

FY2020-2021 Monthly Budget Update-**AUGUST 2020**

Budget Division
Ministry of Finance



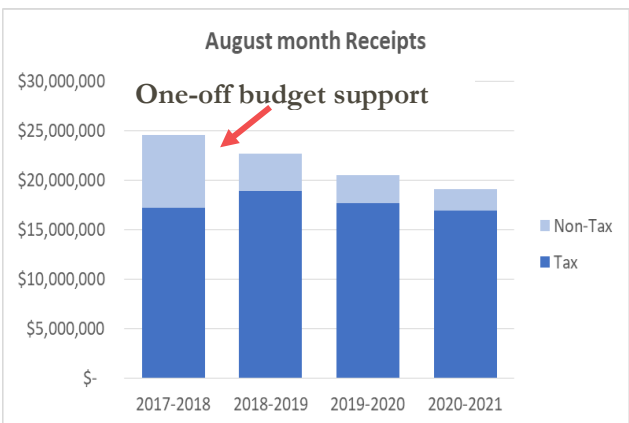
Provisional figures as of Wednesday 16th September, 2020

Monthly Performance	(August 2020)	FY 2020-21 Receipts (July-Aug)	FY 2020-21 Payments (July-Aug)
Receipts	\$ 19.1 million		
Payments	<u>\$ 25.3 million¹</u>		
Year To Date:	(July-Aug 20)		
Receipts	\$ 36.4 million		
Payments	<u>\$ 44.7 million²</u>		

Estimated outturn by end of June 2021:³	By the end of June 2021, the recurrent budget is expected to remain in a deficit of:
Receipts	\$ 359.4 million
Payments	<u>\$ 380.0 million</u>
Deficit Balance	(\$ 20.6 million) – including financing options to loan & issue bond
	(\$ 59.6 million) – excluding financing options to loan & issue bond

Compared to previous years' performances:	Aug 2020	Aug 2019	Variance (year on year)	Past 3 years average (avg.)	Variance (Aug 20 vs. avg)
Receipts	\$ 19.1 million	\$ 20.5 million	(\$1.4) million	\$ 22.6 million	(\$3.5) million
Payments	\$ 25.3 million	\$ 25.1 million	\$0.2 million	\$ 22.4 million	\$2.9 million

Receipts Performance



- Receipts in Aug 2020 was \$3.5m lower than the usual collection for the Aug month in the past 3 years; largely from excise taxes. This was in line with lower volume of imports from the main sources of excise tax receipts – tobacco & alcohol; which may suggest that COVID-19 curfews have led to lower alcohol consumption, coupled with a shift in demand from imported to locally produced tobacco.

- Furthermore, the negative impacts of COVID-19 have proven more evident in the local tourism sector due to travel restrictions. Year-on-year, lower collection was experienced in Aug 2020 from corporate taxes and non-residents' withholding taxes by \$0.3m and \$0.5m respectively.

¹ Includes \$655k worth of payment returns that are yet to be recorded in the system for August 2020 alone (overseas & Niua offices)
² Includes \$1.3m worth of payment returns that are yet to be recorded in the system for July-August 2020 (overseas & Niua offices)
³ Actuals for July 2020 - Aug 2020 PLUS Forecast for Sept 2020 - June 2021

<p><i>Payments Performance</i></p>	<ul style="list-style-type: none"> On the other hand, consumption taxes (CT) collection was on track in Aug 2020, collecting \$1.2m higher year-on-year despite on-going exemptions and the anticipated negative impact of COVID-19 on trade. <div data-bbox="422 294 1071 714" data-label="Figure"> <table border="1"> <caption>August month Payments (Estimated values in \$)</caption> <thead> <tr> <th>Period</th> <th>Wage bill costs</th> <th>Operations</th> <th>Debt</th> <th>Assets</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2017-2018</td> <td>10,000,000</td> <td>7,000,000</td> <td>0</td> <td>1,000,000</td> <td>18,000,000</td> </tr> <tr> <td>2018-2019</td> <td>13,000,000</td> <td>10,000,000</td> <td>0</td> <td>1,000,000</td> <td>24,000,000</td> </tr> <tr> <td>2019-2020</td> <td>12,000,000</td> <td>11,000,000</td> <td>0</td> <td>1,000,000</td> <td>24,000,000</td> </tr> <tr> <td>2020-2021</td> <td>11,000,000</td> <td>10,000,000</td> <td>3,000,000</td> <td>1,000,000</td> <td>25,000,000</td> </tr> </tbody> </table> </div> <ul style="list-style-type: none"> Total payments in Aug 2020⁴ - which included a \$3m debt payment, was fairly the same amount spent in Aug last year at \$25.3m. Without this debt payment, Aug 2020 performance would have been \$22.3m instead. This lower spending in Aug 2020 was mainly from operational payments such as less travels overseas and the deferral of major activities due to COVID-19 such as the annual Royal Agricultural show. 	Period	Wage bill costs	Operations	Debt	Assets	Total	2017-2018	10,000,000	7,000,000	0	1,000,000	18,000,000	2018-2019	13,000,000	10,000,000	0	1,000,000	24,000,000	2019-2020	12,000,000	11,000,000	0	1,000,000	24,000,000	2020-2021	11,000,000	10,000,000	3,000,000	1,000,000	25,000,000
Period	Wage bill costs	Operations	Debt	Assets	Total																										
2017-2018	10,000,000	7,000,000	0	1,000,000	18,000,000																										
2018-2019	13,000,000	10,000,000	0	1,000,000	24,000,000																										
2019-2020	12,000,000	11,000,000	0	1,000,000	24,000,000																										
2020-2021	11,000,000	10,000,000	3,000,000	1,000,000	25,000,000																										
<p>Performance by Ministry:</p> <p><i>See Annex 1 for more details by Ministry</i></p>	<ul style="list-style-type: none"> In light of the performance in Aug 2020, it is anticipated that by the end of June 2021 all Ministries will remain within their annual budget allocations. However, ongoing dialogue is being carried out to ensure more efficient and effective use of existing allocations; and possible savings to be made in the anticipation of the budget deficit this FY. A total of \$15m was allocated in the recurrent budget for COVID-19 related expenses. From July-Aug 2020, around \$0.4m or 3% has been utilized. Majority of the spending has been on various preparedness efforts such as, provision of water tanks throughout schools in Tonga, equipment to assist ministries in conducting online virtual meetings; and provision of PPEs, hand-washing hygienic and sanitary supplies. 																														
<p>Performance by Budget Category:</p> <p><i>See Annex 2 for more details by Category</i></p>	<ul style="list-style-type: none"> Top 2 Receipt Categories that have majority of their targets collected to date: <ul style="list-style-type: none"> Taxes on Goods & Services (18% or \$16.3 million) Fees & Licenses (16% or \$4.0 million) Top 2 Payment Categories that have majority of their estimates spent to date: <ul style="list-style-type: none"> Travel & Communication (20% or \$1.9 million) Established Staff (13% or \$20.1 million) 																														
<p>Conclusion</p>	<ul style="list-style-type: none"> Spending seems to be well controlled in Aug 2020, however receipts are continuing to show the negative impact of COVID-19 particularly in the tourism sector as reflected in the lower collection from corporate taxes (large businesses) and withholding tax from non-residents. 																														

⁴ The 'August month Payments' graph does not take into account the returns that are yet to be in the system for August 2020 as the breakdown by category is currently not available, but will be accounted for in the report for next month

Annex 1 – Payments & Receipts by Ministry

Table 1: FY2020/21 Payments by Ministry

Ministry	Budget 2020/21	Jul-Aug 2020	% spent	Remaining Balance
Palace Office	\$ 3,669,100	\$ 489,826	13%	\$ 3,179,274
Legislative Assembly	\$ 12,475,600	\$ 1,277,085	10%	\$ 11,198,515
Tonga Office of the Auditor General	\$ 1,941,400	\$ 248,133	13%	\$ 1,693,267
Office of the Ombudsman	\$ 1,547,900	\$ 177,636	11%	\$ 1,370,264
Ministry of Foreign Affairs	\$ 10,306,500	\$ 629,483	6%	\$ 9,677,017
His Majesty's Armed Forces	\$ 10,701,600	\$ 1,660,746	16%	\$ 9,040,854
Prime Minister's Office	\$ 4,476,000	\$ 575,761	13%	\$ 3,900,239
Ministry of Finance	\$ 106,925,600	\$ 9,071,479	8%	\$ 97,854,121
Ministry of Revenue & Customs	\$ 10,047,600	\$ 1,220,721	12%	\$ 8,826,880
Ministry of Public Enterprises	\$ 1,471,200	\$ 201,436	14%	\$ 1,269,764
Ministry of Trade & Eco Development	\$ 6,992,300	\$ 556,970	8%	\$ 6,435,330
Ministry of Justice and Prison	\$ 11,697,000	\$ 1,580,981	14%	\$ 10,116,019
Attorney General's Office	\$ 3,229,100	\$ 250,326	8%	\$ 2,978,774
Ministry of Police & Fire Services	\$ 13,733,000	\$ 1,860,716	14%	\$ 11,872,284
Ministry of Health	\$ 48,229,400	\$ 6,332,136	13%	\$ 41,897,264
Ministry of Education & Training	\$ 56,777,200	\$ 8,928,387	16%	\$ 47,848,813
Ministry of Internal Affairs	\$ 8,298,300	\$ 933,131	11%	\$ 7,365,169
Ministry of Agriculture, Food & Forests	\$ 10,355,200	\$ 1,187,041	11%	\$ 9,168,159
Ministry of Infrastructure	\$ 25,181,300	\$ 1,926,764	8%	\$ 23,254,536
Ministry of Lands & Natural Resources	\$ 6,126,600	\$ 705,575	12%	\$ 5,421,025
Public Service Commission	\$ 2,064,900	\$ 236,940	11%	\$ 1,827,960
Statistics Department	\$ 3,330,200	\$ 270,210	8%	\$ 3,059,990
MEIDECC	\$ 8,290,500	\$ 1,052,508	13%	\$ 7,237,992
Ministry of Fisheries	\$ 4,707,600	\$ 740,437	16%	\$ 3,967,163
Ministry of Tourism	\$ 7,472,300	\$ 1,258,542	17%	\$ 6,213,758
Grand Total	\$ 380,047,400	\$ 43,372,971	11%	\$ 336,674,429
<i>+ Estimated returns yet to be in the system</i>		\$ 1,300,000		
Total Spending to date (July-Aug 20)		\$ 44,672,971	12%	\$ 335,374,429

Table 2: FY2020-2021 Receipts by Ministry

Ministry	Budget 2020/21	Jul-Aug 2020	% rec	Remaining Balance
Tonga Office of the Auditor General	\$ 75,000	\$ 6,000	8%	\$ (69,000)
Ministry of Foreign Affairs	\$ 2,018,000	\$ 151,512	8%	\$ (1,866,488)
His Majesty's Armed Forces	\$ 20,000	\$ -	0%	\$ (20,000)
Prime Minister's Office	\$ 10,000	\$ 4,500	45%	\$ (5,500)
Ministry of Finance	\$ 102,423,200	\$ 887,208	1%	\$ (101,535,992)
Ministry of Revenue & Customs	\$ 230,029,900	\$ 31,596,838	14%	\$ (198,433,062)
Ministry of Public Enterprises	\$ 2,854,100	\$ 12,473	0%	\$ (2,841,627)
Ministry of Trade, Economic & Development	\$ 672,000	\$ 109,070	16%	\$ (562,930)
Ministry of Justice and Prison	\$ 2,031,400	\$ 274,284	14%	\$ (1,757,116)
Ministry of Police & Fire Services	\$ 466,100	\$ 25,130	5%	\$ (440,970)
Ministry of Health	\$ 1,500,000	\$ 144,251	10%	\$ (1,355,749)
Ministry of Education & Training	\$ 2,701,700	\$ 892,947	33%	\$ (1,808,753)
Ministry of Internal Affairs	\$ 26,000	\$ 2,780	11%	\$ (23,220)
Ministry of Agriculture, Food & Forests	\$ 1,648,000	\$ 161,535	10%	\$ (1,486,465)
Ministry of Infrastructure	\$ 8,345,000	\$ 1,405,642	17%	\$ (6,939,358)
Ministry of Lands & Natural Resources	\$ 1,049,600	\$ 129,732	12%	\$ (919,868)
MEIDECC	\$ 850,000	\$ 4,114	0%	\$ (845,886)
Ministry of Fisheries	\$ 2,300,000	\$ 607,753	26%	\$ (1,692,247)
Ministry of Tourism	\$ 418,200	\$ 23,311	6%	\$ (394,889)
Grand Total	\$ 359,438,200	\$ 36,439,081	10%	\$ (322,999,119)

Annex 2 – Payments & Receipts by Category

Table 3: FY2020-2021 Payments by Category

Payments Category	Budget 2020/21	Transfers	Revised Budget 2020/21	Jul-Aug 2020	% spent	Remaining Balance
Established Staff	\$ 150,813,200	\$ (108,870)	\$ 150,704,330	\$ 20,105,673	13%	\$ 130,707,527
Unestablished Staff	\$ 10,260,700	\$ 108,870	\$ 10,369,570	\$ 1,362,405	13%	\$ 8,898,295
Travel & Communication	\$ 9,165,100	\$ 394,700	\$ 9,559,800	\$ 1,894,321	20%	\$ 7,270,779
Maintenance & Operations	\$ 28,659,800	\$ (486,752)	\$ 28,173,049	\$ 2,628,245	9%	\$ 26,031,555
Purchase of Goods & Services	\$ 64,305,200	\$ (101,893)	\$ 64,203,308	\$ 6,168,799	10%	\$ 58,136,401
Grants and Transfers	\$ 42,510,500	\$ -	\$ 42,510,500	\$ 5,475,943	13%	\$ 37,034,557
Development Duties Expenditure	\$ 3,769,900	\$ -	\$ 3,769,900	\$ 30,429	1%	\$ 3,739,471
Debt Management	\$ 46,536,900	\$ -	\$ 46,536,900	\$ 4,166,427	9%	\$ 42,370,473
Contingency Fund	\$ 5,000,000	\$ -	\$ 5,000,000	\$ -	0%	\$ 5,000,000
Pension & Gratuities	\$ 5,499,900	\$ -	\$ 5,499,900	\$ 641,206	12%	\$ 4,858,694
Assets	\$ 13,126,200	\$ 193,944	\$ 13,320,144	\$ 899,523	7%	\$ 12,226,677
Equity Payment	\$ 400,000	\$ -	\$ 400,000	\$ -	0%	\$ 400,000
Grand Total	\$ 380,047,400		\$ 380,047,400	\$ 43,372,971	11%	\$ 336,674,429
			<i>+ Estimated returns yet to be in the system</i>	\$ 1,300,000		
			Total Spending to date (July-Aug 20)	\$ 44,672,971	12%	\$ 335,374,429

Table 4: FY2020-2021 Receipts by Category

Receipts Category	Budget 2020/21	Jul-Aug 2020	% rec	Remaining Balance
Income Tax	\$ 54,632,500	\$ 5,148,338	9%	\$ (49,484,162)
Trade Taxes	\$ 21,048,100	\$ 2,911,001	14%	\$ (18,137,099)
Taxes on Goods & Services	\$ 91,735,400	\$ 16,339,137	18%	\$ (75,396,263)
Excise Taxes	\$ 63,533,500	\$ 7,777,426	12%	\$ (55,756,074)
Fees & Licences	\$ 25,057,500	\$ 3,990,615	16%	\$ (21,066,885)
Entrepreneurial & Property Income	\$ 8,885,400	\$ 151,707	2%	\$ (8,733,693)
Miscellaneous Revenue Items	\$ 434,100	\$ 65,306	15%	\$ (368,794)
Capital & Other Transfers	\$ 55,642,100	\$ 55,550	0%	\$ (55,586,550)
Budget Support & Revolving	\$ 38,469,600	\$ -	0%	\$ (38,469,600)
Grand Total	\$ 359,438,200	\$ 36,439,081	10%	\$ (322,999,119)