,954,280	368,403,475
Assessed tax	311,418,027	(114,449,837)	(93,691,361)	103,276,829	83,912,436	187,189,265
Assessed tax and interest	357,014,433	(38,370,505)	(43,145,927)	275,498,001	179,503,299	455,001,300
<b>TOTAL</b>	<b>1,309,400,699</b>	<b>(222,311,630)</b>	<b>(179,124,630)</b>	<b>907,964,439</b>	<b>468,876,820</b>	<b>1,376,841,259</b>
VAT internal	249,026,869	(44,128,687)	(16,388,587)	188,509,595	125,062,883	313,572,478
VAT interest and penalties	295,295,653	(24,913,561)	(37,547,023)	232,835,069	94,560,692	327,395,761
Assessed tax	294,189,888	(105,548,092)	(8,674,051)	179,967,745	131,450,282	311,418,027
Assessed tax and interest	368,144,170	(20,198,329)	(121,985,437)	225,960,404	131,054,029	357,014,433
<b>TOTAL</b>	<b>1,206,656,580</b>	<b>(194,788,669)</b>	<b>(184,595,098)</b>	<b>827,272,813</b>	<b>482,127,886</b>	<b>1,309,400,699</b>

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

# OWN ACCOU



### OUR VISION

Leading the way in revenue mobilisation and border management.

### OUR MISSION

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

# NTS

## Annual

FINANCIAL STATEMENTS CONTENTS

10 Years of Development and Growth  
Towards a Promising Future



# CONTENTS



BOTSWANA UNIFIED REVENUE SERVICE ANNUAL REPORT 2014

### TABLE OF CONTENTS

Directors' Statement of Responsibility	61
Directors' Approval of the Annual Financial Statements	62
Independent Auditor's Report	63
Statement of Comprehensive Income	65
Statement of Financial Position	66
Statement of Changes in Reserves	67
Statement of Cash Flows	68
Notes to the Annual Financial Statements	69

## GENERAL INFORMATION

### BOARD OF DIRECTORS

Taufila Nyamadzabo	: Chairperson Ex officio
Alexander T. Yalala	: Vice Chairperson
Keneilwe R. Morris	: Commissioner General
Wankie B. Wankie	
Daniel N. Loeto	: End of term 30 June 2013
John Y. Stevens	: Resigned 1 July 2013
Ruth Seipone	: End of term 1 November 2013
Sholo A. Matala	: Appointed 1 July 2013
Gaamangwe Lebele	: Appointed 1 October 2013

### BOARD SECRETARY

Lorato Khimbele

### NATURE OF BUSINESS

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

### ADDRESS

Plot 53976  
Kudumatse Drive  
Gaborone

Private Bag 0013  
Gaborone

### AUDITOR

Deloitte & Touche

### BANKERS

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

## DIRECTORS' STATEMENT OF RESPONSIBILITY

The Directors are responsible for the preparation and fair presentation of the annual financial statements of Botswana Unified Revenue Service: Own Accounts, comprising the statement of financial position as at 31 March 2014, the statements of comprehensive income, changes in reserves, and cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS").

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

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

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

These controls are monitored throughout BURS and all employees are required to maintain the highest ethical standards in ensuring BURS's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in BURS is on identifying, assessing, managing and monitoring all known forms of risk across BURS. While operating risk 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 2014, BURS has not complied with the following paragraphs of the Botswana Unified Revenue Service 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.

## DIRECTORS' STATEMENT OF RESPONSIBILITY

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

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

The external auditors are responsible for independently reviewing and reporting on BURS's annual financial statements. The annual financial statements have been audited by BURS's external auditors and their audit report is presented on pages 63 and 64.

### DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 65 to 93, which have been prepared on the going concern basis, were approved by the Board on 5th March 2015 and were signed on its behalf by:



Board Chairperson



Commissioner General

# INDEPENDENT AUDITOR'S REPORT

## TO THE MINISTER OF FINANCE AND DEVELOPMENT PLANNING

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the annual financial statements of Botswana Unified Revenue Service: Own Accounts which comprise the statement of financial position as at 31 March 2014, the statements of comprehensive income, changes in reserves and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 65 to 93.

#### Directors' Responsibility for the Financial Statements

The members of the Board are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

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

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

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

## INDEPENDENT AUDITOR'S REPORT

### TO THE MINISTER OF FINANCE AND DEVELOPMENT PLANNING

#### OPINION

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Unified Revenue Service: Own Accounts as at 31 March 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 23 of the financial statements, which states that BURS is in a dispute with third parties regarding the ownership of Plot 8913, Zanzibar and Platjan. As these third parties hold the legal title BURS may need to purchase the land from the third parties.

#### REPORT ON LEGAL AND REGULATORY REQUIREMENTS

For the year ended 31 March 2014, BURS has not complied with the following paragraphs of the Botswana Unified Revenue Service 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  
Practicing Member: C V Ramatlapeng (20020075)

Gaborone  
Date: 05 March 2015

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 P'000	2013 P'000
<b>Income</b>			
Government funding for recurrent expenditure	6	398,527	305,382
Other income	7	70,672	54,515
<b>Total income</b>		<b>469,199</b>	<b>359,897</b>
Other gains and losses	8	(2,850)	5,850
<b>Expenses</b>			
Administrative expenses	9	(119,208)	(99,105)
Staff costs	10	(282,335)	(261,159)
Total expenses		(401,543)	(360,264)
<b>Surplus for the year</b>		<b>64,806</b>	<b>5,483</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>64,806</b>	<b>5,483</b>

**STATEMENT OF FINANCIAL POSITION**

AS AT 31 MARCH 2014

	Notes	2014 P'000	2013 P'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	426,038	350,033
Investment property	14	28,700	31,550
Intangible assets	15	11,896	1,318
		466,634	382,901
<b>Current assets</b>			
Inventories	16	2,420	2,994
Trade and other receivables	17	33,531	20,802
Cash and cash equivalents	18	100,470	22,060
		136,421	45,856
Assets classified as held for sale	19	213	199
		136,634	46,055
<b>Total assets</b>		<b>603,268</b>	<b>428,956</b>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Capital reserve		416,786	311,707
Properties revaluation reserve	11	52,566	52,566
Accumulated surplus		70,436	17,503
		539,788	381,776
<b>Current liabilities</b>			
Trade and other payables	20	63,480	47,180
<b>Total reserves and liabilities</b>		<b>603,268</b>	<b>428,956</b>

## STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Capital reserve  P'000	Properties revaluation reserve  P'000	Accumulated surplus  P'000	Total  P'000
<b>Balance at 31 March 2012</b>		<b>267,626</b>	<b>52,566</b>	<b>(970)</b>	<b>319,222</b>
Total comprehensive income for the year		-	-	5,483	5,483
Transfer to accumulated surplus	12	(12,990)	-	12,990	-
Government funding for capital expenditure		95,061	-	-	95,061
Transfer from development fund to finance recurrent expenditure	6	(37,990)	-	-	(37,990)
<b>Balance at 31 March 2013</b>		<b>311,707</b>	<b>52,566</b>	<b>17,503</b>	<b>381,776</b>
Total comprehensive income for the year		-	-	64,806	64,806
Transfer to accumulated surplus	12	(13,127)	-	13,127	-
Transferred from recurrent fund as part settlement of amount previously transferred from development fund		25,000	-	(25,000)	-
Government funding for capital expenditure		93,206	-	-	93,206
<b>Balance at 31 March 2014</b>		<b>416,786</b>	<b>52,566</b>	<b>70,436</b>	<b>539,788</b>

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 P'000	2013 P'000
<b>Cash flows from operating activities</b>			
Surplus for the year		64,806	5,483
Less: interest income		(2,383)	(1,399)
Adjustment for non-cash items	22	16,362	4,192
<b>Operating surplus before working capital changes</b>		<b>78,785</b>	<b>8,276</b>
<b>Changes in working capital</b>			
(Increase)/decrease in trade and other receivables		(12,729)	16,394
Decrease/(increase) in inventories		574	(311)
Increase/(decrease) in trade and other payables		16,300	(10,005)
<b>Net cash generated from operating activities</b>		<b>82,930</b>	<b>14,354</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(89,361)	(55,997)
Purchase of intangible assets		(10,748)	(618)
Proceeds on disposal of property, plant and equipment and assets classified as held for sale		-	832
Interest received		2,383	1,399
<b>Net cash used in investing activities</b>		<b>(97,726)</b>	<b>(54,384)</b>
<b>Cash flows from financing activities</b>			
Net development funding received from the Government of Botswana		93,206	57,071
<b>Net cash generated from financing activities</b>		<b>93,206</b>	<b>57,071</b>
Increase in cash and cash equivalents		78,410	17,041
Cash and cash equivalents at beginning of year		22,060	5,019
<b>Cash and cash equivalents at end of year</b>	18	<b>100,470</b>	<b>22,060</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 1. GENERAL INFORMATION AND INTRODUCTION

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

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

For financial reporting purposes, the financial statements of BURS are reported as: ADMINISTERED GOVERNMENT REVENUE ACCOUNTS, and OWN ACCOUNTS. The financial statements - ADMINISTERED GOVERNMENT REVENUE ACCOUNTS cover transactions relating to the revenue collected on behalf of the Government. The financial statements - OWN ACCOUNTS cover those operational transactions, such as funding received from Government, which are managed by BURS and utilised in running the organisation. The purpose of the distinction between the two sets of financial statements is to facilitate, among other things, the assessment of the administrative efficiency of BURS in achieving its mandate. The financial statements are reported in Botswana Pula and in thousands (P'000).

## 2. ADOPTION OF NEW AND REVISED STANDARDS

### 2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT PERIOD

In the current period, the entity has adopted all the new and revised Standards and Interpretations of the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 April 2013. The adoption of these standards has not resulted in any significant changes to the entity's accounting policies and has not affected either the amounts or the presentation and disclosure of amounts reported in these financial statements.

The following standards were adopted in the current year:

New/Revised International Financial Reporting Standards	Effective Date annual periods beginning on or after
IFRS 7 (amended) - Financial Instruments: Disclosures (offsetting of assets and liabilities)	01 January 2013
IFRS 10 (original issue) - Consolidated Financial Statements	01 January 2013
IFRS 11 (original issue) - Joint Arrangements	01 January 2013
IFRS 12 (original issue) - Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 (original issue) - Fair Value Measurement	01 January 2013
IAS 1 (amended) - Presentation of Financial Statements (Comprehensive income)	01 July 2012
IAS 19 (amended) - Employee Benefits: Post employment and Termination Benefits projects	01 January 2013
IAS 28 (amended) - Investments in Associates and Joint Ventures	01 January 2013
IAS 27 (re-issue) - Separate Financial Statements	01 January 2013

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

### 2.2 STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

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

New/Revised International Accounting Standards	Effective Date annual periods beginning on or after
IFRS 7 (amended) - Financial Instruments: Disclosures (initial application of IFRS 9)*	01 January 2015
IFRS 9 (amended) - Financial Instruments: Classification and measurement*	01 January 2018
IFRS 9 (amended) - Financial Instruments: Financial liabilities and derecognition of financial assets and financial liabilities*	01 January 2018
IFRS 10 (amended) - Consolidated Financial Statements	01 January 2014
IFRS 11 (amended) - Joint Arrangements	01 January 2016
IFRS 14 (original issue) - Regulatory Deferral Accounts	01 January 2014
IFRS 15 (original issue) - Revenue from Contracts with Customers	01 January 2017
IAS 16 (amended) - Property, Plant and Equipment	01 January 2016
IAS 19 (amended) - Employee Benefits	01 July 2014
IAS 27 (amended) - Separate Financial Statements: Amendments to Investment Entities	01 January 2014
IAS 27 (amended) - Separate Financial Statements: Reinstatement of equity method	01 January 2016

New/Revised International Accounting Standards	Effective Date annual periods beginning on or after
IAS 32 (amended) - Financial instruments	01 January 2014
IAS 36 (amended) - Impairment of Assets	01 January 2014
IAS 38 (amended) - Intangible Assets	01 January 2016
IAS 39 (amended) - Financial Instruments: Recognition and Measurement	01 January 2014
IAS 41 (amended) - Agriculture	01 January 2016
Annual Improvements 2010 - 2012 Cycle	01 July 2014
Annual Improvements 2011 - 2013 Cycle	01 July 2014

\* IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before 1 February 2015.

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 STATEMENT OF COMPLIANCE

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

### 3.2 BASIS OF PREPARATION

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

### 3.3 REVENUE RECOGNITION

#### (I) INTEREST INCOME

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

#### (II) COMMISSIONS, AUCTION SALE PROCEEDS, AND OTHER INCOME EARNED

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

### 3.4 FUNDING

Prior to 1 April 2013 BURS was funded through funds appropriated by Parliament on an annual basis and disbursed by the Ministry of Finance and Development Planning.

The Ministry of Finance and Development Planning 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 per cent of the revenue collected per annum to use for recurrent budget with the minimum being P379,000,000 and the maximum being P401,280,000 for the year ended 31 March 2014 and 1 per cent of the total revenue collected to use for the development budget. The Revenue Service implemented such notice with effect from 1 April 2013.

- a) 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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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

### 3.5 RECOGNITION OF ASSETS, LIABILITIES, AND PROVISIONS

#### (I) ASSETS

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

#### (II) LIABILITIES AND PROVISIONS

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

#### (III) CONTINGENT LIABILITIES

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

#### (IV) INVENTORIES

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

#### (V) RECEIVABLES

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

#### (VI) IMPAIRMENT OF FINANCIAL ASSETS

Financial assets are generally assessed for indicators of impairment at 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 3.6 PROPERTY, PLANT AND EQUIPMENT

### (I) LAND AND BUILDINGS

- a) Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.
- b) Revaluation increase arising on the revaluation of such land and buildings is credited as equity to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to the statement of comprehensive income to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.
- c) Depreciation on revalued buildings is charged to profit and loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to the accumulated surplus/(deficit).
- d) Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.
- e) Freehold land is not depreciated.

### (II) MOTOR VEHICLES, COMPUTER AND OFFICE EQUIPMENT, LEASEHOLD IMPROVEMENTS, AND PORTA-CAMPS

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

### (III) DEPRECIATION

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

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

Category	Economic life (in years)
Leasehold property	the shorter of 50 years or remaining lease period
Freehold property	50
Motor vehicles (light vehicles)	7
Motor vehicles (vans and trucks)	8
Office furniture	6.67
Computer and office equipment	3
Porta-camps	6.67
Ordinary Plant and machinery	4
X-RAY cargo scanners	10
Sewerage systems	15
Leasehold improvements	the shorter of 6.67 years or remaining lease period

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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.

### (IV) ASSETS HELD UNDER FINANCE LEASES

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

### (V) REPAIRS AND MAINTENANCE

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

## 3.7 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.

## 3.8 INVESTMENT PROPERTY

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

## 3.9 FOREIGN CURRENCIES

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

Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. All differences are taken to the profit and loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## 3.10 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 3.11 TERMINAL GRATUITIES

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

## 3.12 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.

## 3.13 LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

- (a) Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.
- (b) Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.
- (c) Deposits and advance payments of operating leases are recognised in the statement of financial position under trade and other receivables.

## 3.14 FINANCIAL INSTRUMENTS

### FINANCIAL ASSETS

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

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

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

### EFFECTIVE INTEREST METHOD

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

### 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, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

#### DERECOGNITION OF FINANCIAL LIABILITIES

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 3.15 CASH AND CASH EQUIVALENTS

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

## 3.16 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.

## 3.17 CONSTRUCTION CONTRACTS

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

## 3.18 EMPLOYEE BONUS PLANS

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

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

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

### Useful Lives of Plant and Equipment and Residual Values

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

### Fair Value of Investment Property

The fair value of investment property 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 calculation of the provision for doubtful debts; and
- the calculation of any provision for claims, litigation and other legal matters.

## 5. FINANCIAL RISK MANAGEMENT

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

### 5.1 MARKET RISK: CURRENCY RISK

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

### 5.2 MARKET RISK: INTEREST RATE RISK

Financial instruments that are sensitive to interest rate risk are bank balances and cash. Interest rates earned on financial instruments compares favourably with those currently available in the market. A 1% increase in interest rates would result in the surplus for the year of P1,005,000 (2013: P221,000), while a decrease in interest rates by a similar margin would result in an equal opposite effect.

### 5.3 CREDIT RISK

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

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

There are no significant concentrations of credit risk.

### 5.4 LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. BURS manages its liquidity risk to ensure it is able to meet expenditure requirements. This is achieved through prudent liquidity risk management which includes maintaining sufficient cash resources. Since BURS is funded through a subvention from the Government, BURS does not regard there to be any significant liquidity risk. 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.

### 5.5 CATEGORIES OF FINANCIAL INSTRUMENTS

	2014	2013
	P'000	P'000
<b>Financial assets</b>		
Loans and receivables (including bank balances and cash)	128,882	32,565
<b>Financial liabilities</b>		
Other liabilities	35,763	20,918

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 5.6 CAPITAL RISK MANAGEMENT

There is no active capital risk management process in place primarily because BURS was established under the Botswana Unified Revenue Service Act, 2003. Under this Act, the Government of Botswana provides funding 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.

## 6. GOVERNMENT FUNDING FOR RECURRENT EXPENDITURE

	2014	2013
	P'000	P'000
Funding for recurrent expenditure	401,280	271,120
Add: Transferred from development fund to finance recurrent expenditure	-	37,990
Less: Utilised for capital expenditure	(2,753)	(3,728)
	<b>398,527</b>	<b>305,382</b>

## 7. OTHER INCOME

	2014	2013
	P'000	P'000
Bank interest	2,383	1,399
Rental income	3,420	2,417
Agency commissions	43,485	40,815
Provision of technical service by Swedish International Development Agency	-	4,058
Scanner donation by Japan International Cooperation Agency	-	2,312
Foreign exchange gains recoverable from Revenue Accounts	9,234	-
Sundry income	12,150	3,514
	<b>70,672</b>	<b>54,515</b>

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

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

### 8. OTHER GAINS AND LOSSES

	2014	2013
	P'000	P'000
Change in fair value of investment property	(2,850)	5,850

### 9. ADMINISTRATIVE EXPENSES

	2014	2013
	P'000	P'000
Auditors' remuneration - current	896	992
- prior	65	12
Computer support	9,580	10,802
Consultancy costs and legal costs	8,477	598
Consulting with Swedish International Development Agency	-	3,934
Depreciation of property, plant and equipment	13,992	12,243
Impairment of assets classified as held for sale	11	-
Amortisation of intangible assets	233	700
Electricity and water	7,587	5,741
Printing, stationery and office expenses	17,691	5,051
Operating lease rentals	19,205	20,001
Repairs and maintenance	8,065	6,946
Motor vehicle fuel	3,558	3,766
Telephone and postage	11,417	9,929
Training expenses	3,985	2,981
Seminars, workshops, travelling and other administrative expenses	14,446	15,409
	<b>119,208</b>	<b>99,105</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

### 10. STAFF COSTS

	2014	2013
	P'000	P'000
Salaries and wages	243,362	227,128
Medical aid contribution	7,011	6,509
Annual performance bonus		
- Current year performance bonus	104	-
- Prior year over provision	-	(1,340)
Employee benefits		
- Gratuity and severance	1,660	1,681
- Pension contribution	24,666	23,520
- Leave	5,532	3,661
<b>Total staff costs</b>	<b>282,335</b>	<b>261,159</b>

### 11. PROPERTIES REVALUATION RESERVE

	2014	2013
	P'000	P'000
Balance at beginning of year	52,566	52,566
Gains/(losses) on revaluation of properties during the year	-	-
Balance at end of year	52,566	52,566

### 12. TRANSFER TO ACCUMULATED SURPLUS

	2014	2013
	P'000	P'000
Transfer of realised income on depreciation of funded assets	13,127	12,746
Transfer of realised income on disposals	-	244
Total transfer to retained earnings	13,127	12,990

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2014

## 13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold Improvements
	P'000	P'000	P'000
<b>Cost/valuation</b>			
At 1 April 2013	43,854	167,103	21,291
Additions	-	1,524	303
Donations received	-	-	-
Transfer to non-current assets held for sale	-	-	-
Transfer to intangible assets	-	-	-
Other transfers	-	55,181	188
<b>At 31 March 2014</b>	<b>43,854</b>	<b>223,808</b>	<b>21,782</b>
<b>Accumulated depreciation</b>			
At 1 April 2013	-	4,713	13,848
Current year charge	-	2,772	2,487
Transfer to non-current assets held for sale	-	-	-
<b>At 31 March 2014</b>	<b>-</b>	<b>7,485</b>	<b>16,335</b>
<b>Carrying amount</b>			
<b>At 31 March 2014</b>	<b>43,854</b>	<b>216,323</b>	<b>5,447</b>
Work-In-Progress amounting to P79.12 million is made up of the following :			
Residential and office accommodation			
<b>Total Work-In-Progress</b>			

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

Motor Vehicles	Office Furniture	Computers & Office Equipment	Plant & Machinery	Porta Camps	Work-in- Progress	Total
P'000	P'000	P'000	P'000	P'000	P'000	P'000
18,574	9,875	23,371	34,494	7,030	83,136	408,728
8,144	798	4,600	3,889	437	69,666	89,361
678	-	46	-	-	-	724
(247)	-	-	-	-	-	(247)
-	-	-	-	-	(63)	(63)
-	-	-	17,980	265	(73,614)	-
<b>27,149</b>	<b>10,673</b>	<b>28,017</b>	<b>56,363</b>	<b>7,732</b>	<b>79,125</b>	<b>498,503</b>
8,940	4,993	19,023	4,373	2,805	-	58,695
1,929	1,176	1,448	3,341	839	-	13,992
(222)	-	-	-	-	-	(222)
<b>10,647</b>	<b>6,169</b>	<b>20,471</b>	<b>7,714</b>	<b>3,644</b>	<b>-</b>	<b>72,465</b>
16,502	4,504	7,546	48,649	4,088	79,125	426,038
						79,125
						<b>79,125</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2014

**13. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Leasehold Improvements
	P'000	P'000	P'000
<b>Cost/valuation</b>			
At 1 April 2012	43,854	160,829	21,187
Additions	-	3,627	104
Donations received	-	-	-
Disposals	-	-	-
Transfer to non-current assets held for sale	-	-	-
Other transfers	-	2,647	-
<b>At 31 March 2013</b>	<b>43,854</b>	<b>167,103</b>	<b>21,291</b>
<b>Accumulated depreciation</b>			
At 1 April 2012	-	2,329	12,478
Current year charge	-	2,384	1,370
Disposals	-	-	-
Transfer to non-current assets held for sale	-	-	-
<b>At 31 March 2013</b>	<b>-</b>	<b>4,713</b>	<b>13,848</b>
<b>Carrying amount</b>			
<b>At 31 March 2013</b>	<b>43,854</b>	<b>162,390</b>	<b>7,443</b>
<b>Work-In-Progress amounting to P83.136 million is made up of the following :</b>			
Residential and office accommodation			
<b>Total Work-In-Progress</b>			

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

Motor Vehicles	Office Furniture	Computers & Office Equipment	Plant & Machinery	Porta Camps	Work-in- Progress	Total
P'000	P'000	P'000	P'000	P'000	P'000	P'000
17,545	8,217	22,049	31,989	6,918	40,222	352,810
3,420	1,658	1,322	193	112	45,561	55,997
-	-	-	2,312	-	-	2,312
(1,052)	-	-	-	-	-	(1,052)
(1,339)	-	-	-	-	-	(1,339)
-	-	-	-	-	(2,647)	-
<b>18,574</b>	<b>9,875</b>	<b>23,371</b>	<b>34,494</b>	<b>7,030</b>	<b>83,136</b>	<b>408,728</b>
9,255	3,937	17,443	1,195	1,985	-	48,622
1,855	1,056	1,580	3,178	820	-	12,243
(1,030)	-	-	-	-	-	(1,030)
(1,140)	-	-	-	-	-	(1,140)
<b>8,940</b>	<b>4,993</b>	<b>19,023</b>	<b>4,373</b>	<b>2,805</b>	<b>-</b>	<b>58,695</b>
9,634	4,882	4,348	30,121	4,225	83,136	350,033
						83,136
						<b>83,136</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

### LAND AND BUILDINGS CARRIED AT FAIR VALUE

An independent valuation of land and buildings was last conducted as at 31 March 2011 by Willy Kathurima Associates, independent professional valuers that are not related to BURS and are qualified for the purpose of the valuation. The valuation was conducted in accordance with the Appraisal and Valuation Manual and the Real Estate Institute of Botswana standards. Willy Kathurima Associates are members of the Real Estate Institute of Botswana. There was no valuation done during the current financial year.

### CHANGE OF ACCOUNTING POLICY

The Directors have resolved that subsequent to the last revaluation of land and buildings conducted in March 2011, revaluations of land and buildings should be conducted after every five years, instead of three years as per the previous policy. The next valuation will therefore be carried out in the financial year ending 31 March 2016.

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

	2014	2013
	P'000	P'000
Land	27,748	27,748
Buildings	182,600	128,022

Land includes Platjan with a fair value of P150,000 and Zanzibar with a fair value of P150,000. Ownership of this land is currently in dispute with third parties and as a result a contingent liability has been disclosed in note 23.

### 14. INVESTMENT PROPERTY

	2014	2013
	P'000	P'000
<b>At fair value</b>		
Balance at beginning of the year	31,550	25,700
(Loss)/gain from fair value adjustments	(2,850)	5,850
<b>Balance at end of the year</b>	<b>28,700</b>	<b>31,550</b>

The fair value of investment property has been arrived at on the basis of a valuation conducted by Apex Properties independent professional valuers not related to BURS and qualified for the purpose of the valuation. The valuation was performed based on their visit on 5 March 2014 and the valuation report was issued on 10 March 2014. Management is of the opinion that there is no significant difference in the value of the property had the valuation been carried out on 31 March 2014. Apex Properties are members of the Real Estate Institute of Botswana.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

Investment property consists of land with a fair value of P9,370,000 (2013: P10,300,000) and office buildings constructed on a portion of Plot 14415 and a portion of Plot 8913, Gaborone. As reported in the previous year's financial statements, there is a dispute between BURS and Botswana Railways in respect of the ownership of Plot 8913. The fair value of the disputed portion of land on which the investment property is constructed amounts to P4,227,000 (2013: P4,647,000). A contingent liability has been disclosed in note 23.

### 15. INTANGIBLE ASSETS

	Computer Software P'000	WIP P'000	Total P'000
<b>Cost</b>			
At 1 April 2012	2,100	-	2,100
Transfer from property, plant and equipment	-	618	618
<b>At 31 March 2013</b>	<b>2,100</b>	<b>618</b>	<b>2,718</b>
Transfer from property, plant and equipment	-	63	63
Additions	-	10,748	10,748
<b>At 31 March 2014</b>	<b>2,100</b>	<b>11,429</b>	<b>13,529</b>
<b>Accumulated amortisation</b>			
At 1 April 2012	700	-	700
Charge for the year	700	-	700
<b>At 31 March 2013</b>	<b>1,400</b>	<b>-</b>	<b>1,400</b>
Charge for the year	233	-	233
<b>At 31 March 2014</b>	<b>1,633</b>	<b>-</b>	<b>1,633</b>
<b>Carrying amount at 31 March 2014</b>	<b>467</b>	<b>11,429</b>	<b>11,896</b>
<b>Carrying amount at 31 March 2013</b>	<b>700</b>	<b>618</b>	<b>1,318</b>

The computer software which consists of the Human Resources SAP module. The remaining period for amortising the carrying amount is 2 years.

Work-In-Progress as at 31 March 2014 consists of the E-Filing project software.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

### 16. INVENTORIES

	2014	2013
	P'000	P'000
Printing and stationery	1,205	2,300
Office supplies	958	354
Uniform and protective clothing	257	340
<b>Total inventories</b>	<b>2,420</b>	<b>2,994</b>

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.

### 17. TRADE AND OTHER RECEIVABLES

	2014	2013
	P'000	P'000
Receivable from related parties	27,240	9,377
Staff receivables	374	316
Other receivables and prepayments	5,917	11,109
<b>Total trade and other receivables</b>	<b>33,531</b>	<b>20,802</b>

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 (2013:P Nil).

### 18. CASH AND CASH EQUIVALENTS

	2014	2013
	P'000	P'000
Business call and current account and cash on hand	12,202	18,939
Fixed deposit account	3,000	3,000
Trust call account	7,148	121
Development funds call account	78,120	-
<b>Total cash and cash equivalents</b>	<b>100,470</b>	<b>22,060</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

### 19. ASSETS CLASSIFIED AS HELD FOR SALE

	2014	2013
	P'000	P'000
Balance at beginning of the year	199	221
Motor vehicles disposed during the year	-	(221)
Impairment	(11)	-
Transfer from property, plant and equipment - motor vehicles	25	199
<b>Balance at end of the year</b>	<b>213</b>	<b>199</b>

During the financial year ended 31 March 2013, BURS took a decision to dispose of several motor vehicles. However, as at 31 March 2014 none of the vehicles had been sold due to the fact that the bidders at the auction were unable to pay for the vehicles. The vehicles were recognised as held for sale as at 31 March 2014 because the sale was highly probable.

### 20. TRADE AND OTHER PAYABLES

	2014	2013
	P'000	P'000
Trade payables and accruals	32,650	18,813
Rental accruals	3,113	2,105
Employee benefits accruals	27,717	26,262
<b>Total trade and other payables</b>	<b>63,480</b>	<b>47,180</b>

### 21. RELATED PARTY TRANSACTIONS

Related parties transactions comprise the following:

	2014	2013
	P'000	P'000
Transactions with Government of Botswana		
Recurrent funding received from the Government**	-	305,382
Development funding received from the Government**	-	91,333
<b>Total funding received from the Government</b>	<b>-</b>	<b>396,715</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

\*\*The Ministry of Finance and Development Planning 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 per cent of the revenue collected per annum to use for recurrent budget and 1 per cent 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 Revenue accounts during the financial year ended 31 March 2014 is as follows:

	2014	2013
	P'000	P'000
<b>Amount transferred from Revenue Accounts to Own Accounts</b>	<b>491,733</b>	-
Consisting of:		
Amount retained for use in recurrent expenditure	401,280	-
Amount retained for use in development expenditure	90,453	-
	<b>491,733</b>	-
Utilised as:		
Recurrent expenditure	398,527	-
Amount retained for use in recurrent expenditure	401,280	-
Add: Utilised for development expenditure	(2,753)	-
Development expenditure	93,206	-
Amount retained for use in development expenditure	90,453	-
Add: recurrent fund utilised for development expenditure	2,753	-
	<b>491,733</b>	-
The limits for the year ended 31 March 2014 were as follows:		
Recurrent expenditure: - minimum	379,000	-
- maximum	401,280	-
Development expenditure: - 1 percent of total revenue collected	320,155	-
<b>Executive Management personnel compensation</b>		
Salaries and other short term employee benefits	5,675	6,360
Post employment benefits	837	1,113
<b>Total Executive Management personnel compensation</b>	<b>6,512</b>	<b>7,473</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

	2014 P'000	2013 P'000
Executive Management personnel compensation covers personal emoluments and post employment benefits. Post employment benefits include pension and gratuities.		
<b>c) Board members sitting allowance</b>	<b>112</b>	<b>66</b>
Transactions with the members of the BURS Board of Directors represent sitting allowances paid for attending board (and board sub-committee) meetings.		
<b>The following business transactions were conducted with related parties:</b>		
<b>Agency commissions</b>		
Ministry of Trade and Industry (alcohol levy, flour levy and copyright levy)	16,086	17,175
Botswana Training Authority (training levy)	12,857	11,506
Motor Vehicle Accident Fund (motor vehicle road insurance)	861	947
Departments of Road Transport and Safety (road safety tokens and permits)	13,681	11,187
	<b>43,485</b>	<b>40,815</b>
<b>Public Procurement and Asset Disposal Board (rental income)</b>	<b>1,990</b>	<b>1,981</b>
<b>The following balances with related parties were outstanding:</b>		
Significant balances receivable from related parties:		
Commissions for collections on behalf of government departments and agency fees receivable from Revenue Accounts	12,731	7,608
Agency fees from Departments of Road Transport and Safety	6,705	96
Net bank charges and foreign exchange gains receivable from Revenue Accounts	7,804	1,673
	<b>27,240</b>	<b>9,377</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

### 22. ADJUSTMENT FOR NON-CASH ITEMS

	2014	2013
	P'000	P'000
Depreciation of property, plant and equipment	13,992	12,243
Impairment loss	11	-
Amortisation of intangible assets	233	700
Adjustments on fair valuation of investment property	2,850	(5,850)
Property, plant and equipment donation received	(724)	(2,312)
Profit on sales of property, plant and equipment and assets classified as held for sale	-	(589)
	<b>16,362</b>	<b>4,192</b>

23. As documented in note 13, BURS is in a dispute with third parties regarding the ownership of the Zanzibar and Platjan properties. The fair value of the land in dispute is P300,000 (2013: P300,000). As these third parties hold the legal title BURS may need to purchase the land from the third parties.

As documented in note 14, BURS is in a dispute with Botswana Railways regarding the ownership of Plot 8913. The fair value of the land in dispute is P4,227,000 (2013: P4,647,000) and Botswana Railways currently hold the legal title. BURS may need to purchase this land from Botswana Railways.

### 24. OPERATING LEASE COMMITMENTS

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

	2014	2013
	P'000	P'000
Within one year	20,483	19,150
Within two to five years	15,257	32,631
	<b>35,740</b>	<b>51,781</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

## 25. COMMITMENTS

	2014	2013
	P'000	P'000
<b>Commitments for the maintenance, acquisition or expansion of property, plant and equipment</b>	<b>364,000</b>	<b>279,000</b>

"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 Development Planning during the financial year 2012/13. Significant contractual obligations include; construction of the BURS Head Office for P150 million, Tlokweng Border Gate water supply upgrade for P20 million, Tlokweng Border Gate maintenance of staff houses and offices P20 million, maintenance of borders and upgrading Sikwane, Ramatlabama, Parr's Halt and Pont Drift P32 million, design and commencement of the construction of staff houses at Ramatlabama for P20 million, design and commencement of the construction of staff houses for Tlokweng for P20 million, Integrated Tax Management System for P10 million, Customs system for P18 million, procurement of a mobile scanner for P12 million, and E-payment solution P9 million, auto capture scanner P10 million and other several minor projects for P42 million.

A commitment has also been made towards the Swedish International Development Agency (SIDA) technical assistance amounting to P5 million.

The commitments will be financed from tax collections as detailed in note 21.

## 26. 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.

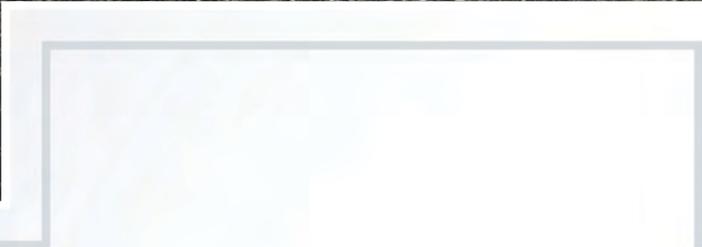
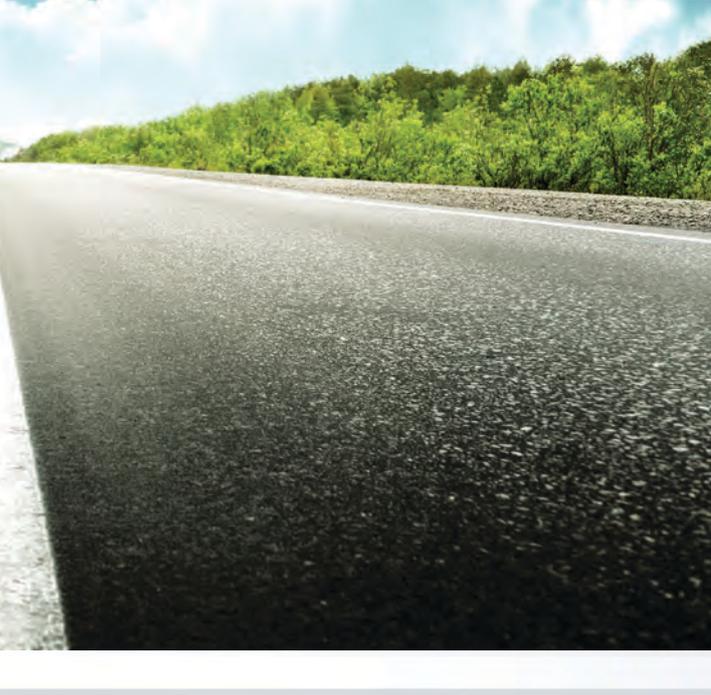


**10 YEARS** OF DEVELOPMENT AND GROWTH  
TOWARDS A PROMISING FUTURE

**ANNUAL REPORT 2014**

In the past 10 years BURS has experienced tremendous growth. To be counted among the significant contributors of the country's economic growth and development, BURS has relentlessly continued to achieve and exceed the annual revenue collection targets.

BURS is celebrating 10 years of making Botswana better for you, with you. Your tax has funded free healthcare and free education.



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