

# Leadership Matters – 2022 Budget, A Critical Planning Tool for our Recovery

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NOVEMBER 1, 2021

**Inland Revenue Department**  
BAY ROAD, BASSETERRE, ST KITTS

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## Introduction

The ongoing COVID-19 Pandemic present many risks that could derail our economic Recovery in 2022.

Our Honorable Prime Minister noted that our 2022 Budget represents our "Beacon & Planning Tool" to chart our way and set us on a sustainable path towards Recovery and growth as noted by the IMF.

This evening, I aim to summarize the IRD's role in supporting the delivery of the 2022 Budget and its importance in our recovery process.

## Why Paying Taxes is Important for our Budget?

Without taxes, governments would be unable :

- to meet the needs of its citizens and
- finance the costs of expenditure to generate economic Recovery and growth.

Taxes are crucial because if our Government is unable to collect revenues, it would be unable to perform critical functions for its citizens.

## **The Government uses Revenues generated by the IRD in its Budget to:**

### **1. Provide Health Care**

Without taxes, government contributions to the health sector would be impossible. Taxes provide funding for our 911 emergency response team, nurses, doctors, protective and medical equipment to fight the Covid-19 Pandemic and the salaries of persons employed in the health care sector.

### **2. Provide Education**

Children are not charged a "fee" for attending government schools. Revenues collected from taxes are used to pay teachers, books, Student exam fees, furniture and maintain the public education system.

### **3. Provide Social Protection Programs**

Revenues collected from taxes are used to support numerous Social Protection Programs in the Federation that support the economic well-being of our citizens. These include, e.g.-

- employment programs - STEP,
- Expenditure support on gasoline, cooking gas & electricity,
- Covid 19 Income Support – \$1,000 per month
- Poverty Alleviation Program (PAP) - \$500 per month
- Christmas & Vat concessions on food etc.,

These schemes benefit our entire Federation by re-directing millions of dollars back into the economy. By paying your taxes on time, you support local businesses.

### **4. Provide Infrastructure Development Projects etc.**

The Budget provides funding for the governments to finance Infrastructure Projects,

- ✓ Main Road Expansion Project
- ✓ Other Roads in communities, sidewalks, Cruise ship Pier

## ✓ Old Road Bay Project

When governments collect money from taxes, it ploughs this money back into developing these Capital Projects that promote economic activity throughout the country by providing incomes for persons & businesses.

Also, money collected from taxes is used to fund sectors that are crucial for the well-being of their citizens, such as

- Security – police, etc.
- Provision of affordable housing solutions - NHC
- Food Security - Old Road Fisheries Project,
- Continue the re-purchase of Land for housing development under the Land for Debt Swap

## 5. **Support Businesses within the Local Economy**

Businesses flourish when there is a market for their goods and services. Through its many Income Support Programs and Capital Projects, the Government provides money and employment to its citizens to purchase goods and services sold by many local businesses.

**Table 1 -Showing How the Government Uses Revenues Collected by IRD in its Budget to Provide**

<b>Government Uses Revenues Collected by IRD in its Budget to Provide</b>
<b>Health Care Services to its Citizens</b>
<b>Free Education &amp; Maintain the Education System</b>
<b>Fund Social Protection Programs, e.g. STEP, subsidy on gasoline, cooking gas, etc.</b>
<b>Finance Capital Development Projects, e.g. Roads, NHC, Cruise Pier</b>
<b>Support Other Local Businesses within the Economy</b>

## **COVID-19 STIMULUS MEASURES**

The Government implemented several measures in the 2021 Budget to stimulate the economy, which included:

### **1. The Extension of Payment & Filing Dates for Several Taxes**

- Corporate Income Tax
- UBT, VAT
- Property Tax

### **2. Reduced the Tax Rates for several Taxes**

- a. UBT Rate from 4% to 2%
- b. CIT Rate from 33% to 25%.( 75% of employees)

## The IRD Role in Budget Process - Restoring Revenue & Protecting the Revenue Base in the 2022 Budget

- ✓ While revenue collection is a pressing need, the IRD is mindful of the economic impact that COVID-19 continues to have on some businesses and individuals and the need for a fair and equitable system to be in place.
- ✓ We understand that this Crisis would have affected different persons and segments of the economy in different ways.
- ✓ In the context of a potentially uneven recovery for some industries within the economy, the Department will not adopt a "1 Size, Fit All Approach for its Customers" by Using a heavy-handed approach to revenue collection.
- ✓ The IRD is committed to building a relationship with its taxpayers by working together during this Recovery Period in keeping as many businesses as possible operational while promoting compliance with the Federations' tax laws.
- ✓ On the other hand, taxes outstanding to the Government, **Must** be reported and paid on time.
  
- ✓ Given the challenges of the Pandemic, Taxpayer Filing Compliance has fluctuated in some instances (increased & decreased), whether intentionally or unintentionally.

**Table 2 - Filing Compliance of Major Revenue Heads in the Budget**

<b>Tax Type</b>	<b>Average 2014 - 2019</b>	<b>2020</b>	<b>2021*</b>
<b>CORPORATE INCOME TAX</b>	55%	66%	64%
<b>WITHHOLDING TAX</b>	89%	79%	77%
<b>VALUE ADDED TAX</b>	80%	71%	68%
<b>UNINCORP. BUSINESS</b>	64%	66%	67%

\* January – October

**Filing Compliance of Major  
Taxes**

<b>Tax Type</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Average 2014 - 2020</b>	<b>2021</b>
<b>CORPORATE INCOME TAX</b>	48%	42%	40%	66%	67%	67%	66%	57%	64%
<b>WITHHOLDING TAX</b>	95%	92%	92%	87%	86%	84%	79%	88%	77%
<b>VALUE ADDED TAX</b>	87%	86%	81%	79%	75%	72%	71%	79%	68%
<b>UNINCORP. BUSINESS</b>	54%	62%	62%	69%	70%	66%	66%	64%	67%

**Property Tax - Payment  
Compliance**

<b>Tax Type</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Average 2014 - 2020</b>	<b>2021</b>
<b>Property Tax</b>	31%	33%	40%	47%	51%	50%	46%	43%	44%



## Restoring Revenues by

### 1. Identify New Revenue streams

- Businesses that do not comply by failing to register, file and report to the Department – Field Intelligence Team.
- Internet-based businesses – Airbnb, Expedia, Facebook, etc.
- Establishing Strategic Alliances with other Government Departments, Public Sector Corporations & Private Sector Businesses - Issue of Tax Clearance Certificate (businesses doing transactions with Government related entities).

### 2. Work with taxpayers to Make it easier for them to Comply

#### a. Expanding our E-Services

- i. Quick Pay Option - Motor Vehicle, Driver's License & Property Payments
- ii. Mobile App - Launching a Mobile App for the payment of Taxes.
- iii. Overseas Taxpayers - Quick Pay Option to renew their Driver's License & Property Tax Payments

#### b. Actively engaged in the process of communicating the Gov't's commitment to helping taxpayers meet their tax obligations as they restore their businesses

- i. More Payment Reminders - Property Tax Reminder Notice – 2021
- ii. More active engagement via Social Media Platforms

#### c. Providing Flexible Payment Plans for Customers unable to settle their debts in Full

## Protecting our Revenue Bases by

### 1. Closely monitoring Taxpayer's filing & Taxpayer Payment behaviour to identify Emerging trends and Compliance risks.

As stated earlier, many businesses have been negatively impacted by this Crisis while others have benefitted.

a) The Department will continue to monitor taxpayer patterns to ensure that some taxpayers are not abusing stimulus measures and using the Crisis to avoid paying their taxes.

b) Focus on:

- ✓ industries that were less significantly impacted by COVID-19 and
- ✓ new businesses that have emerged or grown due to the Pandemic

### 2. Refocusing on Enforcement and Using a Tailored Approach to Managing Arrears

a. By doing a Risk Assessment of our Arrears accounts,

- i. identifying large debtors,
- ii. industries less affected by COVID-19,
- iii. and high-value newer arrears, which are easier to collect than older debts.

b. Giving greater attention to businesses that fail to file their taxes.

c. Using “**Aggressive Collection Techniques**” for taxpayers that Deliberately Refuse to Comply

- i. Collecting VAT and other “Trust Taxes” and keeping such funds
- ii. Businesses Repeatedly refusing to file and pay any taxes.

**The MOF & Department would like to thank all those citizens that continue to voluntarily**

- ✓ **come into our offices (Basseterre & Charlestown) or**
- ✓ **used our online portal at [sknird.com](http://sknird.com) to pay their taxes.**

**Taxes are essential, and again we would like to thank all the responsible citizens that despite these trying times, are trying to pay their taxes on time**

**Their tax payments support the Government in its delivery of services to its citizens and provide resources to mitigate the adverse effects of this Pandemic.**

**For persons who have been negatively affected by the Pandemic, we ask that we come and talk to us as responsible citizens in our community. We will develop a Payment Plan to suit your needs.**

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**Table 3 - Summary of IRD's Role in the 2022 Budget of  
Restoring Revenues vs Protecting the Revenue Base**

Restoring Revenues	Protecting the Revenue Base
<p><b>1. Identify New Revenue streams</b></p> <ul style="list-style-type: none"> <li>a) Businesses that do not comply by failing to register, file and report</li> <li>b) Internet-based businesses</li> <li>c) Strategic Alliances - Use of Tax Clearance Certificate</li> </ul> <p><b>2. Work with Customers to Make it easier for them to Comply</b></p> <ul style="list-style-type: none"> <li>a) Expanding our E-Services</li> <li>b) Quick Pay Option - Motor Vehicle, Driver's License &amp; Property Payments</li> <li>c) Mobile App - Launching a Mobile App for the payment of Taxes.</li> <li>d) Actively engaged in the process of communicating the Gov't's commitment to helping taxpayers meet their tax obligations as they restore their businesses, e.g. Property Tax Payment Remainders</li> <li>e) Providing Flexible Payment Plans for Customers unable to settle their debts in Full</li> </ul>	<p><b>1. Closely monitor Taxpayer's filing &amp; Taxpayer Payment behaviour to identify Emerging trends and Compliance risks.</b></p> <ul style="list-style-type: none"> <li>a) Business abusing the Stimulus Measures</li> <li>b) Focusing on businesses that have grown during the Pandemic</li> </ul> <p><b>2. Refocusing on Enforcement and Using a Tailored Approach to Managing Arrears</b></p> <ul style="list-style-type: none"> <li>a) Taking a Risk-Based Approach to our Arrears accounts by identifying large debtors, industries less affected by COVID-19, and high-value newer arrears, which are easier to collect than older debts.</li> <li>b) Giving greater attention to businesses that fail to file their taxes</li> <li>c) Using "Aggressive Collection Techniques" for taxpayers that Winefully Refuse to Comply by <ul style="list-style-type: none"> <li>i. Collecting VAT and other Trust Taxes and keeping such funds</li> <li>ii. Repeatedly refusing to file and pay any taxes.</li> </ul> </li> </ul>