



burs

botswana unified revenue service

ANNUAL REPORT
2009

“Collecting Taxes for Botswana’s Development”

*“Gearing Up For
A Better Botswana”*

Our vision

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

Our mission

“To efficiently and effectively assess and collect revenue needed for the development of Botswana. We will do this by:

- Fairly and correctly administering and enforcing revenue laws and
- Facilitating legitimate imports and exports”.

Our Values

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

Professionalism: We are professional in our dealings and we act with impartiality, honesty and integrity.

Consistency: We administer the law in a consistent manner.

Accountability: We act with accountability in all interactions.

Teamwork: We work closely and in collaboration with stakeholders.

Responsiveness: We anticipate and promptly meet internal and external stakeholders needs.

Integrity: We uphold the standards of honesty, truthfulness, reliability and honor.



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CORPORATE PROFILE



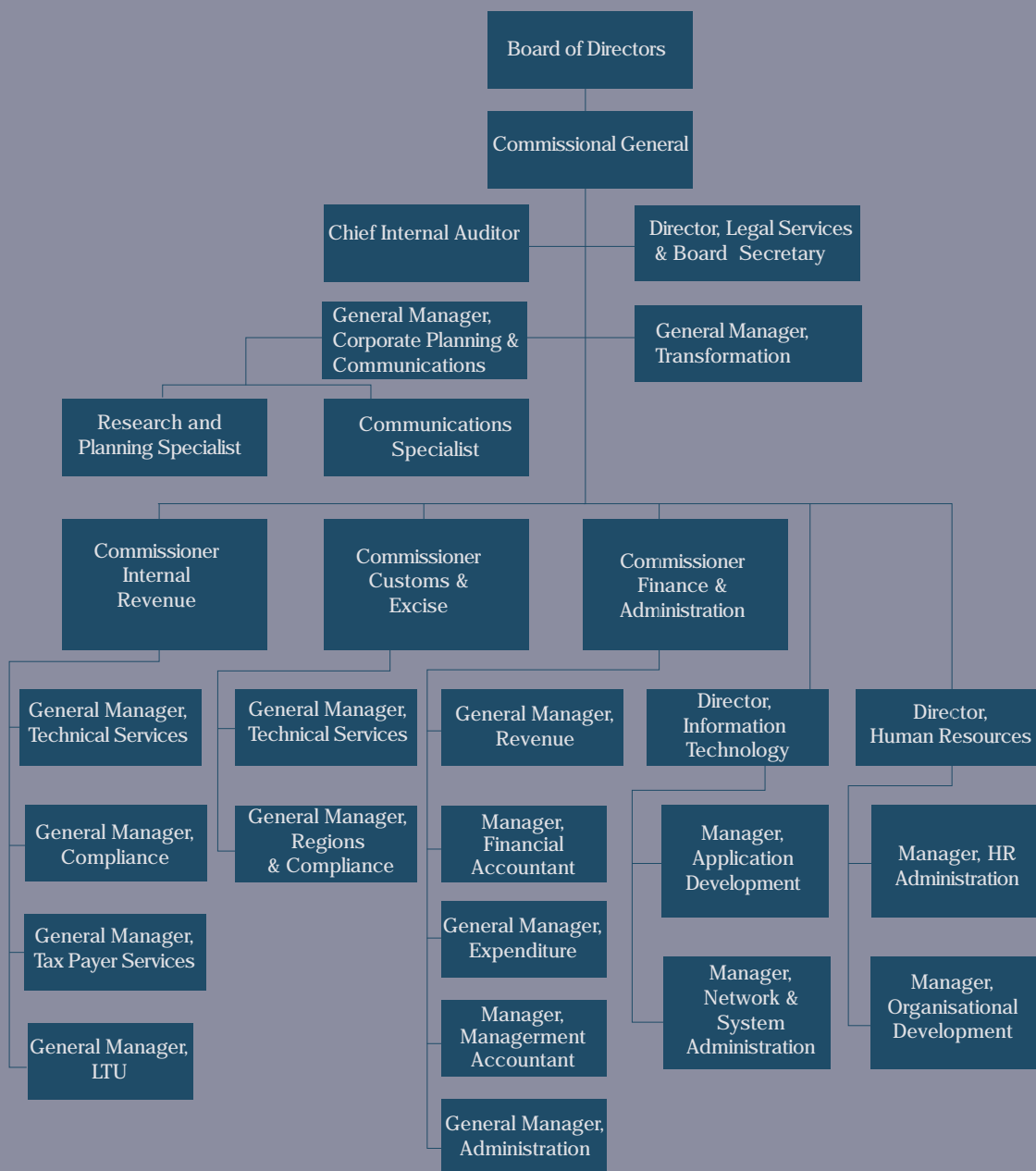
The Botswana Unified Revenue Service (BURS) is responsible for the assessment and collection of all taxes in Botswana on behalf of the Government. It is charged with the responsibility for the assessment and collection of Income Tax, Value Added Tax, Fuel Levy and Capital Transfer Tax, Customs and Excise Duties and administration of statutory controls at various border posts and other points of entry. Other responsibilities include accounting for the revenue collected on behalf of the Government.

BURS is made up of Seven Divisions: Customs & Excise Division (CED), Finance & Administration Division (FAD), Human Resources Division (HRD), Information Technology Division (ITD), Internal Audit Division (IAD), Internal Revenue Division (IRD) Legal Services Division (LSD) and the Office of the Commissioner General (OCG).

BURS ORGANISATIONAL STRUCTURE



The following diagram presents the Botswana Unified Revenue Service's (BURS) Organisational Structure



CORPORATE GOVERNANCE



The Botswana Unified Revenue Service (BURS) is responsible for the assessment and collection of taxes in Botswana on behalf of the Government. It is charged with the responsibility for the assessment and collection of Income Tax, Value Added Tax, Fuel Levy and Capital Transfer Tax, Customs and Excise Duties and administration of statutory controls at various border posts and other points of entry. Other responsibilities include accounting for the revenue collected on behalf of the Government.

BURS is made up of seven Divisions: Customs & Excise Division (CED), Finance & Administration Division (FAD), Human Resources Division (HRD), Information Technology Division (ITD), Internal Audit Division (IAD), Internal Revenue Division (IRD), Legal Services Division (LSD) and the Office of Commissioner General (OCG).

1. Board of Directors

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

The Board meets at least four (4) times in a year pursuant to its statutory mandate and to ensure proper and effective control of the Revenue Service's operations and to carry out periodic evaluation of the Revenue Service's operational performance. The Board Members make an annual declaration of interest and assets at the beginning of every year and further at every sitting, members make a declaration on matters before them. During the year under review, the Board met four times as shown in the table of attendance below:

Attendance of Meetings by Board of Directors

NAME	29/04/2008	07/08/2008	27/11/2008	26/03/2009
Dr. T. Nyamadzabo	●●●	●●●	●●●	●
Mr. B. O. Gaobakwe	●●●	—	—	—
Mr. D.N. Loeto	●	●●●	●●●	●●●
M. K. Laletsang	●●●	●●●	●●●	●●●
Mrs. S.T. Morolong	●	●●●	●●●	●●●
Mr. T.A. Yalala	—	●●●	●●●	●●●
Mr. J.Y. Stevens	●●●	●	●●●	●●●
Mr F. Modise	●●●	●●●	●●●	●●●
Mrs. L. Khimbele (Board Secretary)	—	—	●●●	●●●

Key: ●●● Attended Meeting | ● Apology Tendered | — Pre/Post Term

2. Board Committees

Section 15 (1) of the BURS Act empowers the Board to appoint Committees. The Committees may be of a general or special nature, consisting of a number of members, with qualifications, as the Board may determine. Further, the Board may delegate any of its powers, functions or duties under the Act to the appointed Committees.

The Board has appointed the following Committees, namely; the Board Audit and Finance Committee (BAFC), the Board Human Resources Committee (BHRC) and the Board Tender Committee (BTC). The Board has the following sub-committees;

Composition of the Board Committees and their Mandate

COMMITTEE	MEMEBERS	DUTIES
Board Audit and Finance Committee	Mr. J. Y. Stevens, Mr. T.A Yalala, Mr. G. Dobo and Mr. M. Lesokola	The Committee is charged with the responsibilities relating to financial performance of investment and budgets, reviewing financial statements with external auditors prior to approval by the Board and the carrying out of the Annual Statutory Audits.
Board Tender Committee (BTC)	Mrs. S. T. Morolong, Mr. D. N. Loeto and Mrs. O. Zikhwa	This Committee is responsible for adjudication of tenders in respect of the procurement of goods and services from P2,000,000 and above, as well as to deal with matters incidental to procurement.
Board Human Resources Committee	Mr. K. Laletsang, Mrs .S. T. Morolong and Mr. D. N. Loeto	The Committee deals with the recruitment of senior members of staff, remuneration policy of all BURS staff and advises the Board on all staff welfare and human resource related matters.

3. Internal Audit

The Internal Audit function assists Management and the Board Audit and Finance Committee with the review of BURS' processes, protection of assets and advises on issues pertaining to corporate governance. The Internal Audit Division reports its findings and provides recommendations for improvements to Management on the respective audits carried out and on a quarterly basis reports to the Board Audit and Finance Committee on matters that may require the Committee's intervention.

In addition, the Internal Audit Division reviews the reliability, accuracy and completeness of both the financial and operational information, the efficiency and effectiveness of processes, mechanisms and operations; assesses the safeguarding of BURS assets from manipulation and pilferage; ascertains compliance to laws, regulations, policies and procedures; promotes ethical culture to discourage illegal, fraudulent and inappropriate behaviour and actions and ascertains sound and effective systems of internal control to manage and mitigate risks.

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

Based on the information received from Management and the Internal Audit Division, the Board is of the view that the system of internal controls can be relied upon, and that there was no material or fundamental breakdown in the system of internal controls during the year under review.

4. Approval of the Annual Financial Statements

The financial Statements of the Revenue Service were approved by the Board on 27 October, 2009 and were accordingly signed by the Board Chairman and the Commissioner General on behalf of BURS.

5. Board Charter

During the 2009/10 financial year, the BURS Board will develop and adopt a Board Charter to promote high standards of corporate governance. The Charter will clearly set out the role, duties and responsibilities of the Board and, enable the Board to provide strategic guidance to BURS and to ensure effective management of the organisation. The Charter will enable Board Members to have a shared understanding of how the Board should function in the interest of best practice.

BOARD OF DIRECTORS



Dr. T. Nyamadzabo
Board Chairman



Mr. Daniel N. Loeto
Vice Chairman



Mr. Kedibonye Laletsang
Board Member



Ms. Siamisang T. Morolong
Board Member



Mr. John Y. Stevens
Board Member



Mr. Thabo Yalala
Board Member



Mr. Freddy Modise
Commissioner General
& Board Member



Ms. Lorato Khimbele
Director Legal Services
& Board Secretary

EXECUTIVE MANAGEMENT



Mr. Freddy Modise
Commissioner General



Mr. Keneilwe R. Morris
Commissioner Customs
& Excise



Mr. Segolo Lekau
Commissioner Internal
Revenue



Mr. Kingsley Kgosidintsi
Commissioner Finance
& Administration



Ms. Mukani Pelaelo
Director Human Resources



Ms. Lebesani Mosweu
Director Information
Technology



Mr. James Sethibe
General Manager, Corporate
Planning & Communications



Ms. Lorato Khimbele
Director Legal Services
& Board Secretary



Ms. Lesedi Lesetedi
Chief Internal Auditor

CHAIRMAN'S STATEMENT



Dr. T. Nyamadzabo
Board Chairman

Introduction

The 2008/09 financial year marked the third and final year of the implementation of the first BURS Strategic Plan, and I am pleased to report that the performance of the Revenue Service during the year under review was remarkable. In addition to achieving commendable revenue collection performance, BURS enhanced its efforts to improve service delivery, taxpayer education and voluntary tax compliance. The 2008/09 report provides an overview of the tax revenue performance, initiatives put forward to enhance operational efficiency as well as the challenges confronted by BURS during the period under review.

Revenue Collection Performance

During the 2008/09 financial year the revenue collection performance was commendable in spite of the continuing challenges in respect of the low taxpayer compliance, employee skills gap as well as the unfolding global financial crisis.

The Revenue Service recorded a total tax revenue collection of P19.2 billion in 2008/09 compared to P17.9 billion in 2007/08, representing a growth of 6.9%. The P19.2 billion does not include an amount of P209.9 million which had been collected by BURS on behalf of Government Departments and Agencies.

During the 2008/09 financial year, Deloitte & Touché were appointed as BURS statutory (external) auditors for a three year term beginning 1 April 2009 and ending 31 March 2011. The Deloitte & Touché replaced the Office of the Auditor General, who had audited BURS for three consecutive years to 31 March 2008.

Strategic Plan

During the implementation of the first BURS Strategic Plan, the focus of BURS was directed towards setting up the operational processes and systems to build a foundation on which the organisation would effectively deliver its mandate. Since its establishment in 2004, BURS has performed remarkably well each year. The second BURS' Strategic Plan will build on the achievements and lessons learnt during the implementation of the first Strategic Plan. Over the next five years, BURS' main objective will be to implement strategies aimed at improving taxpayer compliance as well as providing quality service to taxpayers. Improving the quality of service delivery would involve, among others, drawing up the customer service charter as well as bringing together the stand-alone processes/systems so as to achieve a single view of the taxpayer.

Strategies will be implemented to enable BURS to adapt appropriate technologies and services that will lead to improvement in tax administration. Continuous efforts will be made to modify business processes and procedures as well as improvements in organisational effectiveness and efficiency. The Board views the move towards taxpayer centricity as a good strategic initiative if the Revenue Service is to enhance voluntary compliance in Botswana.



CHAIRMAN'S STATEMENT

Over the next five years, BURS will pursue four (4) Key Performance Areas (KPA's) being Revenue Contribution, Organisational Efficiency; Trade Facilitation; and, Learning and Growth to effectively carry out its mandate. BURS undertakes to collect the maximum revenues possible through a well developed and efficient tax administration and customs systems. In this regard, BURS has set itself a revenue collection target of P29 billion by the 2013/14 financial year. The realisation of this goal will be based on, *inter alia*, building a competent and well trained workforce and availability of financial resources during the Plan period.

BURS Funding

During the year under review, BURS' total operational budget was P206.5 million. The subvention provided by Government to BURS to meet its operational costs amounted to P194.9 million whilst the rest of the funding was generated by BURS, through interest income, rental income and fees that BURS charges when it collects the revenue on behalf of other Governments Departments and Agencies. The total operational expenses for the year amounted to P219.5 million. Over the past two years, BURS' total recurrent expenditure increased from P176.1 million in 2007/08 to P219.5 million in 2008/09, representing an increase of P43.4 million or 25%.

During the year under review BURS collected an amount of P19.2 billion compared to P17.9 billion in 2007/08. Thus, for every P1.00 that BURS spent in 2008/09 the Government realised a benefit of P87.5 when compared to a benefit of P101.92 in 2007/08. The lower return in 2008/09 was a result of the increased expenditure incurred by BURS on a number of projects and strategies to improve taxpayer services and compliance. The return is also low due to the effects of the global financial crisis.

Compliance with Provisions of the BURS Act

BURS has not yet complied with provisions of Section 31 of the BURS Act. The Section requires the Board to recommend to the Minister responsible for Finance the criteria or factors by reference to which any exemption, mitigation, deferment or remission on any tax may be granted, and the procedures to be followed in granting any exemption, mitigation, deferment or remission of any tax. The draft criteria have been developed and will be presented to the Board during the 2009/10 financial year. Meanwhile, any exemption, mitigation, deferment or remission of any tax is granted by the authorised authority through the application of the specific provisions of the Revenue Laws.

Further, BURS has not been able to comply with provisions of Section 28 (2) of the BURS Act. The Section requires BURS to submit its books of accounts and statement of the accounts to an auditor appointed by the Board within 60 days of the end of each year. BURS has failed to comply with provisions of Section 28 (2) of the BURS Act because of the size and the geographical spread of the BURS operations, the manual batch processing due to the non-linkage of the revenue collections systems to the accounting system and the need to reconcile some of the transactions with the Accountant General's Department.

The accounts of the Government (both Administered Government Revenue Accounts and BURS Own Accounts) are never concluded within 60 days of the end of any financial year. The BURS management is considering recommending to the Minister to increase the 60 days of the end of the financial year.

CHAIRMAN'S STATEMENT



Challenges

As BURS progresses into the future it has to contend with a number of challenges;

- BURS has begun work to develop its second Strategic Plan 2009-2014. The success of the plan will depend, among others, on a conducive operational environment, in respect of the Revenue Laws and Government funding. Therefore, it is assumed that any changes that may occur in the tax structure during the implementation of the Plan will not have substantial effects on BURS operations and that the Government will continue to maintain tax rates at competitive rates to create an investor friendly environment. Further, it is assumed that the Government will continue availing adequate financial resources to fund BURS operational and capital budgets.
- The maintenance of facilities, particularly at border posts, provides one of the major challenges for BURS. A number of border posts across the country are in a poor state of repair. Since border posts are the first point of contact of any country, it is important that they should portray a positive image of the country. The Board will do its best to assist BURS source funding to maintain all BURS facilities in a good state of repair.
- BURS is also faced with the challenge of limited human resource skills and the need to develop a comprehensive training programme to improve employee skills as per the Training Needs Assessment. A five year training plan to address the skills gap will be developed in line with the recommendations of the Training Needs Assessment study. Implementation of the plan will be prioritised on an annual basis as part of the Annual Business Plan and depending on availability of financial resources.
- BURS is challenged to estimate the tax gap to establish the magnitude of non-compliance and develop a revenue estimation model in order to devise appropriate strategies for minimizing the gap. The tax gap and the revenue estimation model will assist BURS to provide accurate and reliable revenue forecasts. In addition, BURS is challenged to meet the revenue target of P16.6 billion set for 2009/10 regardless of the impact of the financial crisis. Therefore, BURS will implement strategies, such as the Block Management System, to unearth additional sources of tax revenue and to address the challenge of tax evasion and avoidance.
- The assessment of the Public Expenditure and Financial Accountability (PEFA) that took place during 2008 has identified a number of challenges including the need to develop an appropriate forecasting model that will enable BURS to estimate annual revenues. The PEFA report also highlighted the need to develop mechanisms that would reconcile tax assessments to collections, tax arrears and transfers as well as the need to strengthen linkages between strategic planning and the budget process. BURS will address these challenges with effect from the 2009/10 financial year.
- BURS has adopted International Public Sector Accounting Standards (IPSAS) 23 which prescribes that tax revenue collections should be accounted for on an accrual accounting basis as opposed to the cash accounting basis. BURS has continued to account for the tax revenue collections on the basis of cash accounting, taking advantage of paragraphs 116 – 119 of the statement which allows a five year transitional period to convert from the cash accounting basis framework to the accrual accounting basis. Preparations to convert to the accrual accounting basis will commence during the 2009/10 financial year.

CHAIRMAN'S STATEMENT

Acknowledgement

I would like to take this opportunity to express the gratitude of BURS in respect of the continued support of our development partners most notably the European Commission. The assistance provided by the development partners has enabled BURS to develop at a commendable pace. I am pleased to confirm that the European Commission funded the following three (3) studies; the Taxpayer Satisfaction Survey, the Training Needs Analysis and the BURS Financing Arrangements. These studies will provide a useful input into the preparation of the Revenue Service's second Strategic Plan. Further, BURS was able to secure the services of the Zimbabwe Revenue Authority (ZIMRA) officials to assist BURS in developing its training programme, through the sponsorship of the Southern African Development Community/the European Development Fund (SADC/EDF) partnership.

The performance of the Automated System for Customs Data (ASYCUDA) had dropped by 20% during the first quarter of the 2008/09 financial year. The system was then upgraded and relocated from the Department of Information Technology (DIT) hosting facilities to the BURS Head Office for easier monitoring and maintenance.

The relocation was also necessary to improve the response time to users and traders as DIT was not always responsive to BURS system emergencies. Further, the system was upgraded during the year under review and attained 100% performance. The upgrade was achieved with the assistance of the United Nations Conference on Trade and Development (UNCTAD) through the secondment of the ASYCUDA experts from the Zimbabwe Revenue Authority and the Ethiopian Customs & Excise Department.

The strengthening relationship between the African Tax Administrators is also of great value to BURS, because BURS would be able to learn from the experiences of other countries and benefit from their capacity building initiatives. The Board views BURS' participation in the development of the African Tax Administration Forum (ATAF) as Botswana's contribution to the strengthening of tax administration capabilities throughout the African continent.

Conclusion

The Board appreciates the continued support BURS received from the Ministry of Finance and Development Planning, and the Government at large. On behalf of the Board, the BURS Management and staff I wish to reiterate that BURS is committed to achieving its mandate of assessing and collecting all taxes in a fair and effective manner to support the Government development agenda.

Finally, I would like to thank the Commissioner General for his visionary leadership, as well as the support he rendered to his staff. I would be remiss if I did not extend my sincere gratitude to the BURS Management Team and Staff at all levels for the support they extended to the Commissioner General to execute his mandate.



Dr. T. Nyamadzabo
Board Chairman

COMMISSIONER GENERAL'S REVIEW



Mr. Freddy Modise
Commissioner General

Introduction

As part of its mandate to administer the tax laws and collect tax revenues on behalf of the Government of Botswana, BURS provides service to taxpayers to help them understand and voluntarily meet their tax obligations. On an annual basis we set ourselves goals geared towards our Vision of becoming “a regional leader in revenue and border administration, whilst maximising revenue collection.”

During the year under review, BURS continued its efforts to improve its operational processes, improve taxpayer services, intensify compliance and enforcement initiatives. The 2008/09 financial year was the most challenging to BURS because of the performance of the Botswana economy, as well as the world economy as a whole as the impact of the global economic and financial crisis started unfolding towards the end of 2008. Consequently, some mining companies, particularly diamond mines, scaled down

their business operations while other companies retrenched workers, thus affecting the amount of tax revenues collected by BURS.

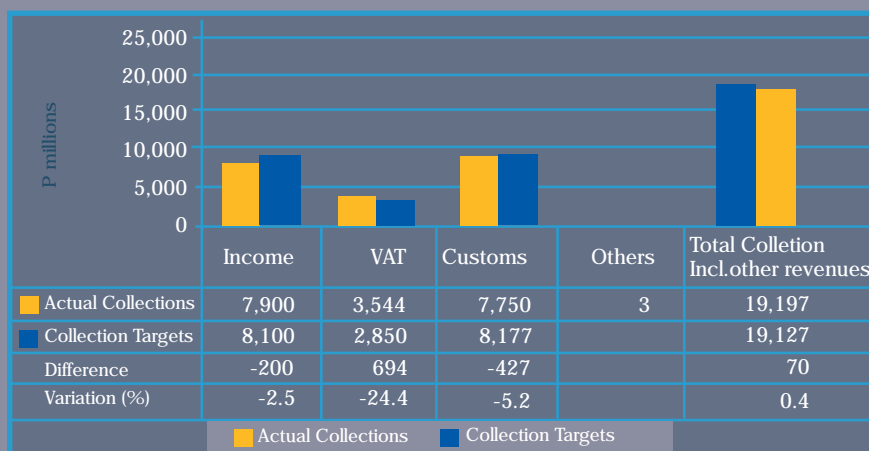
The challenge presented by the world economic meltdown compelled BURS to rethink and revise its strategies to enhance revenue collection by addressing tax evasion and avoidance.

Overall Tax Revenue Performance

In view of the unfolding global crisis the target for the 2008/09 financial year was revised from P19,127 million to P18,400 million. However, BURS collected P19,197 million and exceeded the original target of P19,127 million by P70 million or 0.4%. This collection excludes collections on behalf of Government Departments and Agencies. The performance was mainly driven by VAT which exceeded the target by P694 million or 24.4%, whilst the Income Tax and Customs receipts fell short of targets by 2.5% and 5.2%, respectively.

The overall revenue collection, including the revenue collected by BURS on behalf of Government Departments and Agencies, was P19,407 million. Figure 1 depicts the disaggregated tax revenue collections for the 2008/09 financial year by the tax type. It is important for BURS to sustain and/or surpass the good revenue collection performance in the long term.

Figure 1: Tax Revenue Performance by Tax Type



COMMISSIONER GENERAL'S REVIEW



The proportion of the total tax revenue to the Gross Domestic Product (GDP) has been more or less stable around 22% since the 2005/06 financial year as depicted in Table 1 below.

This performance compares favourably with other Sub-Saharan economies. The challenge for BURS is to maintain and/or improve this performance.

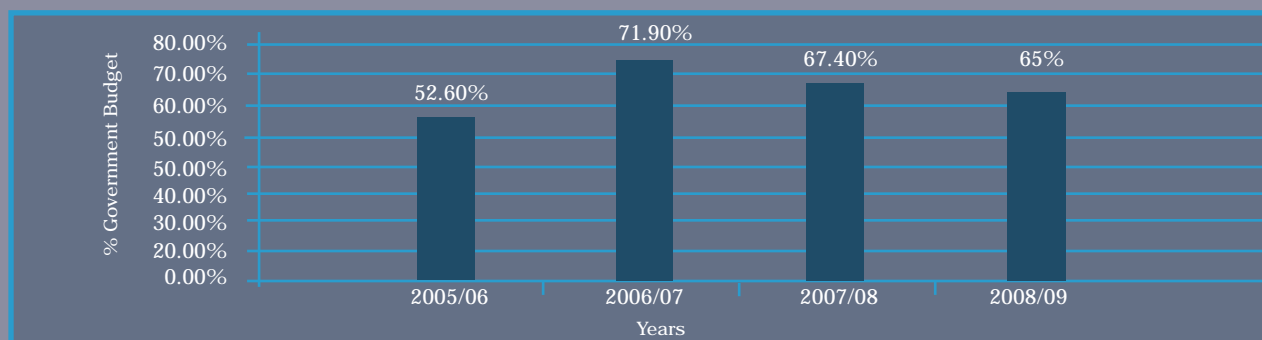
Table 1: Relative Total Tax Revenue Contribution to GDP 2005/06 – 2008/09 (millions)

	2005/06	2006/07	2007/08	2008/09
Total Tax Revenue (TTR)	11,822	15,814	17,959	19,197
Gross Domestic Product (GDP) at Current Prices	54,457	68,221	79,754	87,149
% of TTR to GDP	21.7%	23.2%	22.5%	22%

Tax revenue collections contributed nearly two-thirds of the total Government revenue during the 2008/09 financial year (Figure 2). However, there was a slight drop of 2.4% from 67.4% to 65% between the 2007/08 and 2008/09 financial years.

It is therefore important that more efforts are put in place to sustain BURS' performance such that it continues to generate revenues that are needed to fund the country's development.

Figure 2: Total BURS Revenue as a percentage of the Total Government Revenue



Key drivers of Performance

In an effort to enhance and strengthen operational efficiency, BURS continuously devises strategies/initiatives to create a conducive environment for its employees as well as stakeholders to do business. The initiatives include among others; construction and maintenance of facilities, intensifying outreach programmes, computerisation of processes and systems, human resource development and provision of quality services.

- **BURS Facilities**

During the 2008/09 financial year, BURS completed the construction of Matsiloje and Maitengwe Border Posts and opened a new Taxpayer Service Centre (TSC) in Palapye while preparations are at an advanced

stage to open another TSC in Gantsi. Work to design the BURS headquarters building has started and the building will have all the facilities that befit a tax administration environment. Preparatory works have also begun to establish a One Stop Border Post (OSBP) at Mamuno Border Post and to construct a new border post at Pioneer Gate. The OSBP will allow simultaneous processing of imports and exports to help reduce the processing times whilst assisting to avert customs violations, such as under declaration of values and the smuggling of goods.

A number of BURS facilities are in various states of repair owing to the limited financial resources. BURS maintained the Ngoma, Middlepits, Pitshane Molopo Border posts and Tlokweg border gate during the period under review. Other border posts will be maintained over time in a phased manner.

COMMISSIONER GENERAL'S REVIEW



- **Information & Communication Technology (ICT) Strategy**

During the year under review, BURS commenced the implementation of the BURS ICT Strategy. The Tax Management System (TMS) and the Automated System for Customs Data (ASYCUDA) were upgraded to cater for the newly created vocational training, motor vehicle insurance for foreign vehicles levy and the alcohol levy. The ASYCUDA system was relocated from the Department of Information Technology (DIT) hosting facilities to BURS Head Office for easier monitoring.

BURS has introduced a wireless communications technology in Palapye which allows flexible office movements and eliminates cabling costs. This technology which is to be used for rented office accommodation will ensure a minimal loss by BURS when vacating a rented building. The accounting system, ACCPAC, was upgraded and interfaced with the Botswana Integrated Value Added Tax System (BIVATS) to enhance system performance and facilitate an easier and more secure processing of tax refunds. IT officers were trained to equip them with knowledge to support the business systems and reduce over dependence on external suppliers.

- **Taxpayer Outreach Programmes**

BURS undertakes taxpayer and public education in an effort to enhance taxpayer understanding of their tax obligations and promote compliance. During the year under review, 64 workshops and seminars were conducted throughout the country; 6 of which were held internally for staff to improve their understanding of tax issues. BURS also participated at 5 exhibitions, including a fair that Debswana Mining Company held for its employees in Jwaneng. The BURS website and intranet were developed and launched during the 2008/09 financial year.

- **Taxpayer Satisfaction Study**

In collaboration with the European Union, BURS conducted the Taxpayer Satisfaction Survey during the year under review. The main objective of the study was to source feedback from individual taxpayers, corporate taxpayers and tax agents in Botswana on the service they experience from BURS.

The feedback will be used to build a database to enable BURS come up with strategies to maximise taxpayer compliance and improve taxpayer services while at the same time supporting voluntary compliance. The study revealed that satisfaction with regards to the service offered by BURS was quite high. The study suggested a number of recommendations which shall be used as input in the development of the BURS Strategic Plan 2009-2014.

- **Training Needs Analysis**

A Training Needs Analysis project was undertaken during 2008, through the support of the European Commission. The project was meant to identify the skills gaps in BURS and advise on how to address competencies relevant for BURS to achieve its mandate as well as to re-focus the training programme for BURS. Hence a training plan aligned to the recommendations of the Training Needs Analysis study will be developed and implemented with effect from the 2009/2010 financial year. The recommendations of the study will also be used as input into the BURS Second Strategic Plan.

- **Performance Management and Performance Based Reward System**

BURS is in its second year of implementing the Performance Management System (PMS). During 2008/09 BURS appointed a PMI Manager to improve and manage the system and train employees. Training began with Senior Management staff in 2008/2009 and all BURS employees will be covered during the 2009/10 financial year. The PMS is used to ensure that employees are recognised and rewarded for initiative, innovation and outstanding performance in a transparent manner.

COMMISSIONER GENERAL'S REVIEW



- **Training Initiatives / Partnerships**

During the year under review, BURS in partnership with the Zimbabwe Revenue Authority (ZIMRA), started the development of a 12-month long Graduate Trainee Programme in an effort to develop capabilities and competencies and improve performance. The programme will build capacity at the entry level to enhance career development, and thereby develop a well rounded revenue and/or customs and excise officer. Some of the new skills that will be developed include audit, debt management, risk profiling and management. BURS is targeting graduates from universities and other tertiary institutions for this programme.

Collaborations

- **Technical Assistance from the Swedish Tax Agency (STA)**

BURS and the Swedish Tax Agency (STA) have been exploring the possibility of developing a technical assistance agreement between the two agencies. STA has undertaken to assist BURS to improve its tax administration capacity, particularly in the areas such as auditing, the establishment of the Large Taxpayer Unit, development of appropriate Data Systems, e-filing, etc. A Technical Assistance Programme and contract were developed during 2008/09 and will be finalised during 2009/10. The project will be implemented over three years. The project will be funded on a 50/50 basis by the Botswana Government and the Swedish International Development Agency (Sida).

- **Regional Collaboration**

BURS participated in the Regional initiatives by the Southern African Development Community (SADC) and Southern African Customs Union (SACU) aimed at facilitating data exchange among member countries.

The SACU initiative successfully piloted the first stage of the data exchange which allowed Botswana and Namibia to view each other's customs data for import/export declarations. This initiative is expected to prevent distortion of customs data from one country to the other.

- **African Tax Administration Forum (ATAF)**

During the conference on Taxation and State Building in South Africa in August 2008, Commissioners of the African Tax Administration and some of the OECD member countries proposed the establishment of an African Tax Administrators Forum. The Forum is meant to spearhead collaborative efforts between African Tax Administrations, as well as foster cooperation with Tax Administrations of the developed countries. As a result, a Steering Committee comprising Botswana, Cameroon, Ghana, Nigeria, Rwanda, South Africa and Uganda was instituted. The Committee has drawn up a road map to ensure successful launch of ATAF by 2009.

ATAF will provide a platform to promote and facilitate mutual cooperation among African Tax Administrations and other relevant and interested stakeholders, with the aim of improving the efficacy of their tax legislations and administrations. The Forum would discuss the progress made, challenges faced and possible strategies to be adopted in respect of African tax policy and administration in the 21st Century.

Botswana would benefit by joining ATAF in respect of capacity building, networking, and information exchange, among others. During the 2009/10 financial year, BURS will host a technical event on 'Taxation of Natural Resources'.

COMMISSIONER GENERAL'S REVIEW



- **Customs-to-Business Forum**

In 2008, BURS established the Customs to Business Forum with its key Customs stakeholders. The concept is in line with the World Customs Organisation's Framework of Standards that requires Customs Administrations around the world to establish efficient and safer international trade facilitation arrangements.

- **Botswana Institute of Accountants and Botswana Freight Forwarders Association Quarterly Meetings**

BURS continues to hold quarterly meetings with the Botswana Institute of Accountants (BIA) and the Botswana Freight Forwarders Association (BFFA). The BIA meetings are utilised by both BURS and BIA to address taxation concerns of the taxpayers, whilst the BURS/BFFA Forum addresses issues of compliance with international trade and customs procedures.

- **Service Level Agreements**

BURS collects various types of levies on behalf of other Government Departments and Agencies. The levies are shown in Table 2 below. BURS collected levies amounting to P209.9 million, consisting of levies on behalf of Government Departments amounting to P156.3 and levies amounting to P53.6 million collected on behalf of other Agencies.

The collection of the levies on behalf of Government Departments and Agencies put pressure on BURS limited human resources. However, for every Service Level Agreement that BURS signed, a service fee is charged. The collected levy fees end up augmenting the subvention amount that BURS receives from the Government to meet its operational costs.

Table 2: Levies collected on behalf of other Government Departments and Agencies

Organisation	Description of the levy	Effective date of collection	Cross Collection (P'000)	Fees charged (P'000)	Net Collections (P'000)
Ministry of Trade & Industry (MTI)	Flour Levy	1/04/2008	2,242	6% (135)	2,107
	Alcohol Levy	1/11/2008	67,876	6% (4,073)	63,803
Ministry of Works & Transport (MWT)	Transport Permit Road Safety		3,751	12% (450)	3,301
	Foreign Registered Vehicles Levy	1/04/2008	82,396	12% (9,888)	72,508
Motor Vehicle Accident Fund (MVAf)	Motor Vehicle Third Party Insurance Levy	1/04/2008	2,532	6% (152)	2,380
Botswana Training Authority (BOTA)	Training Levy	1/10/2008	51,082	5% (2,554)	48,528
TOTALS			209,879	17,252	192,627

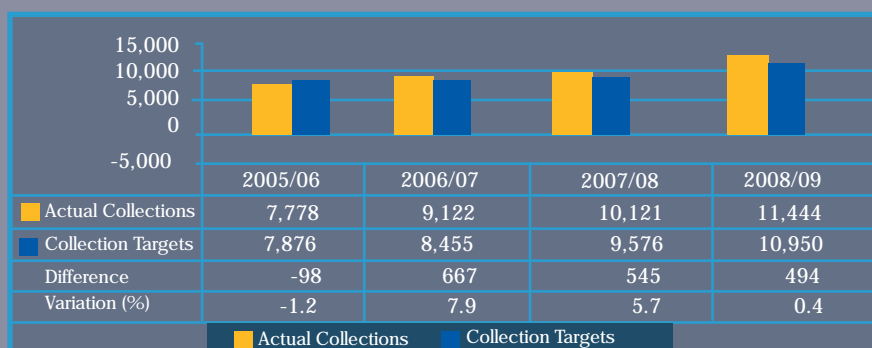
INTERNAL REVENUE OPERATIONS & PERFORMANCE



During the year under review, internal revenue collections totalled P11,445 million. The collections exceeded the target of P10,950 million by P495 million or 4.5%. This modest achievement was mainly driven by VAT collections which exceeded the target by P694 million or 24.4%.

In comparison with the 2007/08 internal revenue collections, the 2008/09 revenue collections grew by an amount of P1,323 million or 13.1%. Figure 3 below presents comparisons between the actual revenue collections and targets for the 2006/07, 2007/08 and 2008/09 financial years.

Figure 3: Overall Internal Revenue Actual Collections against Targets



Revenue Performance for 2008/09 by Tax Type

The internal revenue collection comprises of Income Tax, Value Added Tax, Fuel Levy and Capital Transfer Tax. During the year under review, VAT and Capital Transfer Tax exceeded targets as shown in Table 3 below. The Income Tax fell short of the target by 2.5%. The subdued performance was attributable to production scale down by the mineral companies due to the impact of the global economic and financial

crisis. In terms of the contribution of each tax stream to the total internal revenue collections, Income Tax revenue made the bulk of the collection at 69.0% showing a decline from 71.3% in 2007/08 while VAT contributed 31.0% in 2008/09 compared to 28.6% in 2007/08. VAT exceeded target by 24.4%

Table 3: Revenue Collection by Tax Type

Tax Type	Actual Revenue Collected (P'000) (2007/08)	Revenue Collection Target (RCT) (P'000) (2008/09)	Actual Revenue Collected (P'000) (2008/09)	Tax type Performance as a Proportion of Total Collections for 2007/08(%)	Tax type Performance as a Proportion of Total Collections for 2008/09(%)	% Variation against RCT
INCOME TAX	7,221,405	8,099,300	7,900,352	71.3	69.0	-2.5
VAT	2,899,059	2,850,073	3,544,315	28.6	31.0	24.4
CAPITAL TRANSFER TAX	915	700	758	0.1	0.1	982.9
TOTAL	10,121,380	10,950,073	11,445,425	100	100	4.5

INTERNAL REVENUE OPERATIONS & PERFORMANCE



Analysis of Performance by Tax Type

Income Tax

The Income Tax revenue comprises both non-mineral and mineral income taxes. The non-mineral Income Tax is made up of the personal income tax, corporate self-assessed income tax, dividend tax and other withholding taxes. Mineral income tax revenue includes the corporate Self-Assessed Income Tax (SAT), Pay-As-You-Earn (PAYE) of the employees and the withholding taxes on dividends,

commercial royalties and management fees paid by mining companies. As shown in Table 4 below, non-mineral income tax revenue exceeded the target by P1,311 million or 41.8 % in 2008/09, while the mineral income tax revenue fell short of the target by P1,511 million or 30.5%.

Table 4: Mineral Tax and Non-mineral Tax Revenue

	Revenue Collected 2007/08 (P'000)	2008/09 Revenue Collection Target (P'000)	2008/09 Actual Revenue Collected (P'000)	Variation from Revenue Collection Target (P'000)	Variation from RCT (%)	% Collection of Total Actual Income Tax Collection	
						2007/08	2008/09
NON-MINERAL	3,452	3,138	4,449	1,311	41.8	47.8	56.3
MINERAL	3,769	4,962	3,451	(1,511)	(30.4)	52.2	43.7
TOTAL	7,221	8,100	7,900	(200)	(2.5)	100.0	100.0

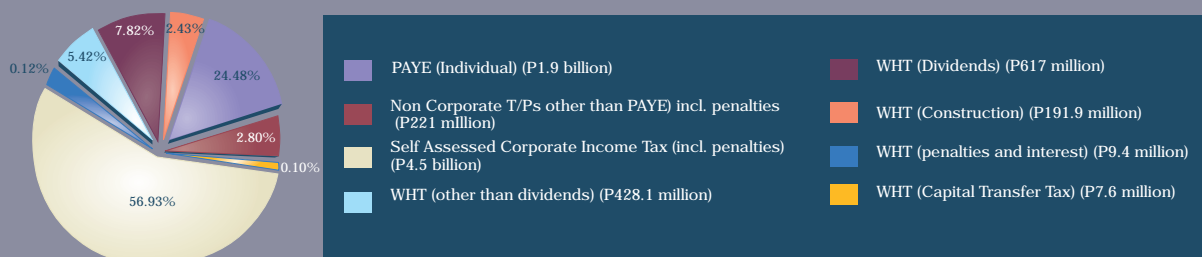
The mineral income tax revenue dropped due to the world economic recession which affected commodities prices especially of minerals in 2008/09. The mineral income tax revenue collected in 2008/09 depicts a slight decrease of 8.4% compared to 2007/08.

The contribution of the mineral tax revenue to the total income tax revenue during 2008/09 was 43.7%, down by 8.5% when compared to 2007/08 while the non-mineral income tax contribution was 56.3%, up by 8.5% compared to 2007/08. BURS has secured 10.6% more tax returns from companies, 8.6% more returns in respect of individuals and 25.5% more PAYE & WHT (withholding tax) returns during 2008/09.

Income Tax Revenue by Source

The tax source analysis of the income tax collection shows that the major portion of the income tax collection is the Self Assessment Tax (SAT) by companies at 56.93%. The second most significant source of the income tax collection is through the withholding taxes (including PAYE). The remaining income tax collections come from assessments of the non-corporate taxpayers, including individuals running businesses such as farming, real estate and professional services. The following chart depicts contributions of each income tax source to the overall income tax revenue. Detailed tax collection figures are shown in Table 5 below for the financial year 2007/08 and 2008/09.

Figure 4: Contributions of Each Income Tax Source to overall Income Tax Collections



INTERNAL REVENUE OPERATIONS & PERFORMANCE



2008/09 Income Tax Source compared to 2007/08

Table 5: Income Tax Collection Source Analysis for 2007/08 and 2008/09

	2007/08 Collections (P'000)	%of Contribution by Tax Sources to Total Collection 2007/08	2008/09 Collections (P'000)	%of Collection against total collection 2008/09	% Variation from 2007/08 to 2008/09
PAYE (from Individuals)	1,348,060	18.67	1,931,868	24.45	43.30
From Non-Corporate taxpayer (other than PAYE) including penalties	501,310	6.94	221,064	2.80	(55.90)
From Companies Self Assessment Tax including penalty interest	4,123,565	57.11	4,493,235	56.87	8.96
Withholding taxes from Interest, Royalties, Management & Consultancy fees And Entertainment fees	342,533	4.74	428,109	5.42	24.98
Withholding taxes paid on Dividends after set off against ACT	763,255	10.57	617,060	7.81	(19.15)
Withholding tax on construction contract payments	128,156	1.77	191,952	2.43	49.77
Capital Transfer Tax	916	0.01	7,579	0.10	727.40
Withholding tax penalty interest	13,610	0.19	9,485	0.12	30.31
TOTAL INCOME TAX COLLECTION	7,221,405	100	7,900,352	100	

Value Added Tax Revenue

VAT is collected on goods and services consumed or used in Botswana as well as goods and services imported into Botswana. The collection breakdown for VAT in terms of import and domestic consumption is as depicted in Table 6 below. The VAT revenue includes the Fuel Levy which is charged on fuels in place of the VAT. In 2008/09, the total actual VAT collection was P3,544 million. This collection exceeded the target of P2,850 million by P694 million or 24.4%. Internal consumption accounts for the greater portion of the VAT collected during the year (56.6%), followed by the VAT imposed on imports (39.6%) and the Fuel Levy (3.7%).

In comparison to the 2007/08 financial year, the total VAT collection grew by 22.2%. The internal VAT and Imported VAT recorded increases of 24.3% and 22.1% respectively, while the Fuel Levy collection dropped by 1.5%. The gross VAT collection during the period under review amounted to P4.5 billion while total VAT refunds paid to taxpayers in respect of VAT input tax, zero rated and exempted goods and services, amounted to P1.2 billion. Thus, the net VAT collections amounting to P3.5 billion were remitted to the Consolidated Fund. The refunds paid to taxpayers constituted 26% of the gross VAT collections.

Table 6: Value Added Tax Revenue

Source of VAT	Target 2007/08 (Pmillion)	Actual Collection 2007/08 (Pmillion)	Target 2008/09 (Pmillion)	Actual Collection 2008/09 (Pmillion)	Percentage of Actual Collection Against Total Collection	
					2007/08	2008/09
Internal VAT	1,457	1,613	1,579	2,006	55.7	56.6
Import VAT	922	1,151	1,121	1,405	39.5	39.6
Fuel Levy	140	135	150	133	4.8	3.8
Total VAT Collected	2,519	2,899	2,850	3,544	100	100

INTERNAL REVENUE OPERATIONS & PERFORMANCE

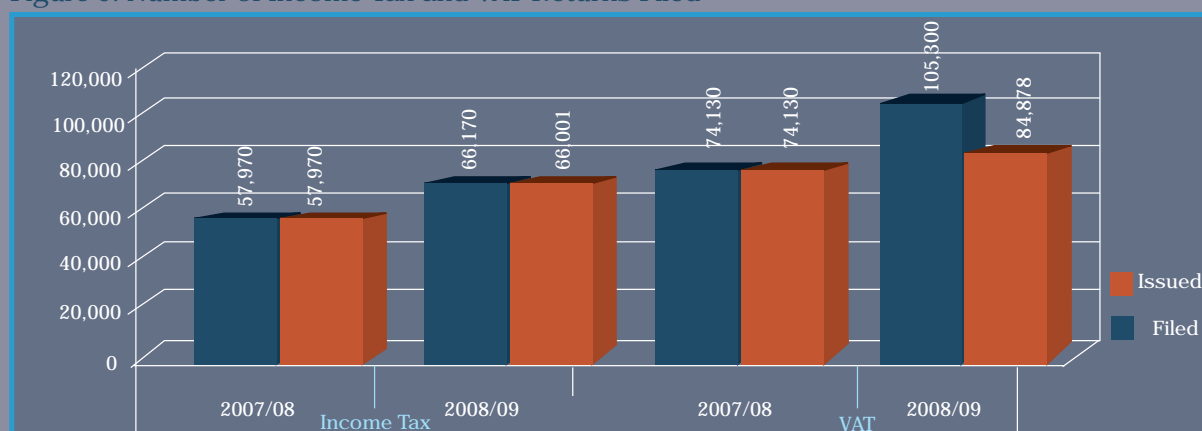


Compliance Performance

The compliance rate measure takes into account the number of tax returns in the BURS register mailed to taxpayers against those received back from the taxpayers. Figure 5 below shows the number of income tax returns dispatched to taxpayers in the 2008/09 financial year compared to the 2007/08 financial year. The comparison shows that there was an increase of 14.1% in the number of tax returns received from taxpayers between the two periods, exceeding the 10% target increase that had been set for the 2008/09 financial year.

The modest achievement is reflective of the concerted efforts made to ensure that taxpayers file tax returns. In terms of returns filing, the Income Tax returns filed for the 2008/09 financial year were 66,001 as opposed to 57,970 filed during the 2007/08 financial year. The VAT returns filed for the 2008/09 financial year were 84,878 as compared to 74,130 filed during the 2007/08 financial year. Therefore, for both the Income Tax and VAT returns, there has been an improvement of 13.9% and 14.5% respectively in terms of the tax returns filed by taxpayers.

Figure 5: Number of Income Tax and VAT Returns Filed



Debt Management

BURS is faced with the challenge of the growing tax arrears. As at 31 March 2009, the total tax arrears stood at P1,107 million out of which P753 million was assessed Income Tax and P354 million was VAT (refer to Table 7 below). Out of the total tax arrears, P423 million or 38% of the arrears were still under appeal as at 31 March 2009. Therefore, P684 million or 61.8% of the arrears is available for collection.

However, it is important to note that not all the arrears available for collection are collectable because some of the companies owing taxes are under liquidation, whilst some have stopped operations. The challenge for BURS is to speedily work on the disputed assessments so that the arrears under appeal can be settled within a reasonable time period as they continue to accrue interest thereby increasing the outstanding total tax arrears.

Table 7: Tax in Arrears as at 31st March 2009

Type of Tax	Total Arrears as at 31 March 2008 (P)	Total Collections Discharges & Remissions as at 31 March 2009 (P)	Total arrears as at 31 March 2009 (P)
Income Tax	519,721,591	62,598,873	753,282,918
VAT	319,910,388	0	354,020,067
Total	839,631,979	62,598,873	1,107,302,985

INTERNAL REVENUE OPERATIONS & PERFORMANCE



Between 31 March 2008 and 31 March 2009, the total arrears grew by an amount of P267.7 million or 31.9%. About P240 million or 90% of the increase in the total tax arrears is accounted for by the pending tax appeals. When compared to the arrears as at 31 March 2008, the Assessed Income Tax arrears (which constitute 68% of the total arrears) increased by P234 million or 44.9%, whilst the VAT arrears (which constitute 32% of the total arrears) increased by P34.1 million or 10.7%. The ratios of the tax arrears to the total revenue collections is 9%, 8.3% and 5.8% for the 2006/2007, 2007/2008 and 2008/2009 financial years, respectively.

Strategies adopted to manage the arrears, include among others, interviewing and encouraging taxpayers to enter into payment agreement plans with BURS and enforcing collection for those who remain non-compliant through issuing of garnishee orders and court summons. BURS is currently considering lifting of the 'corporate veil' in order to hold the directors personally liable for the arrears. In addition, BURS will pilot the Block Management System (BMS) in the ensuing year as a compliance tool which will amongst other things improve payments by taxpayers as door to door campaigns will be conducted. If successful, BMS will be replicated in other areas in the future.

Tax Refunds

A total of P1,179 million was paid to taxpayers as VAT refunds in 2008/09 while Income Tax refunds amounted to P157 million. In comparison to the 2007/08 financial year, tax refunds increased by P242.6 million or 22.6% in the 2008/09 financial year. Most of the refunds on the Income Tax were occasioned by farming and construction companies. On the other hand, VAT refunds are mainly paid to exporters such as mining companies and textile firms.

Tax Audits and Findings

During the 2008/09 financial year, BURS planned to audit 1,600 taxpayers with the expected revenue yield in respect of additional assessments being P180 million. As at the end of March 2009, 873 taxpayers had been audited. The audits raised an additional tax revenue of P179 million. The performance was below target due to capacity constraints in BURS. More effort will be initiated during the 2009/10 financial year to audit more taxpayers' accounts.

Intelligence and Risk

The Intelligence and Risk Management Unit has been mandated to enhance taxpayer compliance by identifying those taxpayers who evade tax as well as the stop filers and non-filers. The Unit receives regular information from both internal and external sources, and analyses the received information and provides cases to the Audit Unit for in-depth scrutiny.

The information collected from external as well as internal sources and tax evasion petitions received was collated by the Intelligence and Risk Management Unit and, for the year under review, 126 corporate cases and 81 individual cases were risk profiled and forwarded for income tax audit. Similarly, VAT refunds were analysed and 1 245 cases in respect of VAT refunds had to be audited prior to paying the VAT refunds. In order to provide the skills needed to effectively process the information received from third sources, a five day course was organized for the officers in the Intelligence and Risk Management Unit. BURS plans to develop an intelligence database as well as improve the risk management processes in the ensuing years.

Amendments of the Tax Laws

A comprehensive review of the Income Tax and VAT Acts which was supposed to have been accomplished before the delivery of the 2009 Budget Speech has been delayed. BURS had submitted its proposed amendments to the Ministry of Finance and Development Planning in December, 2008. For BURS, the critical proposal pertains to the imposition of the withholding tax on rentals being paid by companies to landlords. In addition, the Income Tax Act should be amended to compel all income earners to register for tax purposes, as well as file tax returns annually. The approval of the proposals would result in enhanced tax revenue collections.

INTERNATIONAL OBLIGATIONS

• Double Tax Agreements

Botswana negotiated four (4) double tax agreements being: Botswana/Luxembourg; Botswana/Belgium; Botswana/Swaziland and Botswana/Lesotho. Negotiations relating to two of the agreements (Botswana/Swaziland and Botswana/Belgium) have been completed and the agreements await gazetting and ratification while negotiations are continuing with the other two.

CUSTOMS & EXCISE OPERATIONS & PERFORMANCE



• International Meetings and Conferences

BURS attended a number of SADC meetings where regional tax matters were discussed. The SADC Tax Forum desires to harmonize tax procedures as well as systems, and to that end, work has started on the development of the SADC Model on Tax Avoidance Agreements as well as the SADC Tax Incentive Strategies.

BURS also attended the VAT Administrators in Africa Forum which seeks to promote best VAT practices in the continent. It is hoped that by interacting with other countries in the region as well as multilateral organisations, BURS will continue to improve its capabilities in respect of tax administration. During the period under review, BURS processed 587,523 import declarations and 45,053 export declarations at different customs offices and border posts, whereas 571,945 import declarations and 44,491 export declarations had been

processed during the 2007/2008 financial year. The increase in the number of declarations was attributed to the overall increase in trade volumes. As indicated in Table 10 below, 2008/09 import declarations exceeded the 2007/08 declarations by 15,578 or 2.7%, while 45,053 export declarations were processed when compared to 44,491 declarations in the previous year.

The increased utilisation of the ASYCUDA is expected to improve the production of trade data, which is used for the compilation of Trade Statistics by the Central Statistics Office (CSO). The bulk of the declarations processed during 2008/09 were at the Tlokweng, Pioneer Gate, Martins Drift and Ramatlabama and the lowest were processed at Molembo and Ngoma border posts.

Table 8: Summary of Imports and Export Declarations for 2007/08 and 2008/09

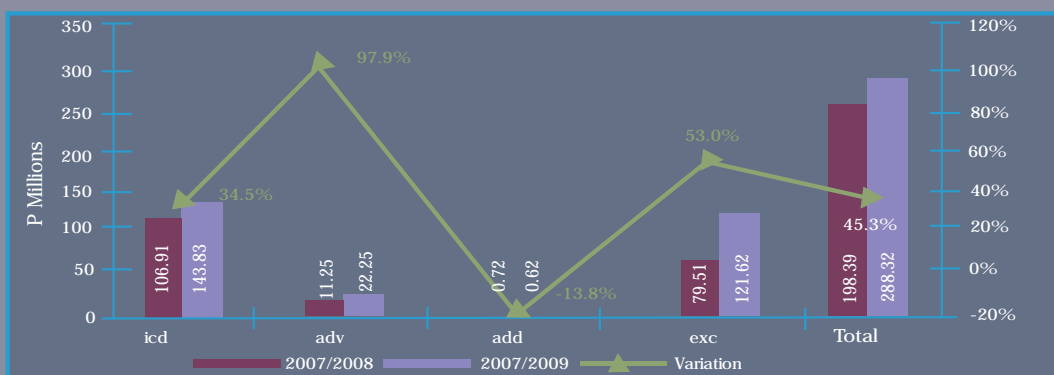
FINANCIAL YEAR	IMPORTS	EXPORTS
2008/2009	587,523	45,053
2007/2008	571,945	44,491
Difference	15,578	562
% VARIATION	2.72	1.26

Customs Revenue Pool contributions

The amount of Customs and Excise duties collected during the 2008/09 financial year was P288.32 million showing an increase of 45.3% over the 2007/08 financial year collections as shown on figure 6 and Table 9 below.

The significant increase in customs duty collections during 2008/09 was as a result of the increase in imports from outside the SACU Region and excisable production during the period. Imports increased by 27%.

Figure 6: Customs Duty Collections for 2007/08 and 2008/09



CUSTOMS & EXCISE OPERATIONS & PERFORMANCE



Table 9: Customs and Excise Duty Collections for 2007/08 and 2008/09 (P'000)

Customs Duties	2007/2008	2008/2009	Variation	% Variation
Import Customs Duty	106,908,893	143,827,624	36,918,730	34.53
Advalorem	11,245,364	22,252,135	11,006,770	97.88
Additional Customs Duty	721,733	622,480	(99,253)	-13.75
Excise Duty	79,512,675	121,620,415	42,107,739	52.96
TOTAL	198,388,668	288,322,655	89,933,987	45.33

Post Clearance Audits

During the 2008/09 financial year, BURS audited a total of 88,133 declarations compared to 88,162 declarations during the 2007/08 financial year. This represents 15% of the total number of declarations processed during 2008/09 and exceeds the target of 10% that was set for the year under review. Further, revenue amounting to P33.1 million was recovered through the post clearance audit of the customs import declarations submitted to BURS and selected for inspection, compared to P12.1million recovered during the 2007/08 financial year.

The substantial increase in the recovery of the unpaid customs duties and VAT clearly demonstrates that the level of compliance with the clearance of goods at border posts is still a major challenge which calls for renewed enforcement measures, which may include the introduction of stiffer penalties and court action against the offenders.

Passenger Traffic

The number of people entering and leaving Botswana continues to increase. A total of 6.5 million persons were cleared at the various ports of entry during the 2008/09 financial year compared to 5 million persons who crossed the country's borders during the 2007/08 financial year representing an increase of 1.5 million persons or 30%. The increase is attributable to growth in passenger trends and the extension of hours of operation at some points of entry which occurred during the third quarter of the 2007/08 financial year.

The increase in the number of passengers using our border posts challenges BURS to implement modern methods of passenger and cargo processing, upgrade the border infrastructure and mobilise additional resources to ensure that travellers are not unduly impeded.

CUSTOMS & EXCISE OPERATIONS & PERFORMANCE



Table 10: Monthly Imports and Exports for 2007/08 and 2008/09 (P'000)

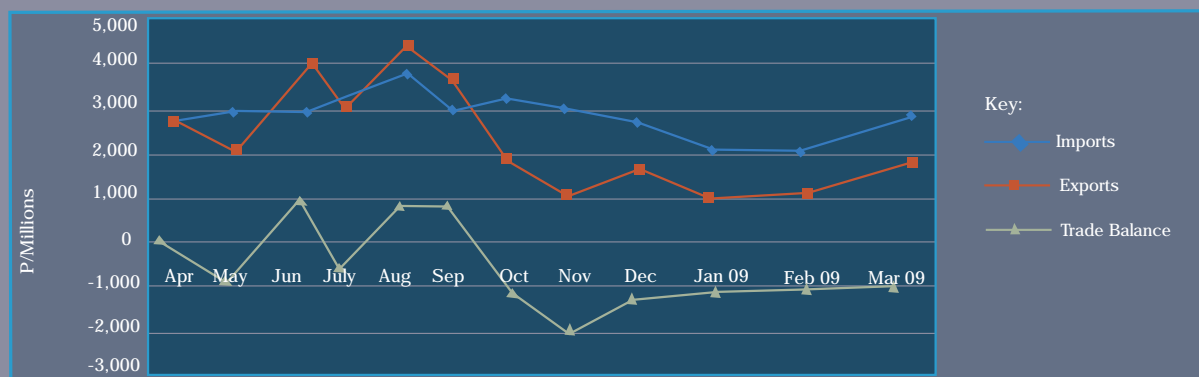
Month	IMPORTS		EXPORTS		TRADE BALANCE	
	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
April	1,852,894	2,655,264	2,085,849	2,540,645	232,955	-114,619
May	2,209,238	2,865,737	2,975,221	1,987,742	765,983	-877,995
June	1,952,049	2,962,661	1,990,077	3,860,498	38,028	897,837
July	2,012,604	3,251,936	2,817,123	2,917,664	804,519	-334,272
August	2,226,519	3,514,515	2,682,575	4,336,071	456,056	821,556
September	2,096,199	2,784,231	3,233,234	3,481,341	1,137,035	697,110
October	2,537,896	3,358,501	2,666,923	1,843,994	129,027	-1,514,507
November	2,867,568	3,157,537	2,271,280	1,098,222	-596,288	-2,059,315
December	2,047,916	2,791,183	1,702,359	1,466,283	-345,557	-1,324,900
January	2,379,122	2,228,279	2,375,229	961,433	-3,893	-1,266,846
February	2,552,726	2,308,668	3,103,199	1,158,705	550,473	-1,149,964
March	2,463,199	2,628,677	3,043,601	1,577,131	580,402	-1,051,546
Total	27,197,930	34,507,189	30,946,670	27,229,728	3,748,740	-7,277,461
Growth Rates (%)		26.9		-12.0		

External Trade

During the period under review, imports declarations worth P34.5 billion were processed in 2008/09 financial year compared to P27.2 billion in the 2007/08 financial year, representing an increase of P7.3 billion or 26.9%. Exports declarations processed in 2008/09 were worth P27.2 billion compared to P30.9 billion in 2007/08, representing a decrease of P3.7 billion or 12.0%.

The overall decline in the value of exports is attributed to factors such as the decline in mineral commodities' sales which came about as a result of the global financial crisis and the depreciation of the value of the Pula relative to currencies of major trading partners. On the overall, Botswana recorded a trade deficit amounting to P7.3 billion as shown in Table 10 and Figure 7.

Figure 7: Trade Balance



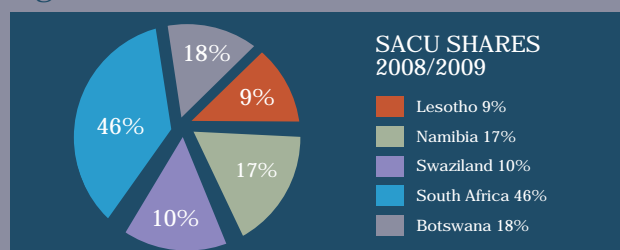
CUSTOMS & EXCISE OPERATIONS & PERFORMANCE



Southern African Customs Union (SACU) Revenue Pool Receipts

Botswana's share from the SACU Revenue Pool, decreased from P7.8 billion in 2007/08 to P7.75 billion in 2008/09, which represents a modest decrease of about 0.6%. It is, however, anticipated that the size of the pool will decline further as a result of the global economic and financial crisis and the continued fall in the SACU tariff rates, in accordance with the general reduction of the tariffs in line with SACU's World Trade Organisation (WTO) commitments.

Figure 8: SACU Revenue Shares



Botswana's share from the pool was the second highest for the year under review as it constituted nearly 18% of the total SACU Pool. The comparative shares paid to SACU Member States are depicted in Figure 8 below.

Service Level Agreements

During the year under review, BURS collected a total of P156.25 million in respect of the Road Safety Levy and Road Transport Permit fees on behalf of the Ministry of Works and Transport; and Flour and Alcohol levies on behalf of the Ministry of Trade and Industry. This represents a 126.9% increase over the 2007/08 total revenue collected on behalf of Government Department and Agencies as shown in Table 11 below.

The high increase in the revenue collected is mainly attributable to the introduction of the Alcohol Levy in November, 2008 and the increase in Road Transport Permit Fees which resulted from the increase in the number of travellers, especially self-drive tourists from South Africa. The introduction of the Alcohol Levy and the increase in the foreign vehicles entering Botswana compels the Customs & Excise Division to devote more of its human and other resources to agency work at the expense of its core customs & excise work.

Table 11: Revenue Collected on behalf of Government Departments

Fee/Levy Type	2006/07 Collection (Pmillion)	Amount collected 2007/08 (Pmillion)	Amount Collected 2008/09 (Pmillion)	Variation 2007/08 & 2008/09 (Pmillion)	Variation 2007/08 & 2008/09 (%)
Road Safety Tokens	-	3.04	3.75	0.71	23.4
Road Transport	48.82	63.26	82.4	19.14	30.3
Flour Levy	3.91	2.55	2.2	-0.31	-12.2
Alcohol levy	n/a	n/a	67.9	n/a	n/a
TOTAL	52.73	68.85	156.25	87.4	126.9

Smuggling and Non-Declaration of Goods

Smuggling and non declaration of imported goods continues to be a serious challenge for BURS. Although the number of cases recorded dropped to 538 in 2008/09 from 783 in 2007/08, it is still relatively high.

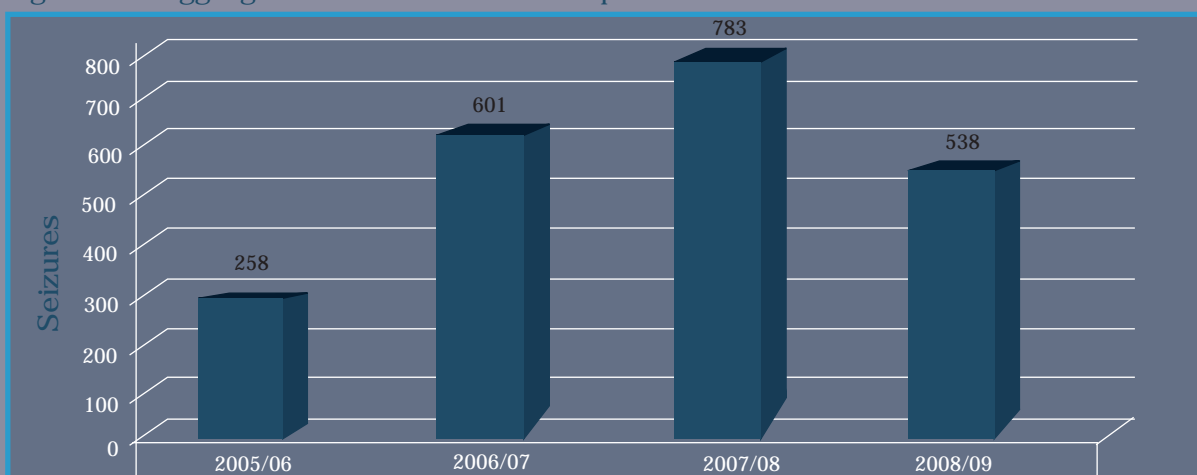
The decrease in the number of seizures could be attributed to inter alia, joint operations by Customs Officers and the Police that were geared towards intercepting illicit trade.

Since the beginning of 2006 the Southern Africa region has experienced an upsurge in the trade of illegal cigarettes. The illicit trade in cigarettes does not only overstretch the human resource capabilities of the enforcement agencies in the region, but also leads to revenue losses in terms of uncollected customs and excise duties. During the year under review, BURS intercepted 4 consignments comprising 1,133 master cartons, 1,338 cartons and 98 packets of cigarettes with a duty liability of over P3.7 million.

CUSTOMS & EXCISE OPERATIONS & PERFORMANCE



Figure 9: Smuggling and Non-Declaration of Imported Goods



INTERNATIONAL AND REGIONAL OBLIGATIONS

Southern African Customs Union (SACU)

In July, 2008 Botswana handed over the chairmanship of the Southern African Customs Union (SACU) to Lesotho. BURS staff continued to participate in the various activities of the Southern African Customs Union (SACU) Agreement at which major decisions were taken in the context of further deepening the SACU integration. Some of the notable decisions which were made by the SACU Council during the year under review, which have a direct bearing on the work of BURS, include the following:

- Approval by the Council of the SACU Single Administrative Document (SAD) Form as the main customs declaration form for recording trade transactions;
- Approval of the SACU Data Integrity Minimum Standard;
- Approval of the SACU-World Customs Organisation (WCO) Customs Development Programme; and
- the development of the Annex on SACU Procedures.

Further, the SACU Council had appointed the Auditor General of Botswana to perform the audit of the SACU Secretariat for the financial year ended 31 March 2009.

World Customs Organisation

The highlight in the agenda of the WCO was the visit in February,

2009 to Botswana of the Secretary General of the WCO. During the visit, the Secretary General paid courtesy calls on the Honourable Ministers of Finance and Development Planning and Trade and Industry and met senior BURS and Government officials. The Secretary General appreciated the work undertaken by Botswana in the context of implementing the various WCO Conventions and Instruments. He promised his organisation's support to Botswana's customs reform and modernisation initiatives. BURS appreciates the support it has continued to receive from the WCO.

BURS participated in the work of the World Customs Organisation. The Commissioner of Customs and Excise and the head of the External Relations Unit participated in the annual sessions of the WCO Council in Brussels in June 2008 at which major decisions were taken in the context of simplifying and harmonising customs procedures, world wide. Further, in April 2008 WCO sent two experts to Botswana to assist the Customs & Excise Division to develop its Strategic Plan 2009-2012 and undertake a feasibility study on the deployment of the X-ray container scanners, respectively.

The Strategic Plan has been adopted by the BURS Management whilst the recommendations arising from the feasibility study on the procurement of the scanners were being implemented. Due to the support given by the WCO, BURS will be able to finalise the tender documents for the purchase of the two X-ray scanners, during the 2009/10 financial year.

CUSTOMS & EXCISE OPERATIONS & PERFORMANCE



The African Growth and Opportunity Act (AGOA)

In 2008/09 financial year, Botswana continued to benefit from the provisions of the African Growth and Opportunity Act (AGOA). However, the trend indicates a decrease in both the number of exporting companies and the volume of exports to the United States of America (USA). This could be attributed to the increased competition for the US textile market particularly from China and other Asian countries as a result of the phasing out of the textile and clothing quotas by the WTO, effective from January, 2007.

As shown in Table 12 below, textile and apparel products exported to the USA under the scheme amounted to US\$20.9 million in 2008/09 compared to exports of US\$34.7 million during 2007/08.

The number of local companies exporting to the USA under AGOA decreased by 75% from four (4), in 2007/08, to one (1) in 2008/09.

It is, however, anticipated that Botswana will continue to benefit from the scheme particularly because, in spite of its middle income status, Botswana is allowed to participate in a special programme designed for the Least Developed Countries (LDC'S) which entitles them to source raw material inputs from third party countries for the production of goods destined to the USA market. The programme, which was initially expected to expire in September, 2007 has been extended to 2012.

Table 12: Botswana Exports Under AGOA

Year	2007	2008	2009
No. of Companies	6	4	1
Value of Exports	US\$36.3 million	US\$34.7 million	US\$ 20.9 million

Southern African Development Community (SADC)

The SADC Free Trade Area Agreement was launched in August, 2008. The Agreement will facilitate the sourcing of raw materials by Botswana companies from other SADC countries duty free and thus stimulate the export trade. During the year under review, eight (8) Botswana companies had registered to export under the said Agreement and most of the goods exported under this Agreement were destined to Zambia and Mozambique. The eight companies applied to register to export various products such as; mattresses, tents and paints.

In addition, Botswana participated in the various SADC programmes and meetings aimed at preparing the road map for the launch of the SADC Customs Union in 2010. The Commissioner of Customs and Excise attended the biannual meetings of the SADC Subcommittee on Customs Cooperation and the Steering Committee of the EU-SADC Customs Reform and Modernisation project, through which customs officials of member countries are trained in readiness for the implementation of the SADC Customs Union Agreement.

Southern African Development Community - European Union Interim Economic Partnership Agreement (SADC- EU EPA)

Following the initialling of the Interim Economic Partnership Agreement (IEPA) in November 2007, Botswana companies continue to benefit under the SADC-EU EPA. During the year under review, there were four (4) companies exporting under this agreement. BURS is working closely with the Botswana Meat Commission (BMC) to facilitate beef exports using invoice declarations for exports destined to the United Kingdom (UK) and Germany instead of Certificates of Origin (EUR 1 form). The use of invoices is expected to reduce administrative bottlenecks in respect of exporting beef to the EU market.

During the year under review, BURS carried out 26 post verification audits on behalf of the EU, relating to the authenticity of certain certificates for textile, apparel and agricultural products. As a result of the enquiries, 20 certificates were confirmed as authentic whilst 6 were cancelled on account of lack of supporting evidence.

CUSTOMS & EXCISE OPERATIONS & PERFORMANCE



Botswana and Namibia One Stop Border Post (OSBP)

In an effort to improve cross border trade facilitation, the Governments of Botswana and Namibia have agreed to establish a One Stop Border Post (OSBP) at Mamuno during the 2009/10 financial year. Under an OSBP environment, imports and exports documents are processed simultaneously. The simultaneous processing of imports and exports will help reduce the processing times whilst assisting to avert customs violations, such as under declaration of values and the smuggling of goods. An Inter-ministerial Steering Committee has been set up to coordinate preparations for the implementation of the OSBP.

Establishment of the Customs-to-Business Forum

In June 2008, the Botswana Unified Revenue Service (BURS) established the Customs-to-Business Forum (CBF) with its key Customs stakeholders. The concept is in line with the World Customs Organisation's Framework of Standards that requires Customs Administrations around the world to establish efficient and safer international trade facilitation arrangements, by adopting new and appropriate working methods in partnerships with other customs administrations and the business sector.

Agency Work

During the year under review, BURS assumed additional agency work on behalf of the Ministry of Trade and Industry relating to the collection of Additional Duty on the UHT Milk and Alcohol Levy with effect from May 2008 and November, 2008 respectively.

The volume of agency work is expected to increase in the coming years as more organisations want their requirements to be enforced at the borders. For instance, during the 2009/10 financial year BURS is expected to implement the levy on the recording apparatus at border posts and airports on behalf of the Registrar of Companies. It is envisaged that the trend will continue in the foreseeable future.

Agency work generally has an adverse impact on the work undertaken by BURS as it necessitates diversion of resources from the core functions of revenue collection and trade facilitation.

In view of the foregoing, BURS intends to periodically review the agency work and consider including a cost recovery measure in the commissions it charges for the services rendered.

Further, BURS will continue to dialogue with the relevant agencies to consider rationalising or even applying other methods of implementing the levies. To this end, consultations have already begun between BURS and the Ministry of Works and Transport, whose levies constitute the bulk of the agency work.

Customs Valuation

The valuation fraud cases in respect of the second hand motor vehicles imported into Botswana continue to be referred from Regional Offices to Headquarters for valuation rulings. During the period under review, fifty three (53) cases were referred for valuation because they were suspected of undervaluation. A total of four hundred and thirty one thousand Pula (P431, 000.00) in additional Customs Duty and VAT was recovered from such rulings. Most of the referrals were from the Gaborone Region.

Other matters

BURS also faced the challenge of inadequate resources to enable it to review the Customs and Excise Duty Act and Regulations to align them with the SACU Legislation and international best practice. This work is, however, ongoing and is expected to be finalised during the 2009/10 financial year.

Despite the notable achievements outlined in the report, it is important that BURS strives to enhance its performance as well as improve the service provided to the taxpayer. In order to achieve this, BURS has to contend with a number of challenges including revenue collection, tax planning and evasion, smuggling, voluntary compliance and enhancing business processes, etc.

• Revenue Collection

The 2008/09 financial year was a relatively unique and difficult one as the country felt the viciousness of the global financial crisis for the first time. The crisis had affected a number of businesses locally, including mining companies. Diamond mines scaled down their business operations while other companies retrenched workers. This has posed a challenge for BURS as the amount of revenues that could be collected had been difficult to estimate. The challenge for BURS was in meeting the revenue target. Given this challenge, BURS will develop strategic initiatives to widen the tax net and promote voluntary compliance. The emphasis will be on promoting a conducive environment for tax compliance through taxpayer support and education, and improving customer relations.

Among the initiatives that BURS had undertaken during 2008/9 included strengthening taxpayer education, intelligence network, as well as improving BURS accessibility and taxpayer services. Further, strategies are being devised to unearth potential taxpayers who are not registered for tax purposes. The activities that BURS intends to carry out in the future include; among others, the launching of the taxpayer day celebrations, implementing the Block Management System and tax clinics. During 2009/10 financial year, BURS will undertake a tax gap study to establish the magnitude of non-compliance in order to devise strategies for minimising the gap. BURS is also faced with the challenge of providing accurate and reliable revenue forecasts. In 2009/10, BURS will commence the construction of a revenue model which could assist BURS to make informed revenue forecasts.

The experience with the current global financial crisis highlights the need for Government to diversify its sources of revenue and for BURS to reduce the tax gap. This means that alternative sources of revenue besides minerals have to be identified and taxed to meet the development needs of the economy.

BURS will come up with strategies to unearth potential taxpayers who are not registered with BURS and address tax avoidance and evasion in order to grow the tax net, as well as review the Revenue Laws to plug loopholes of the Revenue Laws that are being exploited by the taxpayers.

• Processes and Procedures

BURS will constantly review its processes and procedures to make compliance easier for taxpayers. BURS is currently consulting with other revenue agencies seeking technical assistance to address some of the challenges faced by BURS. Another initiative that BURS is pursuing, is the institution of an integrated service so that taxpayers can be assisted at one point of service on any tax matter. The ICT Strategy will be implemented to ensure that the ICT infrastructure is efficient in order to achieve this goal and ensure a stable network.

• Maintenance of Facilities

Another important challenge for BURS is the maintenance of border posts facilities across the country. The number of the border posts is considerable and widespread geographically presenting a challenge for BURS in terms of maintenance costs and in providing an efficient and effective revenue administration. Most of the border posts are in a poor state of repair and need renovations/refurbishment and maintenance. In addition, because of the dispersed population across the country, BURS is challenged to bring services closer to the taxpayers and improve accessibility. This challenge can only be addressed if BURS has adequate financial and manpower resources.

• Capacity Constraints

BURS is also faced with the challenge of lack of requisite human resource skills in certain critical areas of tax administration. The human resources capacity limitations have been identified in the Training Needs Assessment and BURS is developing a training programme to improve the requisite skills of its employees. The programme includes management/leadership training and technical training. The constraint in Human Resources development is mainly due to the limited financial resources, lack of in-house training facilities and the limited number of local institutions that can provide the required training on tax matters. BURS will take advantage of the relationship it has with the donor community and other Tax Authorities and organisations to develop its human resources capacity.

CHALLENGES



- **Corporate Image**

BURS is generally perceived as an effective organisation as demonstrated in the Taxpayer Satisfaction Study report, however, more remains to be done in improving its image. BURS needs to adopt a taxpayer centric approach in its operations in order to effectively communicate with taxpayers. To achieve this, a Taxpayer Service Charter will be developed and implemented with effect from 2010.

- **Smuggling**

Smuggling, non-declaration and under valuation of imported goods continue to pose a serious challenge to BURS. These incidences deny Government of the much needed revenue for development in the form of unpaid Customs Duties and the Value Added Tax. BURS has intensified its efforts to address the problem of smuggling through joint operations with the Botswana Police Service and other law enforcement agencies. Although there was a decrease in the number of seizures during the 2008/09 financial year, the challenge is still relatively significant. BURS will procure the non-intrusive cargo scanning X-ray equipment, during the 2009/10 financial year. The scanners will help address the problems of smuggling and non-declaration of goods entering and going out of Botswana, as well as to detect concealed consignments of illegal or illicit goods. This is expected to significantly reduce incidences of smuggling and cross border crime such as drug trafficking and money laundering.

- **Tax Arrears**

BURS faces the problem of tax arrears. During the year under review, the outstanding tax arrears grew by 31.9% from P839.6 million in 2007/08 to P1, 107.3 million in 2008/09. Unfortunately, the stated tax arrears are not necessarily all collectable because some taxpayers dispute the tax assessments. Further, some businesses with tax arrears may be under liquidation. Hence, BURS cannot be assured that the tax arrears would be paid in full by the taxpayers. BURS will continue to find ways to work with taxpayers to settle their tax arrears.

- **Changing from Cash to Accrual Accounting**

BURS is faced with a challenge of developing systems to convert the tax revenue accounting basis from cash to accrual accounting basis within the five year transitional period. Currently, BURS is conducting research with a view to adopt the best practice in developing models and policies to change from cash accounting basis to accrual accounting basis within the next three financial years.

- **Strong and Sustainable Revenue Service**

The major challenge over the coming years is to ensure sustainability of BURS. BURS has prepared its second Strategic Plan premised on the experiences gained from implementing the Strategic Plan 2006-09. The 2009-14 Strategic Plan outlines strategic initiatives that have been planned with major emphasis on quality customer service, improving compliance and staff training and capacity building.

During the year under review, BURS had intensified the implementation of its strategic intent. BURS worked relentlessly to improve its performance in spite of the limited resources at its disposal and the growing challenges. This notwithstanding, our revenue collection performance record is encouraging. BURS managed to collect more revenue in line with the revenue collection target set by the Government during the year under review. More effort has been put into improving service delivery to our clients and collecting more revenues on behalf of the Government and other entities.

The challenge of non-compliance remains a top priority for BURS and I would like to call upon non-compliant taxpayers to comply with the provisions of the Revenue Laws. Further, I would like to urge taxpayers who are not registered for tax purposes to do so. BURS remains committed to the highest standards of management and governance to meet the expectations of the Government of Botswana and will continue to do everything in its power to identify taxpayers who do not comply with the provisions of the Revenue Laws.

On behalf of Management and employees of BURS, I would like to take this opportunity to thank the Government, the Ministry of Finance and Development Planning, the Donor Community, the BURS Board of Directors, the BURS Board Committees, and consultative bodies for their valued support during the year under review.

Further, though not least, I earnestly thank my colleagues on the Executive Management Team and all the employees of BURS for their unflinching support and the devotion they displayed during the year. BURS is assured of their continued support to collect the revenues needed by Government to provide public services and infrastructure to the residents of Botswana.



Mr Freddy Modise
Commissioner General

ANNUAL FINANCIAL STATEMENTS

31 MARCH 2009



OWN ACCOUNTS





GENERAL INFORMATION

BOARD OF DIRECTORS

Taufila Nyamadzabo:	Chairperson
Daniel N. Loeto:	Vice Chairperson (Appointed: 27 November 2008)
Freddy Modise:	Commissioner General
John Y. Stevens	
Kedibonye Laletsang	
Siamisang T. Morolong:	(Re-appointed: 01 July 2008)
Alexander Yalala:	(Appointed: 01 July 2008)

BOARD SECRETARY

Lorato Khimbele:	(Appointed: 02 October 2008)
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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 of Botswana Limited

ANNUAL FINANCIAL STATEMENTS

31 March 2009



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ANNUAL FINANCIAL STATEMENTS



31 March 2009

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 2009, the statement of comprehensive income, the statement of changes in reserves, 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, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Botswana Unified Revenue Service Act, 2003.

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 state that, for the year ended 31 March 2009, BURS has not complied with paragraph 28 (2) of the Botswana Unified Revenue Service Act 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.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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.

ANNUAL FINANCIAL STATEMENTS

(continued)



DIRECTORS' STATEMENT OF RESPONSIBILITY (continued)

The focus of risk management in BURS is on identifying, assessing, managing and monitoring all known forms of risk across the revenue service. 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 have made an assessment of BURS's ability to continue as a going concern and there is no reason to believe the Revenue Service 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 examined by BURS's external auditors and their report is presented on page 39.

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 41 to 59, which have been prepared on the going concern basis, were approved by the Board on 27 October 2009 and were signed on its behalf by:

Board Chairperson

Commissioner General

INDEPENDENT AUDITOR'S REPORT



TO THE MINISTER OF FINANCE AND
DEVELOPMENT PLANNING

PO Box 778
Gaborone
Botswana

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Report on the Financial Statements

We have audited the accompanying financial statements of Botswana Unified Revenue Service: Own Accounts, set out on pages 41 to 59, which comprise the statement of financial position as at 31 March 2009, the statement of comprehensive income, statement of changes in reserves 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.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Botswana Unified Revenue Service Act, 2003.

This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 judgment, 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.

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit
DL Kennedy Tax & Legal and Risk Advisory L Geering Consulting L Bam Corporate Finance CR
Beukman Finance TJ Brown Clients & Markets NT Mtoba Chairman of the Board CR Qually Deputy
Chairman of the Board Resident Partners: M Marinelli Senior Partner FC Els P Naik CV Ramatlapeng
M Bardopoulos

A full list of partners and directors is available on request

Member of Deloitte Touche Tohmatsu

INDEPENDENT AUDITOR'S REPORT

TO THE MINISTER OF FINANCE AND
DEVELOPMENT PLANNING *(continued)*



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Botswana Unified Revenue Service: Own Accounts as of 31 March 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Botswana Unified Revenue Service Act, 2003.

Report on other Legal and Regulatory Requirements

For the year ended 31 March 2009, BURS has not complied with paragraph 28 (2) of the Botswana Unified Revenue Service Act 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.

Deloitte & Touche

27 October 2009

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pincock Audit
DL Kennedy Tax & Legal and Risk Advisory L Geering Consulting L Bam Corporate Finance CR
Beukman Finance TJ Brown Clients & Markets NT Mtoba Chairman of the Board CR Qually Deputy
Chairman of the Board Resident Partners: M Marinelli Senior Partner FC Els P Naik CV Ramatlapeng
M Bardopoulos

A full list of partners and directors is available on request

Member of Deloitte Touche Tohmatsu

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 MARCH 2009

	Notes	2009 P'000	Restated 2008 P'000
Revenue			
Government funding for recurrent expenditure	5	182,472	160,446
Other income	6	24,041	4,834
Total revenue		206,513	165,280
Other gains and losses	7	407	5,213
Expenses			
Administrative expenses	8	(65,925)	(51,789)
Staff costs	9	(153,586)	(124,322)
Total expenses		(219,511)	(176,111)
Deficit for the year		(12,591)	(5,618)
Other comprehensive income for the year			
Gains on revaluation of properties	10	17,125	60
Total comprehensive income/(deficit) for the year		4,534	(5,558)

ANNUAL FINANCIAL STATEMENTS

as at 31 March 2009 (continued)



STATEMENT OF FINANCIAL POSITION

as at 31 MARCH 2009

	Notes	<u>2009</u> P'000	Restated <u>2008</u> P'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	163,089	106,448
Investment property	12	16,770	15,710
		<u>179,859</u>	<u>122,158</u>
Current assets			
Inventories	13	3,343	1,795
Trade and other receivables	14	16,990	6,077
Cash and cash equivalents	15	4,556	18,372
		<u>24,889</u>	<u>26,244</u>
Total assets		<u>204,748</u>	<u>148,402</u>
RESERVES AND LIABILITIES			
Reserves			
Capital reserve		156,027	120,566
Properties revaluation reserve		17,185	60
Accumulated (deficit) / surplus		(789)	93
		<u>172,423</u>	<u>120,719</u>
Current liabilities			
Trade and other payables	16	32,325	27,683
Total reserves and liabilities		<u>204,748</u>	<u>148,402</u>

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2009 (continued)

STATEMENT OF CHANGES IN RESERVES

for the year ended 31 MARCH 2009

	Notes	Capital reserve P'000	Properties revaluation reserve P'000	Accumulated deficit P'000	Total P'000
Balance at 31 March 2007		97,038	-	8,311	105,349
Prior year adjustment	22	11,042	-	(11,042)	-
Balance at 31 March 2007 as restated	22	108,080	-	(2,731)	105,349
Government funding for utilised for capital expenditure		20,970	-	-	20,970
Transfer of depreciation on funded assets		(8,442)	-	8,442	-
Property, plant and equipment transferred to the Government		(42)	-	-	(42)
Total comprehensive deficit for the year		-	60	(5,618)	(5,558)
Balance at 31 March 2008	22	120,566	60	93	120,719
Total comprehensive income for the year		-	17,125	(12,591)	4,534
Transfer of depreciation on funded assets		(11,709)	-	11,709	-
Government funding utilised for capital expenditure		47,170	-	-	47,170
Balance at 31 March 2009		156,027	17,185	(789)	172,423

ANNUAL FINANCIAL STATEMENTS

(continued)



STATEMENT OF CASH FLOWS

for the year ended 31 MARCH 2009

	Notes	<u>2009</u> P'000	Restated <u>2008</u> P'000
Cash flows from operating activities			
Deficit for the year		(12,591)	(5,618)
Less: interest income		(2,535)	(2,565)
Adjustment for non-cash items	18	11,435	3,229
Operating deficit before working capital changes		(3,691)	(4,954)
Changes in working capital			
Increase in trade and other receivables		(10,913)	(5,321)
Increase in inventories		(1,548)	(1,594)
Increase in trade and other payables		4,642	8,789
Net cash used in operating activities		(11,510)	(3,080)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(52,188)	(13,527)
Proceeds on disposal of property, plant and equipment		177	-
Interest received		2,535	2,565
Net cash used in investing activities		(49,476)	(10,962)
Cash flows from financing activities			
Net capital funding received from the Government		47,170	20,970
Net cash generated by financing activities		47,170	20,970
(Decrease) / Increase in cash and cash equivalents		(13,816)	6,928
Cash and cash equivalents at beginning of year		18,372	11,444
Cash and cash equivalents at end of year		4,556	18,372

ANNUAL FINANCIAL STATEMENTS



(continued)

Notes to the financial statements for the year ended 31 March 2009

1. General information and Introduction

Botswana Unified Revenue Service (BURS) is a semi-autonomous corporate body established by an Act of Parliament (Botswana Unified Revenue Service Act, 2003) as part of the Government's reform strategy for revenue administration. BURS is charged with the mandate of a) assessing and collecting tax on behalf of the Government, and b) administering and enforcing the revenue laws, which include the Customs and Excise, Income Tax, the Capital Transfer and the Value Added Tax Act, respectively. For financial reporting purposes, the financial statements of the Revenue Service are reported as: ADMINISTERED GOVERNMENT REVENUE ACCOUNTS, and BURS OWN ACCOUNTS. The financial statements – ADMINISTERED GOVERNMENT REVENUE ACCOUNTS cover transactions relating to the revenue collected on behalf of the Government.

The financial statements – BURS OWN ACCOUNTS cover those operational revenues, 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 prior year, BURS adopted changes in the International Accounting Standards (IAS) 1: Presentation of Financial Statements, in advance of its effective date of 1 January 2009. The impact of the adoption of changes to IAS 1 has been to recognise gains and losses from the revaluation of properties as other comprehensive income for inclusion in the statement of comprehensive income. BURS has also adopted the use of the following headings; statement of financial position, statement of comprehensive income, and statement of cash flows to replace; balance sheet, income statement, and cash flow statement respectively to reflect more closely the function of each statement.

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, other than the Standards and Interpretations adopted by the revenue service in advance of their effective date, the following new or revised Standards and Interpretations were in issue and not yet effective.

New/Revised International Financial Reporting Standards		Effective Date
IFRS 2	Share-based Payment -Amendment relating to vesting conditions and cancellations	Annual periods beginning on or after 1 January 2009
IFRS 3	Business Combinations -Comprehensive revision on applying the acquisition method	Annual periods beginning on or after 1 January 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations -Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IFRS 7	Financial Instruments: Disclosures -Amendments enhancing disclosures about fair value and liquidity risk	Annual periods beginning on or after 1 January 2009

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Notes to the financial statements for the year ended 31 March 2009



2.2 Standards and Interpretations in issue not yet adopted (continued)

New/Revised International Financial Reporting Standards		Effective Date
IFRS 8	Operating Segments	Annual periods beginning on or after 1 January 2009
IAS 7	Statement of Cash Flows -Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 16	Property, Plant and Equipment -Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 17	Leases -Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 23	Borrowing Costs -Comprehensive revision to prohibit immediate expensing -Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 36	Impairment of Assets -Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 38	Intangible Assets -Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for embedded derivatives when reclassifying financial instrument	Annual periods ending on or after 30 June 2009
IAS 39	Financial Instruments: Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2001

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Notes to the financial statements for the year ended 31 March 2009

The Directors anticipate that the above Standards and Interpretations will be adopted in the annual financial statements for the period commencing 1 April 2009. The Directors believe that the adoption of the relevant Standards and Interpretations will have no material impact on the results of BURS's operations in the period of initial application but will result in amendments to the presentation and disclosures in the annual financial statements.

2.3 Significant accounting judgments, estimates and assumptions

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

3. Significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with the 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 non-current assets. The principal accounting policies underlying the preparation of these financial statements are set out below.

3.3 Revenue recognition

- (i) *Government funding*
 - a) BURS is funded through funds appropriated by Parliament on an annual basis and disbursed by the Ministry of Finance and Development Planning.

- b) Government funding relating to the recurrent expenditure of BURS, disbursed for the purpose of giving immediate financial support to BURS with no future related costs, are recognised in the Statement of Comprehensive Income in the period in which they become receivable.

- c) 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 is transferred from capital reserve to the accumulated surplus/(deficit).

- (ii) *Interest income*

Interest income includes interest on bank deposits and is recognised in the Statement of Comprehensive Income on an accrual basis using effective interest method.

- (iii) *Commissions, auction sale proceeds, and other income earned*

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

3.4 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.

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Notes to the financial statements for the year ended 31 March 2009



3.4 Recognition of assets, liabilities, and provisions

(continued)

(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 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 amount owed to BURS as a result of providing services or allowing others to use BURS assets, and amounts as an advance or as a deposit for providing service to BURS. Receivables are stated at their nominal value as reduced by appropriate provisions for estimated irrecoverable amounts.

(vi) *Impairment of financial assets*

Financial assets are generally assessed for indicators of impairment at each statement of financial position date. 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.

3.5 Property, plant and equipment

(i) *Land and buildings and motor vehicles*

- 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) Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the statement of financial position date.

Any revaluation increase arising on the revaluation of such land and buildings and motor vehicles 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, in which case the increase is credited to the statement of comprehensive income to the extent of the decrease previously charged. 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 and motor vehicles is charged to the statement of comprehensive income. 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). No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.
- 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) *Computer and office equipment, leasehold improvements, and porta-camps*

Computer and office equipment, plant and equipment, 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:

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Notes to the financial statements for the year ended 31 March 2009

3.5 Property , plant & equipment (continued)

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 2/3
Computer and office equipment	3
Porta -camps	6 2/3
Leasehold improvements	the shorter of 6 2/3 years or remaining lease period remaining

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. It is estimated that the residual values of motor vehicles and computers will be negligible at the end of their useful lives.

(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. 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.

(v) *Repairs and maintenance*

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

(vi) *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.

3.6 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 statement of comprehensive income in the period in which they arise.

3.7 Foreign currencies

The financial statements of BURS are prepared and presented in Botswana Pula, the currency of the primary economic environment in which the Revenue Service 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 statement of financial position date. All differences are taken to the statement of comprehensive income. 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.

3.8 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 statement of comprehensive income when employees have rendered the service entitling them to the contributions.

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Notes to the financial statements for the year ended 31 March 2009



3.9 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 statement of financial position date. For employees on daily rate terms, an accrual is made for the severance benefits.

3.10 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.

3.11 Financial Instruments (measurement)

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

(i) *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.

(ii) *Trade payables*

Trade payables are initially measured at their nominal value, and are subsequently measured at cost using the effective interest method.

(iii) *Trade and other receivables*

Trade and other receivables are stated at their amortised cost as reduced by appropriate provisions for estimated irrecoverable amounts.

3.12 Related Party Transactions

BURS enters into various transactions with the Government, its key management personnel, and the Board of Directors. All related party transactions are entered into at arm's length in the ordinary course of business.

4. 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' financial performance.

4.1 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.

4.2 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. Based on year-end balances, the impact of any interest rate adjustments would not be significant hence no sensitivity analysis has been presented.

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Notes to the financial statements for the year ended 31 March 2009

4.3 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.

4.4 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. With the exception of certain employee benefits accruals, all of BURS's liabilities are current and will be settled within three months of the year end.

	2009 P'000	Restated 2008 P'000
5. GOVERNMENT FUNDING FOR RECURRENT EXPENDITURE		
Funding for recurrent expenditure	194,910	164,265
Less: utilised for capital expenditure	(12,438)	(7,228)
Add: transferred from capital expenditure	-	3,409
Funding utilised for recurrent expenditure	182,472	160,446
6. OTHER INCOME		
Bank interest	2,535	2,565
Rental income	2,113	1,222
Agency commissions receivable	18,369	-
Other income	1,024	1,047
Total other income	24,041	4,834

Agency collection commissions represent fees charged by BURS for collecting the following 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 and Alcohol levy (Department of Consumer Affairs)
- (iii) Motor vehicle road insurance (Motor Vehicle Accident Fund)
- (iv) Training levy (Botswana Training Authority)

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Notes to the financial statements for the year ended 31 March 2009



	<u>2009</u> P'000	Restated <u>2008</u> P'000
7. OTHER GAINS AND LOSSES		
Change in fair value of investment property	1,060	5,213
Loss on revaluation of property, plant and equipment	(653)	-
	<u>407</u>	<u>5,213</u>

	<u>2009</u> P'000	<u>2008</u> P'000
8. ADMINISTRATIVE EXPENSES		
Auditor's remuneration (see note below)	818	12
Computer support	3,402	2,445
Consultancy costs and legal costs	1,248	4,928
Depreciation of property, plant and equipment	11,709	8,450
Electricity and water	2,838	2,355
Printing, stationery and office expenses	8,959	5,615
Operating lease rentals	10,334	9,364
Repairs and maintenance	9,353	1,643
Telephone and postage	3,455	3,444
Training expenses	2,680	1,588
Seminars, workshops, travelling and other administrative expenses	11,129	11,945
Total administrative expenses	<u>65,925</u>	<u>51,789</u>

BURS has revised its policy on provisions to provide for auditor's remuneration relating to the audit of the current period's financial statements in line with the requirements of International Accounting Standards 8. P818,000 includes the current year provision of P659,000 and the charge relating to the audit of the prior year paid during the current year amounting to P159,000.

9. STAFF COSTS

Salaries and wages	128,038	104,020
Medical aid contribution	3,285	2,675
Employee benefits		
- Gratuity and severance	1,749	2,548
- Pension contribution	16,000	10,068
- Leave	4,514	5,011
Total staff costs	<u>153,586</u>	<u>124,322</u>

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Notes to the financial statements for the year ended 31 March 2009

	<u>2009</u> P'000	<u>2008</u> P'000
10. PROPERTIES REVALUATION RESERVE		
At 1 April 2008	60	-
Revaluation increase during the year	17,125	60
At 31 March 2009	17,185	60

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold Improvement	Motor Vehicles	Office Furniture	Computers & Office Equipment	Plant & Equipment	Porta Camps	Construction Work-in- Progress	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Cost/valuation										
At 1 April 2008	13,276	66,899	9,309	7,655	4,579	11,625	301	4,036	-	117,680
Additions	11,600	-	1,693	5,770	367	5,541	223	-	26,994	52,188
Disposal	-	-	-	(303)	-	(467)	-	-	-	(770)
Valuation increase /(decrease)	8,322	1,782	-	(1,219)	-	-	-	-	-	8,885
At 31 March 2009	33,198	68,681	11,002	11,903	4,946	16,699	524	4,036	26,994	177,983
Accumulated depreciation										
At 1 April 2008	-	2,193	1,926	1,678	901	4,009	129	396	-	11,232
Current year charge	-	1,726	1,982	2,113	737	4,440	106	605	-	11,709
Eliminated on disposal	-	-	-	(123)	-	(337)	-	-	-	(460)
Eliminated on revaluation	-	(3,919)	-	(3,668)	-	-	-	-	-	(7,587)
At 31 March 2009	-	-	3,908	-	1,638	8,112	235	1,001	-	14,894
Carrying amount										
At 31 March 2009	33,198	68,681	7,094	11,903	3,308	8,587	289	3,035	26,994	163,089

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Notes to the financial statements for the year ended 31 March 2009



11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Leasehold Improvement	Motor Vehicles	Office Furniture	Computers & Office Equipment	Plant & Equipment	Porta Camps	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Cost/Valuation									
At 1 April 2007	11,469	77,755	7,453	6,303	4,394	7,374	-	-	114,748
Additions	1,747	-	1,856	1,394	443	4,251	43	3,793	13,527
Valuation increase	60	-	-	-	-	-	-	-	60
Transferred to investment property	-	(10,613)	-	-	-	-	-	-	(10,613)
Reclassification	-	(243)	-	-	(258)	-	258	243	-
Transferred to the Government	-	-	-	(42)	-	-	-	-	(42)
At 31 March 2008	13,276	66,899	9,309	7,655	4,579	11,625	301	4,036	117,680
Accumulated depreciation									
At 01 April 2007	-	829	390	511	260	916	-	-	2,906
Current year charge	-	1,483	1,536	1,167	677	3,093	93	393	8,442
Elimination on transfer to investment property	-	(116)	-	-	-	-	-	-	(116)
Reclassification	-	(3)	-	-	(36)	-	36	3	-
At 31 March 2008	-	2,193	1,926	1,678	901	4,009	129	396	11,232
Carrying amounts									
At 31 March 2008	13,276	64,706	7,383	5,977	3,678	7,616	172	3,640	106,448

Basis of valuation of property, plant and equipment

The fair values of the land and buildings have been arrived at on the basis of a valuation conducted by Messrs CB Richard Ellis, independent professional valuers that are not related to BURS and are qualified for the purpose of the valuation.

The valuation has been conducted in accordance with the RCIS Appraisal and Valuation Manual and the Real Estate Institute of Botswana standards. Messrs CB Richard Ellis are members of the Real Estate Institute of Botswana.

Land includes Plot 8913, Gaborone with a fair value of P6,373,800 as at 31 March 2009.

	2009	2008
	P'000	P'000
Land	24,876	13,216
Buildings	62,980	64,704

The fair values of motor vehicles have been arrived at using the Auto Dealers Guide booklet for March 2009. The Auto Dealer's guide is a booklet published by TransUnion Auto Information Solutions in South Africa providing trade and retail values on all new and used models of motor vehicles. The values are derived from information on trading transactions reported to the publisher by reputable Traders all over South Africa and its neighbouring countries including Botswana.

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. Several meetings have been held between BURS and Botswana Railways during the year to resolve the issue.

At the date of finalising the financial statements, the matter had not been resolved and BURS is awaiting a response from Botswana Railways.

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

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Notes to the financial statements for the year ended 31 March 2009

12. INVESTMENT PROPERTY

	<u>2009</u>	<u>2008</u>
	P'000	P'000
At fair value		
At 1 April 2008	15,710	-
Property transferred from property, plant and equipment	-	10,497
Gain from fair value adjustments	1,060	5,213
At 31 March 2009	<u>16,770</u>	<u>15,710</u>

The fair value of investment property has been arrived at on the basis of a valuation conducted by Messrs CB Richard Ellis, who also valued land and buildings as per note 10.

Investment property is constructed on Plot 8913 discussed in note 10. The value of the land could not be apportioned to investment property by the valuers.

13. INVENTORIES

Printing and stationery supplies	2,374	1,534
Office and general expenses supplies	477	186
Low value tools and equipment supplies	87	53
Uniform and protective clothing supplies	682	22
Total inventory	<u>3,620</u>	<u>1,795</u>
Less: provision for obsolete stock	277	-
	<u>3,343</u>	<u>1,795</u>

Inventory represents unconsumed supplies held in store at year-end to be consumed in the rendering of services, pending issuance to different cost-centres.

14. TRADE AND OTHER RECEIVABLES

Agency commissions receivable	12,670	-
Funds receivable from Government	2,060	4,397
Staff receivables	130	147
Other receivables and prepayments	2,130	1,533
Total trade and other receivables	<u>16,990</u>	<u>6,077</u>

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Notes to the financial statements for the year ended 31 March 2009



15. CASH AND CASH EQUIVALENTS

	<u>2009</u>	<u>2008</u>
	P'000	P'000
Business call account and cash on hand	4,309	4,001
Gratuity call account	71	3,383
Development funds	176	10,988
Total cash and cash equivalents	4,556	18,372

16. TRADE AND OTHER PAYABLES

Trade payables and accruals	15,832	9,893
Rental accruals	2,649	4,139
Payroll deductions	338	338
Employee benefits accruals	13,506	13,313
Total trade and other payables	32,325	27,683

17. RELATED PARTY TRANSACTIONS

a) Transactions with Government of Botswana		
Government recurrent funding received	194,910	164,265
Development funding received	34,732	17,151
Total funding received from Government	229,642	181,416

b) Executive Management personnel compensation		
Salaries and other short term employee benefits	3,907	3,316
Post employment benefits	590	834
Total Executive Management personnel compensation	4,497	4,150

Executive management personal compensation covers personal employment and post employment benefits. Post employment benefits include pension and gratuities

c) Board members sitting allowance	56	66
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18. ADJUSTMENT FOR NON-CASH ITEMS

Depreciation of property, plant and equipment	11,709	8,442
Loss on revaluation of properties	653	-
Loss on disposal of property, plant and equipment	133	-
Adjustments on fair valuation of investment property	(1,060)	(5,213)
	11,435	3,229

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Notes to the financial statements for the year ended 31 March 2009

19. CONTINGENT LIABILITIES

BURS has facilities with First National Bank of Botswana Limited and Stanbic Bank Botswana each with a limit of P15,000,000 to provide staff with residential and motor vehicle loans. The amounts below represent BURS's exposure on guaranteed staff loan balances of employees at year end:

	<u>2009</u> P'000	<u>2008</u> P'000
First National Bank of Botswana Limited	3,856	2,829
Stanbic Bank Botswana Limited	571	222

20. 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:

Within one year	9,518	8,441
Within two to five years	16,503	22,907
Total operating leases	<u>26,021</u>	<u>31,348</u>

21. CAPITAL COMMITMENTS

Commitments for the acquisition or expansion of property, plant and equipment	<u>36,000</u>	<u>29,733</u>
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Significant contractual obligations falling due within the next financial year will be financed through Government funds approved during the current year. Significant contractual obligations include; procurement of mobile scanners estimated at P30 million, partitioning of Lobatse temporary office accommodation estimated at P3 million and balance remaining to complete the project for the construction of Matsiloje and Maitengwe border posts estimated at P3 million.

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Notes to the financial statements for the year ended 31 March 2009



22. PRIOR YEAR ADJUSTMENTS

The following adjustments have been made to the financial results and position reported in the prior years.

Change in fair value of investment property

In the prior year, the change in the fair value of investment property was erroneously reported in other comprehensive income instead of other gains and losses. The effect of this was to overstate the properties revaluation reserve by P5,213,000 and to understate the accumulated surplus by the same amount.

In the prior years, the following errors were made in the accounting for capital funding from the Government of Botswana:

- a) The capital funding received from the Government was previously accounted for in accordance with IAS 20: Accounting for Government Grants and Disclosure of Government Grants. Under this practice, the capital funding received was accounted for in the statement of changes in reserves as capital grants. However, the related amortisation of these grants was recognised in the statement of comprehensive income as other comprehensive income. In the current year, in order to reflect more accurately the nature of Government funding for the purchase of assets, an amount equivalent to the depreciation charge on a historical cost basis has been transferred from the accumulated surplus/(deficit) to the capital reserve in the statement of changes in reserves;
- b) Recurrent funds utilised to purchase property, plant and equipment were not recognised under capital funding in the statement of changes in reserves but were recognised as part of the recurrent funding in the statement of comprehensive income; and
- c) Where non-capital expenses were financed through the capital funding an equivalent amount was not transferred from capital funds to the accumulated surplus/(deficit).

The following adjustments to the amounts previously reported in previous years have been made to conform with the accounting policies adopted in the current year:

	<u>2008</u> P'000
Surplus /(deficit) for the year	
Gain on fair valuation of investment property	5,213
Reversal of recurrent funding utilised for capital expenditure	(7,228)
Amounts transferred from capital funding	3,409
<u>Increase/(decrease) in surplus for the year</u>	<u>1,394</u>

ANNUAL FINANCIAL STATEMENTS



(continued)

Notes to the financial statements for the year ended 31 March 2009

22. PRIOR YEAR ADJUSTMENTS (continued)

	<u>2008</u>	<u>2007</u>
	P'000	P'000
Accumulated surplus/(deficit)		
As previously stated	6,581	8,311
Net adjustments in respect of recurrent funds used to purchase capital assets	(6,488)	(11,042)
As restated	<u>93</u>	<u>(2,731)</u>
Capital reserve		
As previously stated	108,867	97,038
Adjustment for periods to 31 March 2007	11,042	-
Transfer of recurrent funds utilised to purchase assets	7,228	16,638
Transfer of additional depreciation charge in respect of assets funded by the Government	(3,162)	(5,596)
Transfer of funds utilised to finance recurrent expenditure	(3,409)	-
As restated	<u>120,566</u>	<u>108,080</u>
Properties revaluation reserve		
As previously stated	5,273	-
Reclassification on gain on fair valuation of investment property	(5,213)	-
As restated	<u>60</u>	<u>-</u>

23. SUBSEQUENT EVENTS

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 adjustments in the financial statements.



ANNUAL FINANCIAL STATEMENTS



31 MARCH 2009

ADMINISTERED GOVERNMENT REVENUE ACCOUNTS



GENERAL INFORMATION



BOARD MEMBERS

Taufila Nyamadzabo:	Chairperson
Daniel N. Loeto:	Vice Chairperson (Appointed: 27 November 2008)
Freddy Modise:	Commissioner General
John Y. Stevens	
Kedibonye Laletsang	
Siamisang T. Morolong:	(Re-appointed: 01 July 2008)
Alexander Yalala:	(Appointed: 01 July 2008)

BOARD SECRETARY

Lorato Khimbele: (Appointed: 02 October 2008)

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
Bank of Botswana

ANNUAL FINANCIAL STATEMENTS



31 March 2009

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Statement of Cash Flows	70
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ANNUAL FINANCIAL STATEMENTS



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 2009, 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, and the directors' report, on the cash basis of accounting as outlined in Note 1.2 and in the manner required by the Botswana Unified Revenue Service Act, 2003.

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 cash basis of accounting. The directors state that, for the year ended 31 March 2009, BURS has not complied with paragraph 28 (2) of the Botswana Unified Revenue Service Act 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.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The annual financial statements are prepared on the cash basis of accounting and are based on appropriate accounting policies consistently applied.

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 the revenue service 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.



ANNUAL FINANCIAL STATEMENTS

DIRECTORS' STATEMENT OF RESPONSIBILITY *(continued)*

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 endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

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 examined by BURS's external auditor and their audit report is presented on page 66.

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 68 to 81, which have been prepared on the going concern basis, were approved by the board on 27 October 2009 and were signed on its behalf by:

Board Chairperson

Commissioner General

INDEPENDENT AUDITOR'S REPORT

TO THE MINISTER OF FINANCE AND
DEVELOPMENT PLANNING



PO Box 778
Gaborone
Botswana

Deloitte & Touche
Assurance & Advisory Services
Certified Public Accountants
(Botswana)
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Botswana

Tel: +(267) 395 1611
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Report on the Financial Statements

We have audited the annual financial statements of Botswana Unified Revenue Service: Administered Government Revenue Accounts, set out on pages 68 to 77, which comprise the statement of financial position as at 31 March 2009, the statement of financial performance, the statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 in the manner required by the Botswana Unified Revenue Service Act, 2003.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 judgment, 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.

National Executive: GG Gelinik Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit
DL Kennedy Tax & Legal and Risk Advisory L Geering Consulting L Bam Corporate Finance CR
Beukman Finance TJ Brown Clients & Markets NT Mtoba Chairman of the Board CR Qually Deputy
Chairman of the Board Resident Partners: M Marinelli Senior Partner FC Els P Naik CV Ramatlapeng
M Bardopoulos

A full list of partners and directors is available on request

Member of Deloitte Touche Tohmatsu

INDEPENDENT AUDITOR'S REPORT



TO THE MINISTER OF FINANCE AND
DEVELOPMENT PLANNING

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Botswana

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Opinion

In our opinion, the financial statements present, in all material respects, the financial position of Botswana Unified Revenue Service: Administered Government Revenue Accounts as at 31 March 2009, and of its financial performance and its cash flows for the year ended in accordance with the cash basis of accounting as outlined in accounting policy Note 1.2 and in the manner required by the Botswana Unified Revenue Service Act, 2003.

Report on other Legal and Regulatory Requirements

For the year ended 31 March 2009, BURS has not complied with paragraph 28 (2) of the Botswana Unified Revenue Service Act 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.

Other Matter

Without qualifying our opinion, we draw attention to the fact that supplementary information set out on pages 78 to 81 does not form part of the annual financial statements and is presented as additional information. We have not audited these annexures and accordingly we do not express an opinion on them.

Deloitte & Touche

27 October 2009

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit
DL Kennedy Tax & Legal and Risk Advisory L Geeringh Consulting L Bam Corporate Finance CR
Beukman Finance TJ Brown Clients & Markets NT Mtoba Chairman of the Board CR Qually Deputy
Chairman of the Board Resident Partners: M Marinelli Senior Partner FC Els P Naik CV Ramatlapeng
M Bardopoulos

A full list of partners and directors is available on request

Member of Deloitte Touche Tohmatsu

ANNUAL FINANCIAL STATEMENTS

(continued)



Statement of Financial Performance

for the year ended 31 MARCH 2009

	Notes	<u>2009</u> P'000	<u>2008</u> P'000
Revenue			
Revenue collected on behalf of the Government of Botswana			
Tax revenues and Customs Union Receipts			
Income tax	2	7,900,352	7,221,405
Value Added Tax	3	3,544,315	2,899,059
Customs Union Receipts	4	7,750,129	7,834,806
Other tax revenue	5	785	2,521
Total tax revenues and Customs Union Receipts		19,195,581	17,957,791
Non-tax revenue	6	2,339	1,731
Revenue collected on behalf of the Government		19,197,920	17,959,522
Revenue collected on behalf of other Government Departments	7	156,265	68,848
Total revenue collected for the year		19,354,185	18,028,370

ANNUAL FINANCIAL STATEMENTS



(continued)

Statement of Financial Position

As at 31 MARCH 2009

	Notes	<u>2009</u> P'000	<u>2008</u> P'000
Administered assets			
Current assets			
Amount due by Government Remittance Account	11	1,947	-
Accounts receivable	8	16,050	6,824
Cash and cash equivalents	9	260,288	281,024
Total administered assets		278,285	287,848
Administered liabilities			
Current liabilities			
Amount due to Government Remittance Account		152,478	-
Accounts payables	10	278,285	135,370
Total administered liabilities		278,285	287,848

ANNUAL FINANCIAL STATEMENTS

(continued)



Statement of Changes in Net Assets

for the year ended 31 MARCH 2009

	P'000
Amount due to/ (by) Government Remittance Account	
Balance at 1 April 2007	-
Total revenue collected for the year	18,028,370
Transfers to Government Remittance Account	17,875,892
Balance at 31 March 2008	152,478
Total revenue collected for the year	19,354,185
Transfers to Government Remittance Account	(19,508,610)
Balance at 31 March 2009	(1,947)

Statement of Cash Flows

for the year ended 31 MARCH 2009

	<u>2009</u>	<u>2008</u>
	P'000	P'000
Cash flows from operating activities		
Net (payments)/collections for the year	(154,425)	152,478
Movement in other assets and liabilities		
Increase in accounts receivable	(9,226)	(6,824)
Increase in accounts payable	142,915	135,370
Net movement in non-cash assets and liabilities	133,689	128,546
(Decrease)/increase in cash and cash equivalents	(20,736)	281,024
Cash and cash equivalents at beginning of year	128,546	-
Cash and cash equivalents at end of year	260,288	281,024

ANNUAL FINANCIAL STATEMENTS



(continued)

Notes to the financial statements for the year ended 31 March 2009

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 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 cash basis of accounting. In the prior year, BURS took over the responsibility for revenue accounting and reporting from the Government's Department of the Accountant General. BURS has taken advantage of the transitional provisions of IPSAS 23 Revenue for Non – Exchange Transactions, which allows an entity to maintain their existing accounting policies in respect of recognition and measurement of taxation revenue for reporting periods beginning on a date within five years following the date of first adoption of IPSAS 23. Consequently, BURS has prepared the financial statements on a cash basis in line with accounting principles of the Government of Botswana.

1.3 Adoption and implementation of IPSAS 23

IPSAS 23 was approved by the International Public Sector Accounting Standards Board and the Board of the International Federation of Accountants and issued in December 2006. The standard became effective for annual financial statements covering periods from 30 June 2008 (earlier adoption encouraged). The Standard prescribes requirements for financial reporting of the revenue arising from non-exchange transactions. Paragraphs 116-119 of the Standard however allow a five year transitional period from the existing cash basis accounting framework to an accrual basis of accounting.

BURS is in the process of conducting research on accrual accounting and anticipates that it will develop reliable models and policies for measuring and recognising tax revenue to enable compliance with the requirements of the Standard, within the five year transitional period. BURS early adopted IPSAS 23 on 1 April 2007.

BURS will subsequently prepare its financial statements on the accrual basis and the changeover from a cash basis will be properly accounted for and disclosed in the financial statements.

1.4 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 annexure), which is reported in units of Pula.

1.5 General accounting policies

1.5.1 *Penalty interest*

Interest is charged to taxpayers when tax liabilities have not been paid by the due dates in accordance with the Revenue Laws.

ANNUAL FINANCIAL STATEMENTS

(continued)

Notes to the financial statements for the year ended 31 March 2009 (continued)



1. Significant accounting policies *continued

1.5.2 Customs fines

Income generated from penalties is recorded as Tax Revenue and is payable to the Government Remittance Account whilst income generated from customs fines is recorded as non-tax revenue. Fines are charges collected from violators of Customs laws such as non-declaration or undervaluation of goods at the time of importation. Penalties are statutory payments for failure to comply with the Revenue Laws and are paid as admission of guilt.

1.5.3 Debtors

For these financial statements, debtors' balances disclosed in the Statement of Financial Position are debtors for dishonoured cheques and receivable from BURS own accounts resulting from overpayment of commission withheld on third party collections. Dishonoured cheques recoveries prior to the establishment of BURS are credited in the statement of financial performance as Other Tax Revenue as the debtor accounts did not exist in the accounts receivable module.

1.5.4 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.

1.6 Revenue recognition

Tax revenues and Customs Union Receipts Recognition on cash basis

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.

1.7 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.

ANNUAL FINANCIAL STATEMENTS



Notes to the financial statements for the year ended 31 March 2009

2. Income Tax

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

	<u>2009</u> P'000	<u>2008</u> P'000
Withholding tax	1,237,120	921,068
Deducted tax (Pay As You Earn)	1,931,868	1,660,936
Assessed tax	4,689,071	4,608,712
Penalty interest	34,713	29,773
Capital transfer tax	7,580	916
Total	7,900,352	7,221,405

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 year ended 31 March 2009 represent the actual cash paid out as VAT refunds. The VAT revenue received during the year is analysed as follows:

	<u>2009</u> P'000	<u>2008</u> P'000
VAT import	2,584,509	2,059,122
VAT internal	1,967,202	1,589,289
VAT interest and penalties	38,648	23,317
Fuel levy	133,139	135,160
Gross receipts	4,723,498	3,806,888
Less: Refunds	1,179,183	907,829
Net VAT receipts	3,544,315	2,899,059

ANNUAL FINANCIAL STATEMENTS

31 March 2009 (continued)

Notes to the financial statements for the year ended 31 March 2009



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 shares 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.

5. Other Tax Revenue

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

	<u>2009</u> P'000	<u>2008</u> P'000
Received from the replacement of previous years dishonoured cheques	785	2,521

6. Non-tax Revenue

Non-tax revenue consists of interest on call deposit accounts, 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:

	<u>2009</u> P'000	<u>2008</u> P'000
Licence fees	25	20
Customs fines	2,307	1,593
Interest - call deposit	7	118
Total	2,339	1,731

ANNUAL FINANCIAL STATEMENTS



31 March 2009 (continued)

Notes to the financial statements for the year ended 31 March 2009

7. Revenue Collected On Behalf Of Other Government Departments

BURS collects revenue on behalf of other Government Departments at border posts. These include the Department of Roads Transport and Safety and the Department of Consumer Affairs. The levies which are collected on behalf of the Department of Road and Transport Safety are permit fees and road safety tokens, whilst the flour levy and the alcohol levy are collected on behalf of the Department of Consumer Affairs. The amount reported as revenue collected on behalf of other Government departments includes the following:

	<u>2009</u> P'000	<u>2008</u> P'000
Road safety tokens	3,751	3,036
Transport permits	82,396	63,260
Flour levy	2,242	2,552
Alcohol levy	67,876	-
Total	156,265	68,848

8. Accounts Receivable

Accounts Receivable represent debtors in respect of cheques dishonoured by banks, overpayment to BURS "Own Accounts" on commission withheld from third parties collections and advance and Point of Sale Bank charges. The breakdown of receivables is analysed as follows:

	<u>2009</u> P'000	<u>2008</u> P'000
Dishonored Cheques:	15,188	6,438
Receivable from BURS Own Accounts:		
BURS commission overpaid	637	-
BURS advance overpaid	100	-
Point of Sale and other bank charges	125	28
Fluctuation in foreign currency	-	358
Total	16,050	6,824

9. Cash and Cash Equivalents

The cash and bank balance of P260,288,000 (2008: P281,024,000) represents funds held by BURS pending transfer to Government Remittance Account, SACU Common Revenue Pool, payment of VAT refunds and payment to accrued revenue liabilities as well as payment to other creditors.

ANNUAL FINANCIAL STATEMENTS

31 March 2009 (continued)

Notes to the financial statements for the year ended 31 March 2009



10. Accounts Payables

A breakdown of creditors, accrued revenue liabilities and deferred revenue payable within one year is as follows:

	Creditors P'000	Accrued revenue Liability P'000	deferred revenue P'000	Total P'000
31 March 2009				
Temporary deposits	-	7,412	-	7,412
Customs and excise duties	-	208,128	-	208,128
BURS miscellaneous receipts	-	2,090	-	2,090
Gross payments	-	-	3,806	3,806
Advance received from Government	1,000	-	-	1,000
Training levy (Botswana Training Authority)	-	51,802	-	51,802
Assurance Levy (Motor Vehicle Accident Fund)	-	2,532	-	2,532
Unpresented cheques	431	-	-	431
Fluctuation in foreign currency	-	913	-	913
Cash gain	-	57	-	57
Bank clearing account	-	114	-	114
	1,431	273,048	3,806	278,285
31 March 2008				
Temporary Deposit		10,355		10,355
Customs and Excise duties		119,852		119,852
BURS miscellaneous receipts		356		356
Gross payments			2,695	2,695
Advance received from Government	1,000			1,000
Advance received from BURS	200			200
Bank clearing account		912		912
TOTAL	1,200	131,475	2,695	135,370

ANNUAL FINANCIAL STATEMENTS



31 March 2009 (continued)

Notes to the financial statements for the year ended 31 March 2009

10. Accounts Payables (continued)

Creditors

Creditors are amounts established as due at year end. These include an advance of funds towards operating a dishonoured cheques bank account and un-presented cheques in respect of VAT refunds. The funds were advanced from BURS Own Accounts and from the Government of Botswana. All cheques dishonoured by Barclays Bank of Botswana are debited to the dishonoured cheques bank account so that the main collection account is not distorted by dishonoured cheques. To maintain this account in credit, the Government advanced P1,000,000 as a cushion for the debit balance. To open the account while waiting for the disbursement of P1,000,000 BURS temporarily transferred P200,000 from its operational bank accounts (BURS Own Accounts) which has since been repaid during the current financial year. The creditors balance therefore represents the P1,000,000 from Government and P 431, 000 being stale cheques for VAT refunds.

Accrued revenue liability

Accrued revenue liabilities amounting to P273,048,000 (2008: P131,475,000) include amounts collected and held by BURS at year end which are payable to third parties. These include: VAT refunds, customs and excise duties, training levy, Motor Vehicle Assurance collections, commissions withheld and other miscellaneous receipts.

The amount in the bank clearing account represents funds erroneously transferred into BURS bank accounts by Barclays Bank of Botswana, which do not belong to BURS and are pending reversal by the Barclays Bank of Botswana.

Deferred revenue

Deferred Revenue amounting to P3,806,000 (2008: P2,695,000) includes money paid in the current and previous year to the Revenue Service that relates to transactions that may occur in future accounting periods, e.g. money deposited in the Gross Payment account to cater for future import of goods.

11. Amount Due By Government Remittance Account

The amount of P1,947,000 as due by the Government Remittance Account represents overpayment of alcohol levy collections as at year end. The amount will be deducted from the next transfer to the Government Remittance Account.

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2009 (continued)



Unaudited annexures to the annual financial statements

for the year ended 31 March 2009

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 AT 31 MARCH 2009

	SACU Pool Pula	Motor Vehicle Assurance Fund Pula	Botswana Training Authority Pula	TOTAL Pula
Balance at 01 April 2008	119,851,143	-	-	119,851,143
Collections	870,017,073	16,032,970	176,035,435	1,062,085,478
Adjustments	(67,375,829)	(6,863,083)	(23,265,105)	(97,504,017)
Payments	(714,364,853)	(6,638,015)	(100,968,557)	(821,971,425)
Balance at 31 March 2009	208,127,535	2,531,872	51,801,763	262,461,179

Collections to third parties represent funds that had not been transferred at year end from collections due from service level agreements. BURS has entered into service level agreements with Government Departments and Parastatals to collect revenue on their behalf. The agreements are as follows; Botswana Training Authority for the collection of the training levy, Motor Vehicle Accident Fund for the collection of assurance levy, and Department of Roads and Transport Services for the collection of levies relating to roads transport licences and roads safety tokens.

ANNUAL FINANCIAL STATEMENTS



for the year ended 31 March 2009 (continued)

Unaudited annexures to the annual financial statements

for the year ended 31 March 2009 (continued)

ANNEXURE 2: SCHEDULE OF ARREARS OF REVENUE

31 MARCH 2009

Description	Balance at 01 April 2008	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 2009
	Pula	Pula	Pula	Pula	Pula	Pula
Licence fees	200	(200)	-	-	-	-
VAT internal	185,622,987	(35,289,123)	-	150,333,864	61,009,291	211,343,155
VAT interest and penalties	134,287,400	(47,032,020)	-	87,255,380	55,421,540	142,676,920
Assessed tax	251,627,042	(45,017,983)	(29,971,970)	176,637,089	243,983,792	420,620,881
Assessed tax interest	268,094,349	(11,357,841)	(32,626,903)	224,109,605	98,552,434	322,662,039
TOTAL	839,631,978	(138,697,167)	(62,598,873)	638,335,938	458,967,057	1,097,302,995

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2009 (continued)



Unaudited annexures to the annual financial statements

for the year ended 31 March 2009 (continued)

ANNEXURE 2: SCHEDULE OF ARREARS OF REVENUE (continued)

31 MARCH 2008

Description	Balance as at 01 April 2007	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 2008
Licence fees	4,530	(3,030)	(1,400)	100	100	200
Sales tax	388,943	-	(388,943)	-	-	-
VAT internal	157,169,129	(59,766,192)	3,630,202	101,033,139	84,559,849	185,622,987
VAT interest and penalties	109,584,539	(37,291,652)	-	72,292,887	61,994,513	134,287,400
Assessed tax	231,757,045	(35,631,987)	(16,210,866)	179,914,192	71,712,850	251,627,042
Assessed tax interest	321,247,958	(14,120,441)	(100,682,898)	206,444,619	61,649,730	268,094,349
Total	820,152,144	(146,813,302)	(113,653,905)	559,684,937	279,947,041	839,631,978



ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2009 *(continued)*

Unaudited annexures to the annual financial statements

for the year ended 31 March 2009 *(continued)*

ANNEXURE 2: SCHEDULE OF ARREARS OF REVENUE *(continued)*

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 a cash basis. Arrears of revenue are presented in units of Pula to clearly reflect balances below P1, 000 and movements during the year.

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.



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Auditors
(Deloitte & Touche)

Advertising Agency
(Native Impressions)

Photography
(Image Lounge)

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