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BELIZE FISCAL STUDY

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Executive Summary

This review of the fiscal system of Belize was conducted between May and August 2002 through the sponsorship of the Inter-American Development Bank and the request of Government of Belize. The emphasis of the study is on the revenue system in terms of its design, administration and its effectiveness in revenue mobilization.

Belize is facing a critical public sector deficit situation, but its revenue system, although somewhat unconventional, is performing remarkably well. With its revenue collections amounting to over 22 percent of GDP, it is one of the most effective revenue systems in Central America and the Caribbean. The urgent need in Belize is for prudence in public sector expenditure decision making.

At present the tax system relies heavily on taxes on international transactions. They amount to approximately 8 percent of GDP or approximately 36 per cent of total revenues. The other major sources of revenue are the sales and excise taxes that account for about 25 percent of total revenue, the business tax raises about 15 percent of total revenue and the individual income tax that generates about 5 percent of total revenue.

This study has reviewed each of the components of the revenue system to determine what improvements could be made in order to both enhance the economic characteristics of each of the taxes as well as to increase its revenue raising effectiveness.

A major challenge facing the fiscal system of Belize in the future will be the necessity to reduce its reliance on the use of import tariffs to collect tax revenues. This will be forced on it through its membership in Caricom and its bilateral and multilateral negotiations of other free trade arrangements. Fortunately, the present structure of import tariffs makes this problem a reasonably easy task to deal with for Belize. Many of the high import tariffs are levied on commodities that in most modern tax systems would be subject to excise taxes. Hence it needs to legally redefine its excise tax system so that it can be applied to both imports and domestic production of specific commodities. It is recommended that the government should lower the rate of tariffs on these commodities and increase the rates of excise tax on these same items. In this way the government can simultaneously reduce the rates of tariff protection while maintaining or enhancing the current level of revenues from these sources.

The following is a summary of the principal recommendations of this review along with an estimate of the revenue impact of the proposed changes.

<u>Business Tax</u>

Recommendations:

1. Raise tax rate on professional receipts from 4 percent to 15 percent.
2. Raise tax rate on financial institutions that form part of a public investment company from 4 percent to 6 percent.

3. Raise rates on receipts that are now being taxed at rates of 0.75 and 1.25 percent to 1.5 percent.
4. Provide for the integration of the basic exemptions of the individual income tax and threshold level of the business tax on the self-employed. The purpose of measure is to prevent an individual getting an employment tax exemption of up to BZ$20,000 and at the same time benefiting from the threshold for taxation under the business tax of BZ$54,000.
5. Amend the Fiscal Incentives Act to eliminate the possibility of receiving a tax holiday for the Business Tax under this legislation. We appreciate the fact that such a tax holiday has not been granted to date, but the policy should be legislated so that the lobbying for this incentive is reduced.
6. New entrants to EPZs should be subject to the normal rates of the business tax.

Revenue Impact:

Revenue would expect to increase by BZ$15 million per year in 2001 prices (0.9 per cent of GDP), excluding the future revenue from imposing the business tax on new firms in the EPZs.

<u>Sales Tax</u>

Recommendations:

1. Government should issue regulations for the administration of the sales tax law as soon as possible.
2. Extend the sales tax base to include electricity sales to households at a rate of 8 percent.

Revenue Impact:

The additional revenue from the expansion of the tax base to include the receipts of the electricity company from sales to households is approximately BZ$3.0 million per year in 2001 prices (0.2 per cent of GDP).

<u>Import Tariffs and Excise taxes</u>

Recommendations:

1. Simplify tariff structure and replace the current import duty and revenue replacement duty into a single import duty rate for non-excisable commodities.

Revenue Impact:

If the proposed rates were to raise the bottom combined import and revenue replacement duty rates from 0 to 5 percent to 5 percent, from 5 to 15 percent to 10 percent, from 15 to 20 percent to 15 percent, and from more than 20 percent to 20 percent, the revenue impact would be a loss of approximately BZ$1.4 million (0.1 per cent of GDP). The top tariff rate of 20 percent could be lowered further to 15 percent for a further loss of revenue of BZ$1.8 million (0.1 per cent of GDP). If all import tariffs on non-excisable commodities were eliminated, the loss in tariff revenue would be approximately BZ$39.5 million (2.5 per cent of GDP). This could perhaps be offset by increasing the rate of sales tax to between 12 and 13 percent.

2. Lower all import tariffs on excisable goods to 10 percent, and then levy an excise tax on each of the goods at a rate that would bring the total tax burden up to the current level. The excise tax rates that would bring about this equivalence are given in the table below. These rates are expressed as a percentage of the duty paid value. However, it is likely that these ad valorem excise tax rates should be translated into per unit rates in order to facilitate their administration.

Excise Tax Rates on Imported Excise Commodities

Categories	Goods	Excise Rates (percent)
Alcoholic Beverages	Beer and Stout	175
	Wine	80
	Sprits	80
	Ethyl Alcohol	15
Cigarettes and other Tobacco Products	All	285
Fuels	Gasoline	110
	Diesel Fuel	70
	Aviation Fuel	5
	Kerosene	25
Cosmetics	All	35
Motor Vehicles	Cars, Trucks	40
	Dempers Designed for off-highway use	5
	4 Cylinder with Less than 3 litres	0
	G.V.W.	10

Revenue Impact:

This tax structure would be revenue neutral, generating import tariff revenue of BZ$8.1 million (0.5 per cent of GDP) and excise tax revenue of BZ$64.6 million (4.0 per cent of GDP). This almost is the same amount as was collected previously by the import tariffs (BZ$17.4 million) plus the revenue replacement duties (BZ$47.2 million).

3. Remove some of the Import Duty Exemptions for Specific End-Use Organizations.

   Currently a number of organizations are able to get an exemption from the import duties that would normally be charged on the commodity. Some of these exemptions are highly questionable while others are expected. However, no exemption should be given for import duties unless the imported good or service is to be used to produce export products. The table below reports the tariff revenue that would have been received if the imports that were exempted were instead subject to the current rates of import duties.

Removal of Import Duty Exemptions for Imported Goods in 2001
(thousands of BZ dollars)

Organizations	Import Value	Potential Import Duty
City Council, Town Boards	114.8	16.1
Hospitals	11.7	0.3
Educational Organizations	993.2	147.9
Boy Scouts	12.0	2.4
Government Departments	25,142.6	2,157.2
Institutions having Contracts with Governments	50,101.5	3,748.6
Development Concessions	40,645.0	3,986.1
Total	117,020.3	10,058.6
Total as Percentage of GDP	6.99	0.60

The above table indicates the amount of revenues that were lost in 2001 due to the exemptions of the purchase of imports by specific exempt organizations. These numbers indicate the potential revenues under each exemption category that could be captured in the future if some of these exemptions were eliminated. Of course some of these items might be politically difficult to touch. Other items such as projects financed by bilateral and multilateral agencies must be exempted due to the normal arrangements governing the financial assistance.

<u>Export processing Zones</u>

Recommendations:

1. Extend the business tax to the receipts of the firms in the Export Processing Zones at the proposed rates. At present, they would be all taxed a rate of 1.5 percent. This is likely to be phased in over time. Perhaps initially applying only to new firms entering the EPZs.

Revenue Implications:

If tax were imposed on all receipts of the firms now operating in the EPZs the increase in revenue would be BZ$2.9 million per year (0.2 per cent of GDP).

2. The sales tax and tariff exemptions given to firms of operating in the EPZs should be given on a suspension basis where Customs keeps a record of the cumulative amount of duties and taxes suspended by commodity by each firm importing into an EPZ. This amount would be reduced by the amount of duties and taxes on inputs used to produce the commodities or services exported from the EPZs.

3. No duty or sales tax exemption should be given for automobiles or other motor vehicles unless they are to be used exclusively within the borders of the EPZ. An exemption for the taxes on fuel should be given for the estimated quantity of fuel used to produce the quantity of goods or services exported.

Tax Administration

1. Belize needs to implement a unique taxpayer identification number system that is the same for all taxes.

2. Belize should integrate the tax administrative information systems of income/business tax, sales tax, customs and excise tax departments so that different tax liabilities of the same taxpayer can be cross-checked and audited at the same time.

3. An internet-based system should be introduced for each of the tax systems so that the taxpayers can file their tax returns on-line, and pay their taxes through direct transfers from their bank. Such a system would reduce much of the paper load that is chronic to tax administrations, and would also reduce compliance costs.

I. Introduction

Belize has undertaken significant changes in taxation during the period 1995 to 1999. This report describes the current tax structure, analyzes its strengths and weaknesses, and makes a number of proposals of ways it might be strengthened.

In reviewing the fiscal system of Belize we find that the tax system has been performing quite well. While there are a number of improvements that can be undertaken to strengthen the tax system and enhance revenues, there are no major gaps in the tax bases. It is clear that in recent years the expenditure side of the budget has not been as well managed.[1] If the public sector deficit is to be reduced, an effort will have to be made toward the reduction and control of public sector expenditures.

Details of the major categories of public sector revenues are presented in absolute values and percentages of GDP in Tables 1 and 2.

From Table 2 we find that the Government of Belize since 1997 has raised about 22 per cent of GDP in tax and non-tax revenues. For a country with a per capita income of about US$3,100, and no major natural resource exports, this is a very respectable performance for the revenue system.

In recent years Belize has implemented a number of unconventional tax policy measures. These include moving from an operating VAT system to an import-producer level sales tax, replacing the business income tax with a business tax on gross revenues, and increasing the basic deduction on the personal income tax system to over three times per capita income. No other personal income tax deduction is allowed, and a single rate of tax of 25 percent is imposed on individual income over that amount. While these moves have been unconventional and perhaps not appropriate for many countries, they did not inflict permanent damage to the tax system's ability to raise revenue. At the same time they seem to have removed a considerable amount of taxpayer compliance costs from the system.

In the report that follows, we make a number of suggestions that would serve to fine tune the tax system and make it more robust as an instrument of revenue collection and also to reduce some of the economic distortions that now exist. In carrying out the revenue estimates below, we initially assume that there is no behavioral response to the change in the tax rates. Once a complete set of revenue estimates is developed, we introduce the effect of the behavioral responses to relative price changes in our development of a second set of revenue projections.

[1] Central Bank of Belize, Twentieth Annual Report and Accounts, (April 2002).

Table 1
Tax and Non-Tax Revenues by Main Categories*
(thousands of BZ dollars)

	1997	1998	1999	2000	2001
Tax Revenues					
Income Tax					
Personal Tax	27,093.4	21,700.0	13,187.9	18,146.5	20,954.1
Business Income/Business Tax	23,450.5	39,330.7	48,411.7	55,039.7	54,514.1
Arrears	5,222.8	5,000.0	2,940.6	3,013.2	1,635.8
Taxes on Property	1,742.1	1,655.1	2,139.4	2,193.2	2,763.8
Taxes on Goods and services					
Value Added Tax	76,075.8	74,263.9	(4,221.4)	300.0	190.0
Sales Tax		-	68,577.7	81,658.9	86,195.1
Excise Duty	16,942.3	18,600.0	6,742.8	8,066.1	8,527.1
Other**	12,555.8	14,464.6	17,617.3	19,766.3	22,147.1
Taxes on International Transactions					
Import Duty	52,416.2	51,333.5	58,760.8	63,241.0	62,678.7
Revenue Replacement Duty	36,197.8	39,200.0	39,806.3	38,703.3	61,199.5
Environment Tax	-	-	-	-	4,195.0
Other***	497.5	430.0	1,0806.3	5,893.9	6,152.4
Sub-total	252,194.2	265,977.8	255,011.7	296,022.0	331,152.8
Non-Tax revenues					
Licenses	4,966.8	5,510.6	8,886.6	7,161.0	7,410.0
Rent and Royalties	3,973.6	4,262.8	5,714.7	5,477.1	5,120.9
Ministries	11,649.0	11,558.3	17,829.0	18,349.7	18,222.7
Transfers	4,994.3	6,179.5	17,210.7	2,538.3	5,026.7
Other****	11,088.2	11,535.8	29,366.3	6,640.7	7,228.0
Sub-total	36,672.8	39,047.0	79,007.3	40,166.9	43,008.2
Grand Total	288,867.0	305,024.8	334,019.0	336,188.9	374,161.0

Sources: Ministry of Finance. Details can be found in Appendix A. The original data have been reclassified in the same categories as OECD statistics.

Notes:
* A short description of the non-tax revenues and some minor taxes are presented in Appendix B.
** Includes taxes on foreign exchange transactions, entertainment taxes, and stamp duties.
*** Includes to administrative charges and social fees collected from imported goods.
**** Includes mining and prospecting licenses, dividends, sale of crown lands, and repayments of student loans.

Table 2
Tax and Non-Tax Revenues by Main Categories
(percentage of GDP)

	1997	1998	1999	2000	2001
Tax Revenues					
Income Tax					
Personal Tax	2.18	1.58	0.85	1.13	1.25
Business Income/Business Tax	1.88	2.86	3.13	3.42	3.25
Arrears	0.42	0.36	0.19	0.19	0.10
Taxes on Property	0.14	0.12	0.14	0.14	0.17
Taxes on Goods and services					
Value Added Tax	6.11	5.40	(0.27)	0.02	0.01
Sales Tax	-	-	4.44	5.07	5.15
Excise Duty	1.36	1.35	0.44	0.50	0.51
Other	1.01	1.05	1.14	1.23	1.32
Taxes on International Transactions					
Import Duty	4.21	3.73	3.80	3.93	3.74
Revenue Replacement Duty	2.91	2.85	2.57	2.40	3.65
Environment Tax	-	-	-	-	0.25
Other	0.04	0.03	0.07	0.37	0.37
Sub-total	20.25	19.33	16.49	18.39	19.77
Non-Tax revenues					
Licenses	0.40	0.40	0.57	0.44	0.44
Rent and Royalties	0.32	0.31	0.37	0.34	0.31
Ministries	0.94	0.84	1.15	1.14	1.09
Transfers	0.40	0.45	1.11	0.16	0.30
Other	0.89	0.84	1.90	0.41	0.43
Sub-total	2.94	2.84	5.11	1.71	2.57
Grand Total	23.19	22.17	21.61	20.88	22.34

Sources: The figures of GDP were obtained from Ministry of Finance, Belize.
Table 1.

II. Domestic Tax on Income and Transactions

2.1 Income Tax

The personal income tax is levied on the income of employed persons where income is accrued in or derived from Belize. In 1995, it was amended to raise the annual threshold to BZ$10,400 from BZ$5,000. Since 1999, the threshold has been raised to BZ$20,000 per annum. Taxes are levied on an individual basis with no further deductions allowed, except for the basic exemption. However, the income tax does not apply to interest income received from treasury bills or bonds issued by or under the authority of the Government of Belize, dividends of up to one thousand dollars, scholarships or other similar educational endowment, any pension or annuity, etc. The tax, to all intents and purposes, is levied on salaries and wages and the tax rate is fixed at 25 percent.

There is one other tax rate that is 15 percent levied on gross winnings from lottery or other similar activity (except for "Boledo lottery", "Jackpot lottery", etc. as specified under the act). An estate duty tax at 5 percent is imposed on property other than the principal residence.

In addition to the personal income tax, income taxes are also imposed on the gains or profits from any trade, business, or professional services. The tax base is measured as gross income minus the cost of goods sold, operating expenses, interest payments, capital cost allowances, bad debts and other allowable expenses stipulated under the income tax act. The tax rate is also set at 25 percent.

Where a company operates a loss, the net losses can be carried forward to each of the five succeeding taxable years. In the case of the agricultural sector in which the firm has sustained operating losses, the losses can be extended for a further two years. The losses are converted to a tax credit which may be applied against the business tax due in subsequent years, but the amount set off cannot be more than 20 percent of the business tax payable in any tax period.

<u>Discussion</u>

The individual income tax is clearly highly progressive with no tax being paid until the taxpayer has an income of approximately three times per capita income, and then a flat rate of 25 percent is levied on income above this level. Because of the high standard deduction most employees will not be subject to the tax. Such a tax is very attractive for a developing country as it avoids inflicting both the compliance costs on low income individuals and removes the burden from the tax administration to pursue many low income individuals for income tax returns that yield little or no revenue.

Due to the existence of the business tax, very few companies actually file the corporation income tax. However, for those foreign owned businesses that can use taxes paid in Belize as foreign income tax credits, it is still possible to file the corporation income tax return and obtain a receipt for taxes paid. The business tax and the corporation income tax are designed so that eligible foreign tax credits are created that can be used as a foreign income tax credit when filing income tax return in the investor's home country.

2.2 Business Tax

The business tax was introduced in 1998 to replace in essence the income tax on self-employed persons and companies.

The business tax is applicable to all individuals, self-employed persons, partnerships or corporations. It is imposed on all gross sales or receipts whether received in Belize or elsewhere. The receipts include rents, commissions, royalties, premiums, dividends, and interest income from bills, bonds and debentures. In the case of financial institutions, interest income means the financial margins, i.e., the difference between the interest earned from borrowers and the interest paid to depositors.

There are exemptions and deductions for the business tax. In the case of trade, business, profession or vocation, persons will be exempt of the business tax if the total receipts are less than a threshold of BZ$54,000 per annum. The individual is also exempt from the business tax if the sole source of livelihood for an individual is rents and if the receipts are less than a threshold of BZ$1,650 person month. In each of these cases if the total receipts are below the threshold level the entire amount is not taxed. Once the total receipts are more than the threshold level, they are all taxed from the first dollar onward. Interest received from treasury bills, debentures, bonds issued by or under the authority of the Government of Belize are exempt. The winnings from Boledo and Jackpot Lottery or the winnings from other lotteries for less than BZ$1,500 are also exempt. Charitable contributions up to BZ$30,000 per annum are also tax exempt.

The tax rates vary from sector to sector. They are shown below:

(a) Receipts from radio, on-air television and newspaper business …… 0.75 percent
(b) Receipts from domestic air line business…………………………….0.75 percent
(c) Receipts of service station from the sale of fuel and lubricants… … 0.75 percent
(d) Receipts from other trade or business…….……………………… 1.25 percent
(e) Rents, royalties, premiums and any other receipts from real property 1.50 percent
(f) Receipts from a profession, vocation or occupation………………… 4.00 percent
(g) Receipts of an insurance company licensed under the Insurance Act. 1.50 percent
(h) Commissions, royalties, discounts, dividends, winnings from Lotteries, and interest on loans paid to non-residents…....…………15.00 percent
-- Provided that in the case of commissions of less than BZ$25,000 per annum, the rate shall be 5 percent.
(i) Receipts of a financial institution licensed under the Banks and Financial Institutions Act…………………………………………….10.00 percent
-- Provided that in the case of a financial institution which falls within a "PIC Group" as defined in the International Business Companies Act, the rate shall be 4 percent.

(j) Management fees, rental of plant and equipment and charges for technical services:
   (i) if paid to a non-resident ………………………………………… 25 percent
   (ii) if paid to a resident ………the rate applicable to the particular trade, business, profession, vocation or occupation of the payee.

(k) Receipts of entities providing telecommunication services …………19 percent

The business tax paid during the year is considered a final tax for that year. However, when the business tax paid by a firm is greater than what would have been paid in its income tax, the excess amount can be claimed as an expense in calculating the taxable income for the following taxation year. By calculating the income tax of an enterprise in the normal way, if the firm reports a loss then the losses can be carried forward for five years and used to offset up to 20 percent of future business taxes over each of the five years.

Under the Fiscal Incentive Act, the qualifying enterprises may apply for five years of tax holidays from the date of production and can be renewed for a further ten years. The tax holidays can be extended up to 25 years if a company is engaged in agriculture, agro-industry, food-processing, mari-culture or manufacturing with operations that are highly labor incentive and production that is strictly for export. Dividends and profits derived from the enterprises are also exempted from income tax to the shareholders. While entrepreneurs may apply under the Fiscal Incentives Act for this tax breaks to date no application has been approved.

The business tax has to be filed monthly except for the following cases. In the case of receipts derived solely from rents, royalties, premiums or other revenues received from real property, the returns can be filed semi-annually. For financial institutions, firms can file their returns quarterly.

Withholding of 3 percent of all payments on gross contracts of more than BZ$3,000 must be made. In the case of payments made to a non-resident in terms of management fees, rental of plant or equipment or charges for technical services and insurance premium, 25 percent of such payment are withheld and remitted to the Commissioner. Similarly, 15 percent of interest on loans paid to a non-resident are also withheld and remitted to the Commissioner.

At the present time interest paid by financial institutions is not taxed. This might initially appear to be a serious gap in the tax system, but it is not. Interest expense is not deductible from the base of the business tax by borrowers, hence, to be consistent it should not be taxable in the hands of lenders. For financial institutions the base of the business tax is the difference between interest receipts and interest expenses. Hence, the interest paid to the ultimate lenders, i.e., the depositors of savings in financial institutions, is also not being taxed at the level of the financial intermediaries. This treatment is internally consistent, as is the traditional treatment by most income tax systems where interest expenses are deductible from the tax base of the borrowers but taxed as income in the hands of lenders.

The amounts of business tax revenues by tax rate are shown in Table 3. The total tax revenues are estimated to be about BZ$40 million in 2001 prices that is less than the actual collections by BZ$11 million.

It should be noted that the above estimates were based on the data on gross revenues by sector obtained from the Income Tax Division with no actual tax collections being obtained by sector. Since there was no data on actual tax collections by sector, we simply applied the respective tax rates to their gross revenue to arrive at the potential tax revenue collections without taking into consideration of exempt allowances. Strange enough, our estimate was smaller than the actual collection. At the time of writing this report, we are requesting for the actual tax collections by sector from the Income Tax Division in order to estimate more precisely the revenue potential for various policy options in the next sub-section.

Table 3
Gross Sales and Collections of Tax Revenues by Sector
(thousands of BZ dollars)

	Gross Revenues	Tax Rates (percent)	Tax Revenues
Telecommunications	92,181	19.00	17,514
Services Stations	47,407	0.75	356
Tour Operators/travel Agents	800	4.00	32
Insurance Institutions	34,772	1.50	522
Domestic Airlines	25,560	0.75	192
Radio, On-Air TV, Newspaper	4,174	0.75	31
Rental Income	7,942	1.50	119
Commissions & Royalties	3,343	15.00	50
Professional Services	63,239	4.00	2,530
Other Trade and Business	996,151	1.25	12,452
Financial Institutions	33,569	10.00	3,357
Public Investment Corporations	71,551	4.00	2,862
Total	1,380,687	-	40,016

Sources: Gross revenues by sector were obtained from Belize Income Tax Department.

Discussion and Recommendations

While the business tax system appears quite generous, it is collecting significantly more taxes than was collected by the business income tax previously. At the same time the taxpayers much prefer paying taxes on a regular monthly basis via the business tax than filing and paying annually under the business income tax.

At the present time the rate of percent on profession receipts appears exceedingly low. This is particularly the case when the first BZ$54,000 of professional receipts are exempt from the Business Tax. Compared to the 25 percent rate of the individual income tax system, it also appears to be too low. The low business tax rate creates a powerful incentive for people that normally are employees to try to restructure their arrangements with their employers in order to be classified as self employed.

To bring the business tax more in line with the burden imposed by the individual income tax system, the rate on self employed professionals should be raised to 15 percent. This provides for self-employed professionals in Belize to have business expenses that average up to 40 percent of their gross receipts before their marginal tax rate would be equal to that of individual employees. At the same time a marginal rate of 15 percent is unlikely to create an undue incentive for tax evasion.

It is also recommended that the rate of business tax on the financial institutions that form part of a public investment company be raised from 4 percent to 6 percent. The base for this tax is the difference between the interest revenue plus fees and investment income they receive, less the amount of interest they pay out. Given that banks are taxed on the same definition of tax base at a rate of 10 percent, and these financial institutions fundamentally compete with each other, it is advisable to bring their tax rates closer together.

It is also the case that the rates on some specific sectors are exceedingly low for no obvious reason. Hence, we propose raising the tax rates to 1.5 percent that are now 0.75 percent on the receipts of radio, on-air television, newspaper businesses, domestic airlines, and service stations and now at the rate of 1.25 percent on other trade and businesses. A gross receipt tax of 1.5 percent is hardly a heavy burden on any business and creates little incentive for tax evasion. As insurance company receipts and rents and royalties are now being taxed at 1.5 percent it would help to simplify the tax system if the other sectors being taxed at a lower rate were raised to this rate.

There is an issue if a person has more than one income from employment and profession services, but receipts from all sources are all below the threshold for the respective sources. For example, if a medical doctor earns BZ$53,000 from private practice as well as BZ$19,000 of salaries by working in hospital, he will not liable for personal income tax or for the business tax. It would be inequitable as compared to other taxpayers because of earning a total of BZ$72,000 per annum. In this case, it would be more equitable if the combined income is used as the basis to compute his business tax. In other words, the threshold would not be BZ$54,000, but this amount less than the wages and salaries earned elsewhere. In this case, the threshold for the business tax would be BZ$35,000 (=BZ$54,000 - BZ$19,000), and he should be liable for the business tax by the amount of his professional income (BZ$53,000) times the respective business tax rate. Doing this way would be equitable.

The use of a size threshold for applying the business tax rather than a basic tax exemption creates a very large jump in the effective tax rate at a level just above the threshold. In the case of professionals, which are now taxed at a rate of 4 percent when their receipts are in excess of BZ$54,000, the effective marginal tax rate is more than 100 percent in the range of BZ$54,000 to BZ$56,250 in total receipts. Although this notch in the effective tax rate is undesirable, the use of a threshold rather than tax deduction allows this tax to have a much lower marginal tax rate at higher level of receipts than would otherwise be the case while collected a given amount of revenues.

Our final recommendation is to amend the Fiscal Incentives Act so that it is not possible to provide a tax holiday for the Business Tax under this legislation. We appreciate the fact that such a tax holiday has not been granted to date, but the policy should be legislated so that the lobbying for this incentive is reduced.

Revenue Impact: The revenue impact on these adjustments to the business tax rates is estimated to amount to BZ$15 million per year.[1] Of this amount about 70 percent is raised by the higher taxes on professionals and the financial institutions that are part of the public investment corporations. This may be an overstatement of the positive revenue impact if the higher rate of taxes on the receipts of particularly self-employed professionals causes them to increase their tax avoidance and evasion behaviour.

2.3 Sales Tax

In 1996 the Government of Belize introduced a value-added tax at 15 percent while reducing customs duties on goods imported from Caribbean countries. It was, however, repealed in 1999. The tax was replaced by the current single stage sales tax.

The current sales tax is charged at the time of importation and on production and services. In essence, it is imposed on the manufacturer's sales price of goods produced in Belize for domestic consumption and on the duty paid value of imported goods. Wholesale and retail margins are basically excluded from the tax base.

There are two tax rates. One is 12 percent imposed on alcohol beverages, tobacco products and fuel. The other is 8 percent applied to all other goods and services.

Certain goods are specifically exempted from the tax. They include:

- basic food such as rice, flour, bread, corn, fresh meat, eggs, bean and sugar,
- some medicines and medical supplies for human use,
- tuition fees, text books, equipment and furniture used in recognized educational institutions,
- electricity,
- transport of passengers and freights,
- water and sewerage services,
- financial services by institutions not licensed under the Banks and Financial Act,
- accommodation charges, and
- exports including those bounded for Export Processing Zones or Commercial Free Zones.

[1] The estimate is based on the assumptions that the gross revenues received by various sector presented in Table 3 were uplifted proportionally and exemptions due to threshold were also allowed in proportion with their gross sales by sector. These assumptions shall be relaxed and our estimates will be adjusted accordingly.

Also exempt are goods and services that are made available from grants from international organizations, or funds borrowed from external financial institutions by the government of Belize or under a Government Guarantee to assist the economic development of Belize.

There is a small business threshold. Businesses and individuals with taxable sales of no more than BZ$54,000 per annum or BZ$4,500 per month are not required to register and collect sales tax from their customers.

In order to prevent cascading of the tax, sales tax agents may be exempt from the payment of tax on purchase of goods and acquisition of services that are considered essential for the production of the final product. The list of essential goods has to be approved by the Commissioner of the Sales Tax. For the exemption of sales tax from purchase of goods or services from any other sales tax agent, the sales tax agents are required to present a signed tax exemption certificate.

A sales tax agent shall file a tax return monthly and remit the tax to the government. Failure to do so will pay a penalty of 5 percent per day upon the amount outstanding.

There is a great deal of controversy over what are or are not essential inputs for the production of a good or service. As a consequence, regulations for the administration of the sales tax were not issued as late as May 2002.

Discussion and Recommendations

The controversy over what is or is not an exempt input for a local producer is not surprising. This problem in many countries is one of the many tax issues solved by the system of input credits employed by the modern value added tax. Given, that Belize is a small economy with business activities that are not very complex, the single stage import and producer level sales tax could have a considerable life span if it is carefully administrated.

A step that is critical to lowering the controversy over the input exemption problem is to get a set of regulations implemented. These regulations may need to be essentially detailed memorandums of agreement between operators within specific sectors and the Sales Tax Department. As the sectors and the economy develops through time, these agreements will need to be modified, however, they are essential to bring certainty to the system, and to prevent the incubation of corruption that usually emerges around this aspect of administration of the sales tax. It might be interesting to note that before Canada abandoned its import and manufacture level sales tax over 20,000 of such agreements were in operation.

At the present time it is the Commissioner of Sales Tax that has the sole authority to approve exemptions for essential inputs and for the inputs entering the EPZs and CFCs. In the case of essential inputs to domestic producers where no official regulations now exist, this is a very heavy administrative responsibility to impose on the Commissioner.

To date the administration of this tax appears to be running quite well and honestly, but it is a very dangerous situation if the government wishes to maintain the future integrity of the administration of this tax. An official transparent set of sales regulations are needed as soon as possible.

Because of the difficulty of controlling the tax-exempt purchases of registered taxpayers, we do not recommend moving the level of the sales tax to the retail level at this time. This move would dramatically increase the number of taxpayers subject to sales tax administration. In the future when the tax administration has the technology and human resources to audit adequately the accounts of retailers, the government might wish to consider moving the stage of the sales tax to the retail level. At the retail level, the tax base would be bigger, hence, the rate of tax could be lowered.

In order to broaden the base of the sales tax, electricity sales should be taxed. Because there is a local monopoly in the production and distribution of electricity it would be administratively easy to levy this tax. Furthermore, as electricity consumption tends to be progressive with respect to income levels, the exemption of electricity sales makes the sales tax a more regressive tax than it needs to be. Currently most countries in the world have made electricity sales subject to domestic indirect taxation.

The revenue impact of extending the 8 percent rate of sales tax to electricity sales is estimated to amount to approximately BZ$3 million a year.[2]

2.4 Excise Duties

Excise duties are imposed on the manufacture of cigarettes and production of spirits, beer, soft drinks and aerated water. The current excise duty rates are presented below:

Cigarettes	BZ$4.00 per 100 cigarettes
Spirits	BZ$30.00 per gallon
Beers	BZ$1.80 per gallon
Soft drinks	BZ$0.0325/12ozs
Aerated water	BZ$0.0408/17ozs

Discussion and Recommendations

At the present time the excise taxes are levied only on the domestic production of these items. It is proposed later that the excise tax system be uniformly applied to both the domestic production as well as import of a specific set of commodities. These commodities would include the items currently subject to excise taxation as well as others. A detailed discussion of these issues is conducted in Section 3.6.3 of this report.

[2] This is based on the residential consumption of electricity and the approved electricity tariff structure for the period Jul 2001 to June 2002. All industrial and commercial purchases of electricity would get sales tax exempted. The detailed data can be found in Appendix C.

III. Taxation of International Trade Transactions

The tariff rate structure in Belize and trade-related levies in Belize is somewhat complicated by international standards. Following the recent trade liberalization around the world, the import duty rates in Belize remain high, ranging from zero to 70 percent, some commodities such as rum are even more than 100 percent when converted from unit to ad valorem rates. Details of import value and the associated import duty and other taxes for each commodity in 2001 are available upon request.[1] To capture the forgone tariff revenue due to the reduction of import duty rates, the Government of Belize has introduced the revenue replacement duty, which is levied on the aggregate value of c.i.f. price plus import duty of certain imported goods. The duty rates were amended several times from commodity to commodity. In 2002, the rate range from 2 percent for fertilizer to 30 percent for aerated water.

In addition, an environmental tax is charged at 1 percent on imports other than basic food. A social fee is also charged on fuel and all other goods imported into the Commercial Free Zone. The tax rates are 10 percent on fuel and 1.5 percent on all other goods, respectively. Another levy is related to the purchase of all foreign currency in which a rate of 1.25 percent is imposed on the value of the foreign currency expressed in Belize currency of more than BZ$100. These levies appear to be for revenue generation, rather than for economic, environmental or other reasons.

A summary of these other taxes on international trade and the rate structure of tariffs are presented in Appendix D.

3.1 Tariff Structure

The most important sources of these trade-related revenues are import duties and revenue replacement duties. They were approximately BZ$62,679 thousand and BZ$61,199 thousand in fiscal year 2001, accounting for 16.94 percent and 16.54 percent of the total recurrent revenues, respectively. We would thus focus on our discussion in this area.

Imports in Belize may be classified in the following categories:

- A low rate of zero to 5 percent commodities: The zero-rated commodities include tractors for agricultural use, fungicide and other insecticides, fishing hooks and rods, butane, painted brushes, balls for soccer, printers, printed books, paper and other materials. The five-percent rate ones include broom, ceramics and prefabricated building materials, instruments for measuring and other appliances, typewriter ribbons, printing machines, telephone sets and other apparatus, front-end shovel loaders, textile materials, etc.

- A moderate rate of 10 to 20 percent commodities: The 10 to 15 percent rate commodities include writing and drawing pencils and chalks, sailboats, water-skis, keyboard instruments, tiles and building cement. The 20 percent rate commodities

[1] Please write to Roberto Machado, robertom@iadb.org.

cover a wide range of consumer goods, including tooth brushes, ball point pens, detergents, cloth and footwear, brooms and brushes for households, toys, games, lighters, lamps, mattresses and furniture framed with plastics, carpet, cartridges, projectors, etc.

- A slightly high rate of 25 to 45 percent commodities: This includes potatoes, biscuits, ice cream, grapes, golden apples, furniture with wooden frame, microwave ovens, magnetic discs other than diskette, magnetic tape-type, motor vehicles and parts, fully automatic machines, and so on.

- A high rate of 50 to 70 percentage commodities: This includes cosmetics, clocks and wristwatches, jewelry, pistols and other firearms.

For certain commodities, the rates are quite specific with respect to unique designs or features of the product. For example, a 10 percent rate applies to furniture with metal frame, 20 percent with plastics, and 35 percent with wood. Similarly, a 5 percent applies to sardines and tunas, 20 percent to salmon and 35 percent to crab. The motivation appears to be an attempt at fine-tuning of tariff protection for local activities.

As was noted earlier, there are certain commodities that are subject to the revenue replacement duty in order to recoup the foregone tariff revenue, which in fact is no much different from imposing the same import duty and thus creates administrative complexity. These commodities are mainly excise goods as would be discussed later.

3.2 Revenue Patterns of Import Duty and Revenue Replacement Duty

The detailed data we have received from Customs and used for this analysis were captured under the customs ASYCUDA computerized information system. It captures the information on all formal customs declarations, including declarations of imports, warehousing and import/export licenses. For those people that cross the border daily and make purchases which are dutiable but who are not required to prepare a formal declaration, the imports are not captured in the ASYCUDA system.[2]

For fiscal year 2001, the total amount of imports was recorded at BZ$725,369 thousand. Of this amount, the imports from Caricom countries were about BZ$22,325 thousand, all being exempted from import duty. We assume that most likely the Caricom free trade area will remain as it is in the future. We will thus concentrate our analysis on imports from non-Caricom countries.

In Belize, it is interesting to observe that a significant amount of import duties are collected from a small number of commodities. These commodities could normally be classified as part of the excise taxes in developed countries. They include alcoholic beverages, cigarettes and other tobacco products, and motor fuels. In less developed

[2] The total amounts of import and revenue replacement duties were BZ$57,815 and BZ$50,245 thousand, respectively. They account for more than 92 percent and 82 percent of the actual collections for the country as a whole.

countries, the list often expands to include motor vehicles and cosmetics because they are considered as luxury goods. In Belize, these commodities attract not only a substantial amount of import duty but also revenue replacement duty. For example, while excise commodities account for only 16.15 percent of the total imports, the share of import duty and revenue replacement duty was about 31.59 percent and 94.69 percent, respectively.

If expressed as a percentage of their respective import values, the collections of import and revenue replacement duties in fiscal year 2001 were 6.71 percent and 0.28 percent for non-excise commodities while for excise commodities, they were 16.07 percent and 42.42 percent. If both import and revenue replacement duties are combined, the effective tax rates would be 6.99 percent and 58.49 percent for non-excise and excise commodities, respectively. These figures are presented in Table 4.

Table 4
Effective Import and Revenue Replacement Duty Rates for Non-Caricom Countries in Fiscal Year 2001

	Import Value	Import Duty	Revenue Replacement Duty	Total of Import Duty and revenue Replacement Duty
Total Imports from Non-Caricom				
Non-Excise Commodities:				
Amount ($000)	589,480	39,539	1,647	41,186
As Percentage of Import Value		6.71	0.28	6.99
Excise Commodities:				
Amount ($000)	113,565	18,254	47,174	66,428
As Percentage of Import Value		16.07	42.42	58.49
Total Imports from Non-Caricom:				
Amount ($000)	703,045	57,793	49,821	107,614
As Percentage of Import Value		8.22	7.09	15.31
Fully Dutiable Imports from Non-Caricom				
Non-Excise Commodities:				
Amount ($000)	452,527	38,035	1,543	39,578
As Percentage of Import Value		8.41	0.34	8.75
Excise Commodities:				
Amount ($000)	80,731	17,401	47,231	64,632
As Percentage of Import Value		21.55	58.50	80.06
Total Imports from Non-Caricom:				
Amount ($000)	533,258	55,436	48,774	104,210
As Percentage of Import Value		10.40	9.15	19.54

Sources: Special requests from Belize Customs and Excise Department.

3.3 Exempt Provisions

In contrast to raising revenue, there are a number of import duty exemptions provided to various institutions. These provisions are often not very straightforward. For example, some goods are fully exempt of import duty from the Ministry of Finance while others are partially exempt of 50 percent or 60 percent. Although the authority to provide exemptions that were made at the discretion of by the Ministry of Finance has been repealed, many exemptions remain. The remaining exempt provisions can be grouped in the following categories based on either the purchaser of imported goods or the purpose of concessions:[3]

- The government of a foreign country or international organizations.
- City council, town boards, or other domestic public institutions.
- Hospitals or for those persons with disability.
- Educational bodies.
- Any individuals or companies who carry out work in contract or who have an agreement with the Government of Belize.
- And imports for development concessions including the Fiscal Incentives Act.[4]

Under the Fiscal Incentives Act, the approved enterprises are exempted from customs duty and stamp duty on all building materials, plant, machinery and equipment, utility and transport vehicles, fixtures and fittings, office equipment and appliance, spare parts and any raw materials for use in the approved enterprises. The exemption period is 15 years from the date of approval and can be renewed for additional 10 years. In the case of companies that are engaged in agriculture, ago-industry, food processing, mari culture or manufacturing and that are highly labor intensive and strictly for export, the exemption can be up to 25 years.

During the past four years, more than 74 companies received the fiscal incentive approvals. The amount of investment and the number of employment by these enterprises are shown in Table 5 by sector and by year:

[3] Belize Customs and Excise Department, Instruction Booklet for Completion of the Customs Declaration (Import/Export) Form C-100.
[4] Belize, Law Revision Commissioner, Fiscal Incentives Act, Chapter 54, revised edition 2000, (December 2000).

Table 5
Investments under the Fiscal Incentive Program

Categories	1998 Sept.-Dec.	1999 Jan.-Dec.	2000 Jan.-Dec.	2001 Jan.-Dec.
No. of Approved Enterprises:				
▪ Tourism	3	8	3	12
▪ Agriculture	1	3	6	3
▪ Agro-processing	0	1	1	1
▪ Manufacturing	3	8	4	8
▪ Services	1	0	0	2
▪ Mari-culture	2	2	0	1
Total	10	22	14	27
Amount of Investment ($M):				
▪ Tourism	4.730	21.760	16.745	40.385
▪ Agriculture	.230	86.550	23.080	8.825
▪ Agro-processing	0	.950	9.000	1.0
▪ Manufacturing	.930	4.135	2.580	14.561
▪ Services	.450	0	0	1.235
▪ Mari-culture	1.800	2.095	0	1.000
Total	8.140	115.490	51.405	67.006
No. of Employment:				
▪ Tourism	95	183	294	439
▪ Agriculture	30	354	1,480	140
▪ Agro-processing	0	45	512	10
▪ Manufacturing	47	101	163	209
▪ Services	15	0	0	12
▪ Mari-culture	40	0	0	5
Total	227	773	2,449	815

Sources: Investment and Business Facilitation Department, Beltraide.

3.4 Effective Rates of Duty

For imports from non-Caricom countries, it is also interesting to note that the effective tax rate was about 8.2 percent for import duty alone and 15.3 percent for import and revenue replacement duties combined. If a single import duty rate were imposed on all imported goods other than those from members of Caricom countries, a rate of 8.2 percent would be sufficient to raise the same amount of customs duties**.**

If a single 10 percent were levied on all imports other than those from Caricom countries, the government would have raised approximately an additional BZ$12.5 million in 2001. However, this may be an unrealistic picture because of exempt provisions described above that are provided to various persons and institutions. Suppose that these exempt provisions remain unchanged and only fully dutiable imports are included in the calculation, the effective tax rate would become 10.4 percent for import duty alone and 19.5 percent for import and revenue replacement duties combined.

The potential tax base for reform may be somewhere between the above two extreme cases. The imports for the use by the government of a foreign country or by the international organizations may be considered reasonable for duty exemption because of either the reciprocal agreements between countries or because it is a common international practice. For other categories, however, they should be treated in the same manner as other purchasers in order to prevent from over consumption or abuse of the system. For the concerns of health, cultural or social aspects, they can be better addressed elsewhere through expenditure programs in order to minimize tax distortions.

Since the revenue replacement duty was introduced to recoup the forgone import duties, they should be treated in the same manner from an economic perspective. However, the excisable commodities tend to be levied more heavily by the customs duties as compared to non-excisable commodities, and even more so in revenue replacement duty.

3.5 Harmonization of the Tariff and Excise Tax Systems

At the present time in Belize excise duties are levied only on the domestic production of goods and services that are also subject to import duty and revenue replacement duty. Hence, the import duties and the revenue replacement duties are designed to function both as revenue systems as well as instruments for providing domestic protection for industries. This structure of trade taxation is not consistent with either future bilateral trading arrangements or multinational trade negotiations under the auspices of the WTO. In these circumstances it will be expected that Belize should reduce its level of tariffs dramatically. Under the present circumstances this would have very serious fiscal repercussions.

In order to prepare for such trade negotiations, Belize needs to develop a modern excise tax system whose primary objective is to generate revenue. By reforming the excise tax much of the tax revenues that would have been lost by import tariff reductions can be retained. By excisable goods we refer to alcoholic beverages, cigarettes and tobacco products, motor fuels and kerosene, cosmetics, and motor vehicles. In Table 4 we find that the combined amounts of tariff revenue and revenue replacement duties levied on these goods amount to about 62 percent of the total revenues, even though they account for only 16 percent of total imports from Non-Caricom countries.

A modern excise tax system would levy either per unit or ad valorem rates of tax on the duty inclusive price of imports. These taxes would be imposed at the same rate on both imported or domestic produced goods and services of the same type. Imposing such excise taxes would be perfectly consistent with the rules of the WTO or any other likely bilateral trade agreement.

Our recommendation would be to lower all the tariffs on excisable goods to 10 percent and then to levy an excise tax on each of the goods at a rate that would bring the total tax burden up to the current level that is now imposed by the import duties and revenue replacement duties. This reform would allow the import duties to be significantly rationalized without an undue loss of revenue. For the non-excisable goods the import duties and revenue replacement duty should be combined and levied as a single import duty. This report will outline a strategy over time of reducing these import duties in a program that is likely to arise if bilateral or multilateral trade negotiations take place in the future.

3.6 Potential Revenue Gains from the Proposed Reform

3.6.1 Exempt Provisions

According to the customs data for fiscal year 2001, about BZ$117,620 thousand out of the total imports of BZ$703,045 from non-Caricom countries were exempt fully or partially from import duties. The average effective import duty tax rate on non-exempt imports would be approximately 10.4 percent. If the same effective rate were applied to all exempt imports, this would yield additional revenues of about BZ$12,170 thousand. This yield, as pointed out earlier, is unrealistic because it would be impossible to remove the exempt status from those imports due to bilateral agreement between countries and funding through international organizations.

In addition, we assume that the following three categories of end users of imported goods would remain exempted: goods (a) imported for use of any institutions involved with science, medical or technical research, (b) for use in military forces, and (c) medical products certified by the Government Chief Pharmacist.

In terms of the case of administration and prevention of fraud, we would recommend that all direct government purchases should be subject to import duties. In 2001, the total amount of these duties would be about BZ$2,157 thousand.[5] Repeal of import duty exemption provided to persons who carried out work on contracts with the government of Belize would have saved BZ$3,749 thousand in 2001. If the duty exemption were also repealed for development concessions, the treasury would have saved an additional BZ$3,986 thousand.

From the reduction in the exemptions outlined in Tables 6a and 6b we find that the net revenue impact for the treasury is about BZ$7,901.5 thousand, consisting of BZ$7,353.9 thousand for non-excisable commodities and BZ$547.5 thousand for excisable commodities.[6] The rationale of such changes would be removal of tax incentives towards specific institutions, thereby increasing economic efficiency, and also reducing the scope for tax evasion.

[5] In Fiscal Year 2001, various government departments imported BZ$23,788.6 thousand of non-excisable goods and BZ$1,353.4 thousand of excisable goods. The amounts of import duties that would have been paid were BZ$1,894.1 thousand and BZ$263.1 thousand, respectively if they were not tax-exempted. The amounts of the exempt excisable commodities imported by various institutions are shown in Appendix E.

[6] These figures are netted out of the purchases made by various government departments. There is a further issue whether repealing the concessions that the companies have contracts with government without being subject to import duties would in fact yield net revenues for the government. This is because these companies may in turn ask for additional funds from the government to compensate the amount of import duties paid on the imported goods. In 2001, the amount of import duties was as much as BZ$3,748.6 thousand for excise and non-excisable commodities.

Table 6a
Removal of Import Duty Exemptions for Non-Excisable Goods in Fiscal Year 2001
(thousands of BZ dollars)

Organizations	Import Value	Potential Import Duty
City Council, Town Boards	$114.8	$16.1
Hospitals	11.7	0.3
Educational Organizations	993.2	147.9
Boy Scouts	12.0	2.4
Government Departments	23,788.6	1,894.1
Institutions having Contracts with Governments	48,844.5	3,472.0
Development Concessions	39,447.0	3,715.2
Total	113,211.8	9,248.0
Total as Percentage of GDP	6.76	0.55

Sources: Belize Customs and Excise Department.

Table 6b
Removal of Import Duty Exemptions for Excisable Goods in Fiscal Year 2001
(thousands of BZ dollars)

Organizations	Import Value	Potential Import Duty
City Council, Town Boards	-	-
Hospitals	-	-
Educational Organizations	-	-
Boy Scouts	-	-
Government Departments	1,353.4	263.1
Institutions having Contracts with Governments	1,256.7	276.6
Development Concessions	1,198.4	270.9
Total	3,808.5	810.6
Total as Percentage of GDP	0.23	0.05

3.6.2 Reform of Import Tariffs on Non-Excisable Commodities

We now move to examine the potential revenues if tariff structure is simplified. For analytical purposes we combine the import duty and revenue replacement duty into one levy.

For those commodities where the import duties are essentially serving the purpose of an excise tax on imports we reduce the import duty to 10 percent and add an excise tax with a sufficient rate to replace the revenue. We will discuss how this is done and the implications in the next section.

This leaves us with the problem of reforming the tariffs and revenue replacement duties on those items that are not normally part of the excise tax system. At the present time the rates of tariff range from 0 to over 70 percent on these items. The total revenues collected from non-excise commodities in fiscal year 2001 are shown in the third column of Tables 7a and 7b, based on combined import and revenue replacement duty rates on c.i.f. value. The total amount was BZ$39,578 thousand.

Suppose there is a structural reform of the rates of tariff so that there in the future there are only four rates of tariff, 5, 10, 15 and 20 percent. That is, raising the bottom rate from 0 to 5 percent to 5 percent; consolidating the rate from more than 5 to 15 percent to 10 percent; consolidating the rate from more than 15 percent to 20 percent to 15 percent; and consolidating the rate from more than 20 percent to 20 percent.

Table 7a
Tariff Restructure and Potential Government Revenues
For Non-Excisable Commodities in Fiscal Year 2001
Phase 1

Current Combined Rates (percent)	Import Value (BZ$000)	Import and Revenue Replacement Duties(BZ$000)	Proposed Combined Rates (percent)	Potential Duty Revenues (BZ$000)
0	171,956	-	5	14,427
0 to 5	116,580	5,447		
5 to 10	16,907	1,454	10	5,368
10 to 15	36,777	5,367		
15 to 20	75,091	14,796	15	11,264
20 to 25	6,731	1,516		
25 to 30	8,566	2,569		
30 to 35	8,171	2,770		
35 to 40	2,577	1,012		
40 to 45	3,910	1,753		
45 to 50	3,039	1,478	20	7,043
50 to 55	28	14		
55 to 60	1,546	864		
60 to 65	-	-		
65 to 70	195	136		
70+	452	381		
Total	452,527	39,578	-	38,102
Total as Percentage of GDP	27.02	2.36	-	2.27

This option would only decrease the revenues from import and revenue replacement duties combined from non-excise commodities by BZ$1.4 million. Persons importing goods of the first group would bear the most significant changes of import duty, especially those that are currently subject to zero rates. The second and third groups do not seem to be much affected, while those paying very high import duties would gain. The system, nevertheless, would be simpler and more transparent. If there were particular commodities, e.g., gun, that the government wished to tax more heavily they should be brought under the excise tax system.

The proposed tariff rate changes above might be considered as the first phase of a tariff reduction program. This phase can be carried out without any loss in total revenues.

A realistic second phase might be to reduce the top tariff rate of 20 to a rate of 15 per cent. If this were done then total tariff revenues from non-excisable commodities would be BZ$36.3 million, or a drop in revenue of BZ$1.8 million. This amount can easily be made from a reduction in tariff exemptions. The revenue implications by tariff bracket are presented in Table 7b.

Table 7b
Tariff Restructure and Potential Government Revenues
For Non-Excisable Commodities in Fiscal Year 2001
Phase 2

Current Combined Rates (percent)	Import Value (BZ$000)	Import and Revenue Replacement Duties(BZ$000)	Proposed Combined Rates (percent)	Potential Duty Revenues (BZ$000)
0	171,956	-		
0 to 5	116,580	5,447	5	14,427
5 to 10	16,907	1,454		
10 to 15	36,777	5,367	10	5,368
15 to 20	75,091	14,796		
20 to 25	6,731	1,516		
25 to 30	8,566	2,569		
30 to 35	8,171	2,770		
35 to 40	2,577	1,012	15	16,546
40 to 45	3,910	1,753		
45 to 50	3,039	1,478		
50 to 55	28	14		
55 to 60	1,546	864		
60 to 65	-	-		
65 to 70	195	136		
70+	452	381		
Total	452,527	39,578	-	36,341
Total as Percentage of GDP	27.02	2.36	-	2.17

From table 7b we find that Belize could accomplish a very significant tariff reform without a significant loss in revenues. This reform would also greatly reduce the distortionary impact of the tariff system because the rates of tariff would be reduced for finished goods, and also a number of the inputs used in domestic production now entering duty free would be subject to a rate of 5 percent. Both of these actions would serve to reduce the effective rates of protection, and the inefficiencies created by import tariffs.

To this point we have implicitly made the assumption that the elasticities of demand for all the imported items are equal to zero. Clearly this assumption is not realistic. Hence, we carried out a second set of estimations of the revenue changes from the phase1 and phase 2 reforms. In these estimates we make the simplifying assumption that the price elasticity of demand for each import commodity is equal to –1. The revenue impacts are derived by first estimating the change in the quantity demanded of imports caused by the increase or decrease in the rate. The new tariff revenue for each item is then calculated by multiplying the new quantity of import for the commodity by the new tariff rate. The results of the estimation that includes the behavioral response for the phase 1 and phase 2 tariff reform are presented in Table 7c.

Table 7c
Tariff Restructure and Potential Government Revenues
For Non-Excisable Commodities in Fiscal Year 2001
Inclusive of Behavioral Responses

	Phase1		Phase2	
Current Combined Rates (percent)	Proposed Combined Rates (percent)	Potential Duty Revenues (BZ$000)	Proposed Combined Rates (percent)	Potential Duty Revenues (BZ$000)
0				
0 to 5	5	13,315	5	13,315
5 to 10				
10 to 15	10	5,427	10	5,427
15 to 20	15	11,672		
20 to 25				
25 to 30				
30 to 35				
35 to 40				
40 to 45				
45 to 50				
50 to 55	20	7,787	15	17,707
55 to 60				
60 to 65				
65 to 70				
70+				
Total	-	38,201	-	36,449
Total as Percentage of GDP	-	2.28	-	2.18

The behavioral response to changes in the tariff rates proposed in phase 1 of the tariff reform is estimated to lead to a BZ$15.2 million reduction in the aggregate value of imported commodities, but the total tariff revenues amount to BZ$38.2 million which is very close to BZ$38.1 million revenue estimated previously for the phase 1 reform without the behavioral response. A similar result was found for phase 2 of the tariff reform. The behavioral response decreased the total amount of imports demanded by BZ$13.9 million but BZ$36.4 million of tax revenues are estimated to be raised, which is very close to the estimate of BZ$36.3 million revenues raised under the phase 2 reform without considering the behavioral response.

Another important consideration is what revenue would be needed in to fill the shortfall if all import duties were reduced to zero. In the case of excisable commodities, the excise taxes can be adjusted for any reduction in import tariffs. However, another source of revenue would need to be found to replace the revenue lost from the reduction in tariffs on non-excisable commodities. From Table 7a, column 3 we find that the loss in tariff revenue would be approximately BZ$39.6 billion. From Table 1 row 6 the current revenue from the imposition of the sales tax is currently BZ$86.2 million. This includes both the revenue from the basic rate of 8 percent as well as the 12 percent on alcoholic beverages, tobacco products and fuel. Considering only the tax base of the 8 percent commodities we estimate that the revenue from the elimination of tariffs on non-excisable commodities could be made up by increasing the basic sales tax rate from 8 percent to 12 or 13 percent. While such a high rate of domestic indirect tax is commonly imposed by countries levying a value added tax, it is getting to the upper end of the range of rates that can be administered under a single stage sales tax system.

3.6.3 Revenue Implications of Tariff and Excise Tax Reform on Excisable Commodities

For excise commodities, it is reasonable that they are also levied by a normal import duty. Suppose they are all subject to an import duty rate at 10 percent. On top of it, there is an excise levy structured in such way that the total burden of buying each commodity remains unchanged from the current system. These rates are presented in Table 8.

Table 8
Excise Tax Rates on Imported Excise Commodities

Categories	Goods	Excise Rates (percent)
Alcoholic Beverages	Beer and Stout	175
	Wine	80
	Sprits	80
	Ethyl Alcohol	15
Cigarettes and other Tobacco Products	All	285
Fuels	Gasoline	110
	Diesel Fuel	70
	Aviation Fuel	5
	Kerosene	25
Cosmetics	All	35
Motor Vehicles	Cars, Trucks	40
	Dempers Designed for Off-highway Use	5
	4 Cylinder with Less than 3 litres	0
	G.V.W.	10

With the above structure, the option would have generated total revenue of BZ$64.6 million, consisting of BZ$8.1 million of import duties and BZ$56.5 million of excise taxes. This is only BZ$63.6 thousand less than the total of the import duties for BZ$17.4 million plus revenue replacement duties for BZ$47.2 million collected in 2001. Details of the revenues by major commodity categories can be found in Table 9.[7] However, the system would be much simpler and transparent. Of course, the excise tax on various commodities can be converted to a unit tax rate for administrative simplicity and may be adjusted from time to time according to price indices in order to maintain the real value in tax collections.

[7] The net gains or losses for each of the excisable commodities can be found in Appendix F.

As the excise taxes would be on both domestic as well as imported goods, then there would be no trade distortions imposed on the production side of these goods. Furthermore, if Belize decided to eliminate its import tariffs completely, it could adjust its excise taxes on these same excisable commodities to compensate for the revenue lost from the elimination of tariffs.

Furthermore, if the import duty exemption provisions as proposed above were repealed and if the imports were taxed according to the proposed rates for non-excisable commodities, the government revenue would have yielded additional import duties of BZ$4,471 thousand.[8]

Table 9
Gains and Losses for Each of the Excisable Commodities
(thousands of BZ dollars)

Excisable Goods	Current System: Import Duty	Current System: Revenue Replacement Duty	Proposed System: Import Duty	Proposed System: Excise	Difference
Alcoholic Beverages:					
Beer and Stout	212.0	656.8	42.4	816.7	(9.7)
Wine and Spirits	1,926.2	40.6	187.7	1,651.5	(127.6)
Ethyl Alcohol	0	0	0	0	0
Cigarettes and Other Tobacco Products	240.5	390.7	19.7	617.6	6.0
Fuels:					
Gasoline	3,280.8	15,344.0	2,175.2	16,748.9	229.2
Diesel Fuel	5,567.4	27,474.3	2,497.5	30,220.1	(324.1)
Aviation Fuel	0	229.1	133.1	73.2	(22.8)
Kerosene	0	627.4	163.7	450.2	(13.6)
Cosmetics	332.7	502.2	167.6	645.2	(22.0)
Motor Vehicles					
Cars and trucks	4,199.7	853.0	950.8	4,183.5	81.6
Dempers Desined for off-highway use	648.6	695.6	646.5	711.2	13.4
4 Cylinder with Less than 3 litres	404.6	0.2	404.6	0	0
G.V.W.	588.0	416.6	684.3	376.4	56.1
Total	17,400.6	47,230.6	8,073.1	56,494.4	(63.6)
Total as Percentage of GDP	1.04	2.82	0.48	3.37	(0.00)

For excise commodities, as reported earlier, the proposed rationalization of the import duties and excise taxes was designed to be revenue-neutral. If the provisions for the import duty exempt institutions were repealed and their purchases were subject to the proposed import duty and excise tax rates, the government would have gained revenues of BZ$379 thousand, consisting of import duties of BZ$246 thousand and excise taxes of BZ$133 thousand.[9] The gains were mainly obtained from taxing commodities imported

[8] The imported commodities under the exempt categories would all be subject to a 5 percent rate. By excluding purchases by the government, the net import duties could yield BZ$4,471 thousand (=(113,211.8-23,788.6) x0.05)). See Table 6a.
[9] The amount of import duties was derived from Table 6b. The amount of excise taxes was estimated according to the proposed excise rates.

to meet the requirements of contracts by the private companies with the Government and goods entered under development concessions.

In addition to the proposed reform, the government revenues can also be increased if the Customs has improved its administration. However, the revenue implications of such improvements are difficult to estimate.

IV. Export Processing Zones

The export processing zones (EPZ) are a type of free trade zones established to attract investments to produce goods and services for export. Because the goods and services are produced for international markets, no import duties are imposed on the imported inputs into the zones.

In Belize, the EPZ program was established to promote investment and economic growth as well as to create new employment opportunities. The program encourages business enterprises not only to produce goods but also services so long as they are for export or sale to buyers who are not residents of Belize. As a result, businesses established in the EPZ zones include agriculture, fisheries (aquaculture), manufacturing and services sectors such as electronic commerce services

Within the EPZs, no import duties are levied on raw materials and intermediate goods. Nor are import duties levied on capital equipment, services and utility vehicles, office furniture, spare parts and supplies.[1] In addition to import duties, consumption taxes, excise taxes, trade turnover taxes and other taxes are all exempted. The only exception is fuel that is subject to the sales tax at 12 percent. This fuel tax, however, is also exempt when used for production by shrimp farm and sugar factory. Other than indirect taxes, businesses are also exempt from income tax, withholding tax, capital gain tax or any corporate tax for a minimum of the first 20 years of operation. Any dividends paid by an EPZ business are also exempt.

If the goods are sold domestically, the firms are required to pay import duty on inputs and other taxes as other domestic firms. That is, all taxes applicable to business inputs are applied to value of imported inputs.

It is useful to observe the contribution of EPZ firms to the economy of Belize over time. At present, there are 109 companies currently operating within EPZs. Their distribution among industries is shown in Table 10. Most of the firms are engaged in electronic market, telephone and other data processing. The next important one is in growing and processing of shrimps. In terms of total investment, it increased from BZ$191 million in 2000 to BZ$307 million in 2002. However, the number of total workers was somewhat reduced from 2,486 persons to 2,169 persons in the corresponding period.

<u>Analysis and Recommendations</u>

The export processing zones in Belize are different than traditional EPZs as most operate as a single firm and there are not the usual tight Customs control, such as sealing of containers moving from the port to the zones, that is common with EPZ elsewhere. The EPZs in Belize are much closer to the arrangement of bonded factories that are common in many countries. Again the difference in Belize is that the EPZs are not bonded, nor are bank guarantees required to insure that the tax-exempt goods to not leak into the rest of the economy.

[1] It may be useful to note that in 2001 there was more than BZ$84 million of goods imported to EPZs.

The exemption of indirect taxes for activities undertaken in an EPZ is appropriate because the final products are directed to international markets. However, the favorable treatment of income and other direct taxes such as the 20-year income tax holidays and the exemptions from capital gain tax, property and land taxes are questionable.

Many countries exempt firms operating in EPZs from customs duties and domestic indirect taxes, while making the firms operating in the EPZs subject to income taxes. Taiwan is an example of such an arrangement. This recognizes the fact that duty and sales tax exemptions are many times more important than any corporate income tax exemption (Jenkins and Kuo, 2002), and that a modest amount of revenue is required to compensate for the administrative and social costs related to the EPZs.

Table 10
Distribution of the number of incremental firms in EPZs

Industry	1995	1996	1997	1998	1999	2000	2001	2002	Total
Packaging of papayas					2				2
Manufacturing of garments	1					1	1		3
Growing and processing of shrimps	1	3	2	1		5	1	1	14
Data processing		1			23	34	15		73
Mating and hatching of shrimp					1				1
Packaging of fruits and vegetables					1				1
Processing of citrus fruits into concentrates, oils, etc.					3				3
Dehydration of tropical fruit					1				1
Production and processinof bamboo shoots						1			1
Cultivation and processing tilapia fish						1	1		2
Manufacturing of stone tiles and slabs						1			1
Manufacturing of veneer & processing honey							1		1
Export processing zone developers			1		1	3			5
Manufacturing of marimba & xylophone bars & furniture								1	1
Total	2	4	3	1	32	46	19	1	109

Source: Ministry of Investment and Public Utilities.

Belize is well positioned with its business tax that can be integrated with the corporation income tax for levying a modest tax on the income generated by EPZ firms. For the foreign firms such as those from the U.S., UK, Japan and Taiwan the taxes that are paid in Belize may not be an additional cost to the firms. But instead they may through the foreign income tax credit mechanisms cause a reduction in the taxes these firms pay to their home countries.

It is recommended that in the future new firms entering the EPZ be subject to the business income tax at the rates proposed in Section 2.2 and also be allowed to file a pro-forma income tax return in order to create foreign tax credits to use to offset their home country taxes. If such a tax were in place today, and all firms that are currently engaged in EPZs would be subject to a rate of 1.5 percent, the revenue from the EPZ firms would have been BZ$2.9 million per year.[2]

It is not clear if such tax treatment has any impact on the decision of business investment. It is rather clear, however, that there is direct tax revenue forgone as a result of the present policy of exempting these firms from the business tax.

The main administrative problem with the EPZs is the potential for abusing the concession granted to purchase an automobile tax free if one sets up an activity in the EPZ and subsequently be allowed to purchase fuels tax free, or largely tax free for the purpose of operating the business. Given the high tax rates on these two items and the rather loose administrative arrangements that control the goods going into and out of the EPZs, it is not surprising that there have been allegations of leakages of the tax free automobiles and fuel into the rest of the economy.

In this regard we have four recommendations. First, Customs should administer the tax free goods going into an EPZs in the way it would normally administer a tax and duty suspension system. In other words, it should keep a record of the physical quantities and the amount of duty and taxes suspended on all the goods that enter an EPZ, according to the firm operating in the EPZ and by the commodity that is being transferred to the EPZ. In addition, when the firm exports commodities then the quantity and value of the commodity exported should be captured in the customs database. If this information is retained in the information of system of Customs then it would be in a position to audit the EPZ firm to determine if the exports have been sufficient to utilize the amounts of inputs that were imported duty free.

Customs currently has a very good data system, and no forms would need to be changed to capture this information. The Customs Brokers would simply have to provide more information on the existing customs entry form. With this information a series of selected audits should be made over the next six months to a year to determine if leakages of tax-free goods are taking place and if they are significant to take measures to stop this behaviour. If it is found that a firm is not in compliance, then it should be required to post a customs bond, or bank guarantee for the amount of duty and taxes in suspense for a period until Customs is satisfied that the fraudulent behavior is unlikely to resume.

Second, no motor vehicle that can be used off the EPZ site should be allowed to be purchased free of taxes and duties by an EPZ. This is the standard practice in many countries as fraud is the usual outcome of allowing general motor vehicles to be purchased duty free by EPZ firms.

Third, a prior determination should be made of the fuel requirements for the activities of the zone, based on the levels of output produced by the EPZ. With Customs keeping a record of the amount of fuel entering tax free (or partially tax free) into a zone, they would give credit to the enterprise for the amount of output exported times the input-

[2] Under the ASYCUDA computerized information system, the total amount of exports from EPZs was about BZ$193.3 million in fiscal year 2001.

output coefficient for fuel. Only the amount of tax on this quantity of fuel would be permanently suspended, and the remaining amount should be fully taxable.

Fourth, with the measures related to the WTO regulations in mind, we would recommend that the firms operating in the EPZs, be administered as bonded factories, and the income/business tax applied to the firms in the same fashion as firms serving the domestic market. In almost all countries around the world that have as professional a customs service as Belize has, they are administering their exporting firms according to a system of bonded factories, and not as an EPZ. Belize is already most of the way to such a system and should proceed further in that direction. The compliance costs of such a system should be no higher than the existing system, but would close off most avenues for tax fraud in this area.

V. Commercial Free Zone

The Commercial Free Zone (CFZ) Act was established in 1994. Any private or public companies may establish within a zone warehousing, packaging, and distribution of good and services for international markets. The companies are exempt of import duty on their purchase of fuel and goods used for business, income tax, and capital tax for ten years, as well as tax exemption on dividends paid by a CFZ business. However, a social fee is charged on fuel at 10 percent and on all other goods at 1.5 percent.

The CFZ is essentially provided to offer duty free shopping to Mexicans who cross the border. Residents of Belize are not allowed to purchase goods in the Zone. Such facilities exist solely because of the tax advantages they offer. It is alleged that some sales, for example gasoline, are also being brought back into Belize without paying tax. It is difficult to know the extent of this smuggling, as gasoline when purchased is stored in the fuel tanks of automobiles it is impossible to measure the volume of gasoline that returns to Belize from the Commercial Free Zone. It is also difficult to know what to do about the problem, short of prohibiting the CFZ from selling duty free motor fuels.

A more serious system flaw is the provision that allows a firm in the CFZ to purchase an automobile free of duty and taxes. This should be prohibited as it has been on several occasions an important part of the motivation for the setting up the CFZ firm in the first place.

With the regularization of Mexico’s trade laws and tariffs, it is likely that Belize will be pressured to close down this form of cross-border tax avoidance by Mexicans. Most neighboring countries (e.g., Canada, U.S., and Mexico) do not allow tax free gasoline sales even when they allowing other lower taxed goods to be imported duty free.

Until that time comes, we would recommend that the Customs keep a detailed record of the goods that go into the CFZs by commodity and by the firm purchasing the items. This information is an absolute necessity for monitoring or auditing of the firms operating in the CFZ. Such enforcement will likely assist in reducing the amount of fuel sales that end up running automobiles with the rest of the country.

This problem will be partially solved if the import duties are lowered on gasoline while the excise duties are raised to compensate for the lowering of import duties. After that takes place the excise duties should not be reduced for sales made to anyone in the CFZs.

VI. Other Taxes

6.1 Social Security Contributions

The social security contributions are set at 7 percent of insurable earnings. The contributions are shared by employers and employees, depending upon the level of insurable earnings. The amount of contributions by weekly earnings is shown in Table 11.

Table 11
Social Security Contributions by Earnings

Weekly Earnings (BZ$)	Insurable Earnings (BZ$)	Employer's Contribution (BZ$)	Employee's Contribution (BZ$)
Under 70.00	55.00	3.30	0.55
70.00 to 109.99	90.00	5.40	0.90
110.00 to 139.99	130.00	7.80	1.30
140.00 to 179.99	160.00	8.85	2.35
180.00 to 219.99	200.00	10.25	3.75
220.00 to 259.99	240.00	11.65	5.15
260.00 to 299.99	280.00	13.05	6.55
300.00 and over	320.00	14.45	7.95

The total collection of the social security contributions in 2001 is about BZ$31,196,253.

Discussion

At the present time social security contributions are primarily for purposes of funding a traditional public social security pension system. However, there is a movement in Belize to introduce a publicly funded health insurance scheme. As has been experienced by many countries that are much richer than Belize, a public health insurance scheme can be extremely expensive. Furthermore, if the experience of Canada and the UK are any indication, its future costs will almost impossible to control. Hence, in terms of maintaining fiscal stability in Belize it is recommended the government exercise due diligence in the examination of the health insurance options before undertaking this major public expenditure commitment that will affect current and future generations.

6.2 Land Related Tax

There are two kinds of tax related to land. The first is called Land Tax that is imposed on the unimproved value of land. The tax rate is 1 percent of the assessed market value of land. The amount of tax collected was about BZ$2,756,000 in fiscal year 2001.

The second is the Land Speculation Fee that is charged on all blocks of land if that is greater than 300 acres. The tax rate is set at 5 percent of unimproved land value. Since the tax is aimed at the speculation of unimproved land, it is tax exempt if improvements of the land are made by more than 1 ½ times unimproved value, 30 percent or more in agricultural land, or land used for eco-tourism. The Speculation Fee Act was passed into Law in 2000 and the collection of this tax was only BZ$3,000 in the first fiscal year. The

Government has now issued notices to all those persons who own land and fit the criteria for assessment.

Discussion and Recommendations

While this tax has considerable populist political appeal, it is likely to be nothing more than a nuisance tax or an instrument of harassment against some passive lands owners. Throughout history, such a tax has been tried in many jurisdictions but with a uniform track record of failure in achieving either the objective of stimulating economic development or collecting revenue.

In Belize there appears no shortage of land readily available for development, and the prices of land are already relatively low. Hence, it is difficult to see if any legitimate economic purpose for the Land Speculation Fee. A land speculation tax will not bring about development if there are currently no obstacles for such development. If this tax is imposed, then the likely result is a further fall in all land prices. This is hardly a desired result. The tax should be eliminated.

6.3 Property Tax

In urban area, there is a property tax that is levied on assessed annual rental value of the property at 12 percent.

Discussion

This type of property tax is an important source of revenue the financing of the costs of municipalities. It is recommended that a system of indexation of rental values to the current rate of general inflation in Belize be introduced. If in the future the rate of inflation were to increase, then real property tax revenues would not fall if the tax base were indexed for inflation on annual basis.

VII. Tax Administration

By far the most important tax administrative measure that needs to be undertaken is to formally approve the regulations governing the administration of the sales tax. With the Commissioner of Sales tax being the person responsible for all decisions concerning the exemption of inputs, without formal rules, it will be extremely difficult to maintain the integrity of the system. While the Commissioner of Sales Tax had been coping with a difficult situation, it is important to provide a legal backing to her administrative decisions.

All the different tax administrations have a good computerized information system. They are also able to retrieve information in the form of reports quite easily and supply this information readily to each other upon request. However, it is now the appropriate time to consider electronically linking the information systems of the three departments and developing a taxpayer master file. In order to do this it will be necessary to issue each taxpayer a unique taxpayer identification number that would be used for all tax and customs transactions. Given the relatively good shape the computer information system is for each of the tax systems and customs, it would be a relatively easy task to take this additional step of data systems integration.

At the present time a number of tax administrations around the world are making extensive use of internet connectivity to allow the taxpayer to interface with the tax system. This is principally done through the on-line filing of tax returns and the payment of taxes via bank transfers. Such a system would improve the accuracy of the information received as the computer can eliminate any arithmetic mistakes and do some consistency checks at the time the taxpayer is inputting his/her data.

Recommendations:

1. Belize needs to implement a unique taxpayer identification number system that is the same for all taxes.

2. Belize should integrate the tax administrative information systems of income/business tax, sales tax, customs and excise tax departments so that different tax liabilities of the same taxpayer can be cross-checked and audited at the same time.

3. An internet-based system should be introduced for each of the tax systems so that the taxpayers can file their tax returns on-line, and pay their taxes through direct transfers from their bank. Such a system would reduce much of the paper load that is chronic to tax administrations, and would also reduce compliance costs.

VIII. Conclusions

The Belize tax system has a number of positive features. The personal income tax is designed to remove all the low and middle income individuals from its base, hence, allowing the administration to concentrate on collections from those with higher incomes. With only a single deduction allowed, and a single tax rate, it is a wonderful example of how simple an individual income tax can be made.

The integration of the business income tax with the business tax is certainly innovative, and has a very solid track record of performance. The business tax is fundamentally a low turnover tax for most activities, while at the same time is an instrument for extracting some economic rents from activities such as banks, and the telephone company, which are regulated. The taxation of professional services, which are extremely difficult to tax under an income tax system, puts them in a similar position to other labor services provided as employees. As an outcome of this review we recommend that the very low rates of business tax be raised somewhat so that the overall revenue performance of the tax can be enhanced. At the same time a low rate of 1.5 percent is unlikely to have serious competitive repercussions or cascading effects.

The application of the business tax to foreign investors has two very positive features. First, in its normal application it is not a tax on capital, but on the total output of the enterprise. Hence, it will not cause the same distortions as a corporation income tax. Second, because it is possible to treat it as a withholding tax for the purposes of the corporation income tax, if desired by the taxpayer, it becomes eligible for the foreign tax credit provisions of many of the foreign investor's home countries, such as that of the USA.

The system of taxes on international trade and excise taxes needs to be completely revamped. Excise taxes should be applied to both imports and domestic production of excisable goods. The purpose of these taxes is primarily to raise revenue. The import duties can be greatly reduced to a uniform rate of around 10 per cent, with their eventual level determined by the outcome of the bilateral and multilateral trade negotiations undertaken by Belize. This trade tax reform should include a raising of the rates of duty on those items that are to be consumed locally that are now imported duty free, as well as lowering the higher rates of duty and substituting excise taxes on many of these items. In this way Belize can be brought into full compliance the WTO rules without losing any revenues.

A very substantial reform of the import tariff system could be carried out with little overall revenue loss, if the currently zero rate imports were taxed at 5 percent, and excise taxes were use to offset the rate reduction of a 15 excisable groups of commodities. In the future import tariffs could be eliminated completely if certain offsetting measures were taken. First, the excise taxes on excisable goods would have to be further adjusted to make up for the revenue on this group of 15 commodities, plus the basic rate of sales tax would have to be increased by about 50 percent to a rate of tax in the range of 12 to 13 percent.

Because Belize has a small rather uncomplicated economy the substitution of the import-domestic producer single stage sales tax for the value added tax has worked out better than most would expect. On tax policy and administration grounds the value-added tax is a much superior tax system, and that is why over 120 countries in the world have implemented it in the past 40 years. But in the case of Belize the sales tax is not creating many serious distortions. A major omission from the tax base of the sales tax has been sales of electricity to final consumers. There is no obvious reason why this sector should be favored. While the electricity prices are high in Belize, they should be no higher than any other country that generates its electricity using oil. In almost all of such countries, e.g., North and South Cyprus and the Dominican Republic, electricity sales are subject to domestic indirect taxation.

The administration of the tax system is surprisingly good for such a small country. It is highly effective with an appropriate number of competent staff. It is a credit to the tax and customs administrations that they were able to adapt to the policy changes of 1998 and 1999 so quickly, without serious revenue consequences. If the tax system continues to be adjusted to meet the changes in economics circumstances, and adequate resources are provided for its administration, it should continue to perform in an effective manner in the future.

Appendix A

Details of Tax and Non-Tax Revenues in Belize(BZ$)

	1997/98	1998/99	1999/00	2000/01	2001/02
TAX REVENUES					
Tax on Income & Profits					
Income Tax (P.A.Y.E.) --on wage/salary	27,093,400.00	21,700,000.00	13,187,880.00	18,146,452.00	20,954,127.00
Income Tax (Companies)	17,674,400.00	6,000,000.00	1,068,015.00	532,349.00	326,184.00
Income Tax (Arrears)	5,222,800.00	5,000,000.00	2,940,617.00	3,013,185.00	1,635,803.00
Income Tax (Withholding)	4,528,500.00	5,900,000.00	3,273,735.00	3,007,069.00	2,841,598.00
Income Tax (Business Tax)	0.00	27,300,000.00	43,757,021.00	51,242,991.00	51,231,839.00
Income Tax (Individual)	1,247,600.00	130,700.00	206,715.00		
Income Tax (penalties & interest)	0.00	0.00	106,168.00	73,575.00	64,590.00
Income Tax (penalties)	0.00	0.00	0.00	183,735.00	49,862.00
		0.00			
Total Taxes on Income & Profits	55,766,700.00	66,030,700.00	64,540,151.00	76,199,356.00	77,104,003.00
Taxes on Property					
Land Tax	1,714,600.00	1,579,600.00	2,122,789.00	2,185,798.00	2,755,582.00
Estate Duty	27,500.00	75,500.00	16,572.00	7,385.00	5,224.00
Speculation Fees	0.00	0.00	0.00	0.00	3,000.00
Total Taxes on Property	1,742,100.00	1,655,100.00	2,139,361.00	2,193,183.00	2,763,806.00
Taxes on Int'l Trade & Transactions					
Import Duties	52,416,200.00	51,333,500.00	58,760,775.00	63,240,953.00	62,678,715.00
Excise Duties	16,942,300.00	18,600,000.00	6,742,752.00	8,066,145.00	8,527,119.00
Revenue Replcmt. Duties	36,197,800.00	39,200,000.00	39,806,318.00	38,703,292.00	61,199,454.00
Goods Intransit - Admin. Fees	497,500.00	430,000.00	1,048,662.00	994,124.00	1,028,709.00
Goods Intransit- Social Fees	0.00	0.00	0.00	4,899,788.00	5,123,689.00
Total Taxes on Int'l Trade & Transactions	106,053,800.00	109,563,500.00	106,358,507.00	115,904,302.00	138,557,686.00
Taxes on Goods, Transactions & Services					
Entertainment Tax	30,000.00	36,500.00	38,695.00	28,199.00	25,077.00

Stamp Duties (Other Depts.)	6,718,800.00	8,200,000.00	9,998,594.00	11,367,259.00	14,507,715.00
Toll Fees	119,700.00	128,100.00	134,788.00	121,389.00	133,445.00
Taxes on Foreign Currency Transactions	5,687,300.00	6,100,000.00	7,445,233.00	8,249,377.00	7,480,947.00
Value Added Tax	75,832,700.00	74,000,000.00	-4,372,671.00	269,352.00	182,707.00
VAT penalties & interest	111,500.00	180,000.00	107,316.00	2,151.00	1,980.00
VAT penalties	131,600.00	83,900.00	43,975.00	28,531.00	5,271.00
Sales Tax	0.00	0.00	67,303,601.00	80,142,994.00	85,871,908.00
Sales Tax penalties & Interest	0.00	0.00	1,274,146.00	1,515,923.00	323,206.00
Total Taxes on Goods, Transactions & Services	88,631,600.00	88,728,500.00	81,973,677.00	101,725,175.00	108,532,256.00
Licences					
Motor Vehicle Registration	2,290,300.00	2,427,000.00	2,702,500.00	3,031,021.00	3,206,342.00
Motor Drivers Registration	614,400.00	645,000.00	738,800.00	748,447.00	735,708.00
Banks & Insurance Companies	770,700.00	1,100,000.00	1,451,200.00	1,099,236.00	981,110.00
Liquor in Dist. Villages & Clubs	176,500.00	165,000.00	179,000.00	215,158.00	273,180.00
Firearms	225,300.00	220,000.00	216,553.00	293,616.00	354,389.00
Wild Games	1,700.00	1,400.00	1,495.00	2,679.00	1,510.00
Air Services Licences	45,400.00	27,800.00	34,034.00	31,603.00	58,399.00
Lottery	17,500.00	17,700.00	150,912.00	17,855.00	19,665.00
Marriage	51,100.00	44,400.00	59,978.00	67,935.00	71,520.00
Private Warehouse Licences	116,100.00	130,000.00	127,627.00	164,604.00	158,130.00
Radio	433,600.00	340,000.00	443,725.00	596,369.00	405,859.00
B.T.L.	110,900.00	225,000.00	141,990.00	4,070.00	132,175.00
Cable TV	72,000.00	34,000.00	88,650.00	53,000.00	50,500.00
Wireman & Other Electrical	1,200.00	110,000.00	2,970.00	1,760.00	520.00
Other Miscellaneous Licence	40,100.00	23,300.00	2,547,166.00	833,689.00	960,966.00
Total Licences	4,966,800.00	5,510,600.00	8,886,600.00	7,161,042.00	7,409,973.00
Rents and Royalties					
Royalties on Forest Produce	795,500.00	828,000.00	698,805.00	674,473.00	364,283.00
Rents of Govt. Bldg. & Furn.	126,400.00	144,200.00	81,916.00	134,979.00	61,957.00
Rents on National Lands	632,700.00	613,800.00	648,690.00	967,979.00	767,593.00
Rents from Central Auth. Houses	514,800.00	615,000.00	848,590.00	592,990.00	600,953.00
Warehouse Rents	64,800.00	105,000.00	248,415.00	195,246.00	229,268.00
Rents of Hattieville Houses	1,200.00	1,300.00	1,091.00	5,388.00	10,997.00
Port Licences	300.00	500.00	0.00		
Registration of Ships	1,355,600.00	1,450,000.00	1,640,715.00	1,146,453.00	880,380.00
Registration of IBC	482,300.00	505,000.00	966,931.00	909,801.00	924,221.00
Registration of Companies	0.00	0.00	516,361.00	617,746.00	425,016.00

Registration of Trade Marks	0.00	0.00	18,836.00	19,337.00	113,941.00
Registration of Professionals	0.00	0.00	44,306.00	50,656.00	47,465.00
Registration of Insurance Companies	0.00	0.00	0.00	162,088.00	694,662.00
Insurance penalties	0.00	0.00	0.00		182.00
Total Rents and Royalties	3,973,600.00	4,262,800.00	5,714,656.00	5,477,136.00	5,120,918.00
JUDICIARY					
Fees - Civil Officers	14,500.00	17,400.00	49,000.00	458,806.00	465,683.00
Fees of Court	183,700.00	180,000.00	265,565.00	194,582.00	190,445.00
Fines of Court	1,128,300.00	915,000.00	1,322,700.00	1,056,469.00	1,179,264.00
Fees- Legal Drafting Services			0.00		
Total	1,326,500.00	1,112,400.00	1,637,265.00	1,709,857.00	1,835,392.00
AUDIT					
Contribution to Audit	8,000.00	3,900.00	4,580.00	9,750.00	4,550.00
MINISTRY OF FINANCE					
Finance Department					
Revenue Seisures, penalties etc.	327,100.00	260,000.00	537,406.00	324,282.00	158,548.00
Sundries	1,727,200.00	2,306,600.00	3,808,011.00	3,392,501.00	4,801,607.00
Interest on deposits	1,519,700.00	950,000.00	39,003.00	959,543.00	891,138.00
Total	3,574,000.00				5,851,293.00
Accountant General					
Contribution to W & O Pensions	331,600.00	313,500.00	355,833.00	445,670.00	440,931.00
Contribution to Nat'l Assembly Pension	30,600.00	30,000.00	23,668.00	33,456.00	40,060.00
Govt. Savings Bank Services	500.00	300.00	8,946.00		
Total	362,700.00				480,991.00
Customs & Excise					
Receipts for Extra Services	73,000.00	65,100.00	90,807.00	87,220.00	82,227.00
	4,009,700.00	3,925,500.00	4,863,674.00	5,242,672.00	6,414,511.00
MINISTRY OF EDUCATION, YOUTH & SPORTS					
Fees - Belize Technical College	28,900.00	18,000.00	39,211.00		
Fees - Other Secondary Schools	5,900.00	3,400.00	6,139.00	12,535.00	9,471.00
Total	34,800.00	21,400.00	45,350.00	12,535.00	9,471.00

MINISTRY OF AGRIC. & FISHERIES					
Receipts Central Farm & Agric. Stns. & Misc Services	19,200.00	19,800.00	3,872.00	9,311.00	460.00
Sale of Livestock & Miscellaneous Services	37,900.00	5,100.00	69,298.00	42,749.00	1,510.00
Fees - Belize College of Agriculture	15,200.00	35,300.00	15,198.00		
Total	72,300.00	60,200.00	88,368.00	52,060.00	1,970.00
MINISTRY OF NATURAL RESOURCES THE ENVIRONMENT, COMMERCE & INDUSTRY					
Surveys					
Sale of Maps	32,700.00	23,000.00	54,576.00	57,234.00	43,574.00
Fees – Geology	178,700.00	187,800.00	35,074.00	3,404.00	7,859.00
Registry Fees	0.00	0.00	0.00		255,398.00
Revenue Producing Operations	18,800.00	15,100.00	21,522.00	11,691.00	1,884.00
Total	230,200.00	225,900.00	111,172.00	72,329.00	308,715.00
MINISTRY OF HOUSING & URBAN RENEWAL					
Post Office					
Sale of postage Stamps & Postal Matters	1,257,900.00	1,200,000.00	257,726.00	1,378,925.00	1,080,675.00
Commission of Postal & Money Orders	26,500.00	35,700.00	7,473.00	30,067.00	22,276.00
Rents of Post Office Boxes	117,400.00	123,300.00	116,696.00	124,782.00	189,805.00
Shares – Postage on parcels other countries	21,900.00	18,000.00	3,079.00	102,141.00	90,027.00
Parcel Clearance Fees	12,500.00	12,600.00	14,342.00	14,922.00	16,114.00
Traffic Imbalance Dues	81,600.00	450,000.00	328.00	568,074.00	477,608.00
Miscellaneous	35,000.00	31,900.00	3,151,581.00	31,033.00	1,120.00
Philatelic Sales	71,200.00	99,600.00	68,809.00	50,717.00	30,496.00
Express Mail Service	0.00	0.00	0.00	45,705.00	374,421.00
Printing Department					
Sale of Printed Materials	5,000.00	2,000.00	160,000.00	132,841.00	109,009.00
Gazette Notice, Advertisements	39,600.00	38,300.00	112,661.00	45,498.00	50,225.00
Sale of Lottery Books	228,200.00	180,000.00	34,363.00	176,372.00	152,077.00
Sale of Publications	31,300.00	48,000.00	101,659.00	35,386.00	27,733.00
Total	1,928,100.00	2,239,400.00	4,028,717.00	2,736,463.00	2,621,586.00
MINISTRY OF HOME AFFAIRS					
Nationality/Citizenship fees	192,100.00	430,000.00	3,022,870.00	4,129,024.00	2,937,207.00
Passport fees	518,900.00	550,000.00	698,707.00	789,123.00	854,190.00
Permits/Visas	1,934,600.00	1,730,000.00	1,699,805.00	2,123,472.00	2,090,663.00

Late Fees Immigration	35,900.00	35,500.00	30,742.00	35,727.00	36,942.00
Total	2,681,500.00	2,745,500.00	5,452,124.00	7,077,346.00	5,919,002.00
MINISTRY OF TOURISM & CULTURE					
Receipts from Archaeological Sites	289,800.00	292,000.00	378,203.00	42,600.00	0.00
MINISTRY OF WORKS, TRANSPORT, COMMUNICATIONS, CITRUS & BANANA INDUSTRY					
Sale Of PWD unallocated stores	16,600.00	11,900.00	46,832.00	23,762.00	42,392.00
Fees for Service of PWD Staff	800.00	7,700.00	281.00	219.00	516.00
Sale of Government Stores	1,100.00	0.00	1,980.00	2,100.00	2,001.00
Total	18,500.00	19,600.00	49,093.00	26,081.00	44,909.00
Civil Aviation Department					
Overtime Dues, Airport	41,500.00	65,000.00	43,104.00	73,939.00	91,083.00
Hanger & Parking Fees	4,800.00	1,900.00	60.00	1,680.00	1,461.00
	117,100.00	118,900.00	81,574.00	194,115.00	169,477.00
Department of Transport					
Traffic Enforcement/Parking Tickets	82,600.00	95,000.00	86,723.00	58,800.00	73,335.00
Axel Fees	179,200.00	105,000.00	169,885.00	157,738.00	159,400.00
Total	261,800.00	200,000.00	256,608.00	216,538.00	232,735.00
	397,400.00	338,500.00	387,275.00	436,734.00	447,121.00
MINISTRY OF HEALTH					
Hospital Fees	631,000.00	532,600.00	728,928.00	806,713.00	497,913.00
MINISTRY OF BUDGET MANAGEMENT, INVESTMENT AND PUBLIC UTILITIES					
Fees Export Processing Zone	40,600.00	61,000.00	103,394.00	150,690.00	162,447.00
TRANSFERS					
Contribution from Central Bank	4,494,300.00	5,679,500.00	4,299,298.00	2,038,259.00	4,651,650.00
Transfer from Port Authority	500,000.00	500,000.00	805,116.00	500,000.00	375,000.00
Transfer BSSB or Other	0.00	0.00	12,106,300.00		
Total	4,994,300.00	6,179,500.00	17,210,714.00	2,538,259.00	5,026,650.00
OTHER FINANCIAL RESOURCES					
Repayment of Loans					

Scholarship Loan Funds	23,100.00	10,500.00	7,307.00	20,275.00	4,352.00
CDB Port Loan repayment	1,204,200.00	1,128,000.00	981,841.00	594,646.00	1,492,142.00
Other Miscellaneous repayment	186,100.00	805,300.00	1,718,060.00	354,816.00	174,298.00
Other Miscellaneous Interest	423,700.00	432,800.00	280,887.00	149,181.00	971,951.00
B.E.L. Loan Repayment	4,403,600.00	3,448,900.00	18,888,029.00	282,513.00	0.00
Total	6,240,700.00	5,825,500.00	21,876,124.00	1,401,431.00	2,642,743.00
Mining and Prospecting					
Oil Mining & Prospecting Licence	139,900.00	508,000.00	169,447.00	513,257.00	315,821.00
Sale of Crown Lands					
Sale of Land	3,260,700.00	3,950,000.00	3,833,726.00	3,930,410.00	4,202,988.00
Sale of Equipment	0.00	0.00	0.00	6,025.00	115,321.00
Sale of Vehicles	0.00	0.00	0.00	96,890.00	36,617.00
Sale of Buildings & Other Assets	0.00	0.00	0.00	280,611.00	-85,509.00
Total	3,260,700.00	3,950,000.00	3,833,726.00	4,313,936.00	4,269,417.00
Dividends from BTL/BEL	1,229,400.00	1,064,000.00	3,398,052.00	411,747.00	0.00
Contributions from BSI	217,500.00	188,300.00	88,939.00	367.00	0.00
Total	1,446,900.00	1,252,300.00	3,486,991.00	412,114.00	0.00
Total Other Financial Resources	11,088,200.00	11,535,800.00	29,366,288.00	6,640,738.00	7,227,981.00
Total Recurrent Revenues	288,867,000.00	305,024,800.00	334,019,004.00	336,188,940.00	369,965,951.00
Index Environmental Receipts	0.00	0.00	0.00	0.00	4,195,031.00
GDP in current prices (thousand dollars)	1,245,600.00	1,376,000.00	1,546,000.00	1,610,000.00	1,675,000.00
Total Recurrent Revenues as percent of GDP	23.19	22.17	21.61	20.88	22.34

Appendix B

Licenses, Fees and Minor Taxes

Entertainment Tax

This tax is levied at 10 percent on the admission charges for clubs and other places of entertainment. Sporting events are tax exempt.

Motor Vehicle

Annual license fees are charged on both private and public motor vehicles. The license fees are based on weights, ranging from BZ$62.50 to BZ$312.50 per annum. Where trailers are used exclusively for agriculture and tractors are used exclusively in connection with agriculture, license fees are exempt.

Insurance Companies

Annual license fee is BZ$5,000 plus a premium tax is imposed on gross premiums at 2.5 percent.

Banks

Annual fees for the operation of banks are:

BZ$25,000 for commercial banks,

US$20,000 for offshore bank A, and

US$17,000 for offshore bank B.

Liquor

Annual license fees for the sale of liquor in bars, hotels and restaurants range from BZ$200 to BZ$1,500.

Wild Game

Annual license fee for dealers, visiting hunters and hobby hunters is BZ$200 with annual renewal of BZ$500 to BZ$1,000.

Marriage

Annual license fee for the dispensation of a public announcement in church is BZ$50 for residents and BZ$200 for non-residents.

Private Warehouse

A fee for accommodating bonded goods and goods in transit is charged at 3 percent of the value of the bond to a maximum of BZ$4,500 per annum.

Radio, Television and Cable TV

An annual fee is charged on the operation of radio stations, on air television stations, and cable TV stations:

BZ$1,000 to $2,000 for radio stations,

BZ$2,000 to $4,000 for on air TV, and

BZ$1,000 to $8,000 for cable TV.

Companies

A fee is charged for the registration of a company based on the share capital:

BZ$50 for the first BZ$10,000,

BZ$25/5000 for BZ$10,000 to $25,000, and

BZ$10/5000 for over BZ$25,000.

Trademarks

A fee of BZ$33 is charged for the protection of registered trademarks.

Professionals

An annual fee is charged for professional practice:

BZ$500 for lawyers with the exemption of the first year for a practicing attorney,

BZ$450 for nationals medical doctors, and

BZ$800 for other medical doctors.

Stamp Duty on Purchase or Transfer

A stamp duty is charged on purchase or transfer of property. The rate is based on the declared market value: 5% for residents and 10% for non-residents. In 2002, the stamp duty on the CD recordings of local artists was removed.

Firearms

An annual fee is charged for holding firearms for farming, hunting and special protection. The rates range from $5 to $200 per annum.

Rents for National Lands

Rents are charged for renting national lands. The rates range between BZ$5 and BZ$15 per acre per annum, pending upon the rental value of land.

Royalties of Forest Produce

The stumpage fee ranges from BZ$8 to BZ$60 per tree.

Appendix C

Consumption of Electricity and Electricity Tariff Structure

Consumption of Electricity

Total Sales of Electricity:	BZ$78,073 thousand in 1999
	BZ$81,451 thousand in 2000
	BZ$90,799 thousand in 2001

Sale for different Usage in Terms of GWH:

	1999	2000	2001
Industrial & Commercial	101,098	110,193	117,828
Residential	83,403	102,832	119,144
Street Lightening	14,298	16,327	19,743

Approved Electricity Tariff Structure (for period July 1, 2001 to June 30,2002)

Residential Low Voltage Rate:	Service Charge	BZ$4.00 per month
	First 50 kWh	BZ20 cents per kWh
	51 – 200 kWh	BZ33 cents per kWh
	Above 200 kWh	BZ41 cents per kWh

Commercial Rate (applicable to commercial customers using 2,500 kWh or more per month):

Service Charge	BZ$65.00 per month
First 10,000 kWh	BZ37 cents per kWh
10,000–20,0000 kWh	BZ36 cents per kWh
Above 20,000 kWh	35 cents per kWh

Industrial 1 Rate (applicable to qualified customers using 30,000 kWh or more per month):

Service Charge	BZ$75.00 per month
Demand Charge	BZ$32.00 per kVA demand per month
Off-peak energy	BZ23 cents per kWh for period not described as peak hours
Peak energy	BZ40 cents per kWh where peak hours are those hours between 6:pm to 9 pm Monday through Friday

Industrial 2 Rate (applicable to qualified customers using an average peak load of 1.5 MW or more per month):

	Service Charge	BZ$75.00 per month
	Demand Charge	BZ$19.00 per kVA demand per month
	Off-peak energy	BZ17 cents per kWh for period not described as peak hours
	Peak energy	BZ26 cents per kWh where peak hours are those hours between 6:pm to 9 pm Monday through Friday
Street Lighting:	Energy Charge	BZ40 cents per kWh

Appendix D

The Rate Structure of Import Duty and Other Taxes

Import Duties

Import duties are imposed on most of the goods imported into Belize. There are ad valorem and specific rates, based on the Common External Tariff. The tariff rates mostly range from 5 percent to 45 percent, with few exceptions at 60 percent to 70 percent. The tariff schedule can be grouped as follows:

Industrial products including processed foods, clothes and stationery…. 0 - 20 percent
Fisheries and agricultural products …………………………………… .35 - 45 percent
Motor Vehicles -cars ……………………………………………… . ……45 percent
- pickup trucks ……………………………………………10 percent
Luxury items (including jewelry) …………………………………… ..60 - 70 percent
Guns and other prohibitive goods ………………………………….. ……70 percent
Spirits……………………………………………………….. BZ$91/Imperial gallon
Petroleum products…………………………………………BZ$0.54/Imperial gallon

Goods imported from one of the Caricom member countries are exempted from import duties.

Revenue Replacement Duty

The revenue replacement duty is levied on the aggregate value of c.i.f. price plus import duty of specific imported goods. The duty rates were amended several times from commodity to commodity. In 2002, they range from 2 percent for fertilizer to 30 percent for aerated water.[1]

Environmental Tax

The environmental tax was introduced in September 2001 and has been charged at 1 percent on imports other than basic food.

Social Fees

A social fee is charged on fuel and all other goods imported into the Commercial Free Zone. The tax rates are 10 percent on fuel and 1.5 percent on all other goods, respectively.

Travel Tax

The travel tax is imposed on international air travel. The tax rate is BZ$40.00 payable at departure.

Foreign Currency Transaction Tax

A tax is charged on the purchase of all foreign currency in excess of BZ$100.00. The tax rate is 1.25 percent levied on the value of the foreign currency expressed in Belize currency.

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[1] The RRD on 6 and 8 cylinder vehicles was lowered from 25 percent to 15 percent in 2001.

Appendix E

The Amount of Imported Excisable Commodities by Exempt Institutions in 2001(BZ$)

	Commodity Code	Description	Import Duty Rate	Import Value	
Government Departments					
	3307900000	Other pre-shave shaving or after shave preparations, personal DEOD	20.00	5,376.64	
	8703234000	Of a cylinder capacity exceeding 2000CC but not exceeding 3000CC	45.00	61,774.96	
	8703249000	Of a cylinder capacity exceeding 3000CC: other	45.00	207,335.81	
	8703339000	Of a cylinder capacity exceeding 2500CC: other	45.00	94,431.21	
	8704219000	G.V.W. not exceeding 5 tonnes: other	10.00	209,683.39	
	8704239000	G.V.W. exceeding 20 tonnes: other	10.00	445,659.69	
	8704319000	G.V.W. not exceeding 5 tonnes: other	10.00	329,163.89	
Subtotal					1,353,425.59
Institutions having contracts with Government					
	8703249000	Of a cylinder capacity exceeding 3000CC: other	45.00	43,166.23	
	8704219000	G.V.W. not exceeding 5 tonnes: other	10.00	149,481.96	
	2207200000	Ethyl alcohol and other spirits, denatured, of any strength	6.00	1,458.54	
	3304300000	Manicure or pedicure preparations	20.00	141.79	
	3307900000	Other pre-shave shaving or after shave preparations, personal DEOD	20.00	557.02	
	8703233000	Of a cylinder capacity exceeding 1800CC but not exceeding 2000CC	45.00	5,300.00	
	8703234000	Of a cylinder capacity exceeding 2000CC but not exceeding 3000CC	45.00	81,975.00	
	8703249000	Of a cylinder capacity exceeding 3000CC: other	45.00	52,548.88	

	COMMODITY CODE	DESCRIPTION		IMPORT VALUE	
	8703339000	Of a cylinder capacity exceeding 2500CC: other	45.00	64,507.01	
	8704219000	G.V.W. not exceeding 5 tonnes: other	10.00	164,702.30	
	2203001000	Beer	12.00	313.02	
	8701200000	Road tractors for semi-trailers	5.00	189,772.08	
	8703249000	Of a cylinder capacity exceeding 3000CC: other	45.00	164,698.66	
	8703339000	Of a cylinder capacity exceeding 2500CC: other	45.00	46,200.75	
	8704219000	G.V.W. not exceeding 5 tonnes: other	10.00	124,139.77	
	8704229000	G.V.W. exceeding 5 tonnes but not exceeding 20 tonnes: other	10.00	167,831.64	
Subtotal					1,256,794.65
Development Concessions					
	2620190000	Other hard zinc spelter	5.00	105.68	
	3304999000	Other beauty or make-up preparations	20.00	770.67	
	3305900000	Other preparations for use on hair	20.00	770.67	
	3307490000	Other preparations for perfuming or deodorising rooms	20.00	1,612.57	
	3307900000	Other pre-shave shaving or after shave preparations, personal DEOD	20.00	2,956.65	
	8703234000	Of a cylinder capacity exceeding 2000CC but not exceeding 3000CC	45.00	39,700.00	
	8703249000	Of a cylinder capacity exceeding 3000CC: other	45.00	203,209.25	
	8703339000	Of a cylinder capacity exceeding 2500CC: other	45.00	186,918.80	
	8704219000	G.V.W. not exceeding 5 tonnes: other	10.00	258,452.28	

	8704229000	G.V.W. exceeding 5 tonnes but not exceeding 20 tonnes: other	10.00	188,130.06	
	8704319000	G.V.W. not exceeding 5 tonnes: other	10.00	315,735.90	
Subtotal					1,198,362.53
Grand Total				3,808,582.77	3,808,582.77

Appendix F

Impact of Proposed Reform System on Excisable Commodities(BZ$)

COMMODITY CODE	DESCRIPTION	IMPORT VALUE	CURRENT SYSTEM IMPORT DUTY	CURRENT SYSTEM REVENUE REPLACEMENT DUTY	PROPOSED SYSTEM IMPORT DUTY	PROPOSED SYSTEM EXCISE REVENUE	PROPOSED SYSTEM DIFFERENCE
2207200000	ETHYL ALCOHOL AND OTHER S	89.49	24.00	0.00	8.95	14.77	0.29
2204100000	SPARKLING WINE	104,707.23	60,184.59	349.98	10,470.72	92,142.36	-42,078.52
2204210000	OTHER WINE IN CONTAINERS	713,254.61	583,161.57	7,629.95	71,325.46	627,664.06	-108,198.00
2204299000	OTHER WINES	35,284.40	46,236.31	420.02	3,528.44	31,050.27	12,077.62
2205100000	VERMOUTH AND OTHER WINES	4,603.22	4,978.08	0.00	460.32	4,050.83	466.92
2206009000	OTHER FERMENTED BEVERAGES	164,154.52	283,353.30	2,099.94	16,415.45	144,455.98	124,581.81
2208201000	BRANDY, IN BOTTLES OF A S	30,199.32	23,499.84	350.00	3,019.93	26,575.40	-5,745.49
2208209000	OTHER SPIRITS OBTAINED BY	4,482.37	17,617.60	0.00	448.24	3,944.49	13,224.88
2208301000	WHISKIES IN BOTTLES OF A	532,768.73	448,794.00	0.00	53,276.87	468,836.48	-73,319.36
2208401000	RUM AND TAFIA IN BOTTLES	60,073.31	134,730.00	0.00	6,007.33	52,864.51	75,858.16
2208409000	OTHER RUM AND TAFIA	117.82	237.60	0.00	11.78	103.68	122.14
2208501000	GIN AND GENEVA IN BOTTLES	17,882.43	5,509.80	19,320.00	1,788.24	15,736.54	7,305.02
2208509000	OTHER GIN AND GENEVA	33,965.94	47,827.80	0.00	3,396.59	29,890.03	14,541.18
2208600000	VODKA	69,075.30	141,241.10	5,040.00	6,907.53	60,786.26	78,587.31
2208700000	LIQUEURS AND CORDIALS	104,014.25	127,417.29	5,425.01	10,401.43	91,532.54	30,908.34
2208902000	OTHER AROMATIC BITTERS	1,830.48	1,208.48	0.00	183.05	1,610.82	-585.39
2208909000	OTHER UNDENATURED ETHYL A	277.20	168.35	0.00	27.72	243.94	-103.31
2203001000	BEER	389,393.87	186,476.40	612,367.08	38,939.39	749,583.20	10,320.89
2203002000	STOUT	34,875.81	25,505.88	44,465.23	3,487.58	67,135.93	-652.41
2710119000	OTHER AVIATION SPIRIT OF	1,330,950.50	0.00	229,072.57	133,095.05	73,202.28	22,775.24
2710219000	OTHER KEROSENE AND OTHER	1,636,923.90	0.00	627,424.88	163,692.39	450,154.07	13,578.42

2710319000	OTHER GAS OILS	21,751,760.00	3,280,825.70	15,343,960.00	2,175,176.00	16,748,855.20	-299,245.50
2710139000	OTHER MOTOR SPIRIT (GASOL	24,975,265.00	5,567,437.70	27,474,305.00	2,497,526.50	30,220,070.65	324,145.55
3303009000	OTHER PERFUMES AND TOILET	132,081.52	26,416.12	39,624.41	13,208.15	50,851.39	1,980.99
3304100000	LIP MAKE-UP PREPARATIONS	21,894.64	4,378.91	6,568.50	2,189.46	8,429.44	328.51
3304200000	EYE MAKE-UP PREPARATIONS	13,789.89	2,757.94	4,137.04	1,378.99	5,309.11	206.88
3304300000	MANICURE OR PEDICURE PREP	63,780.61	12,756.06	19,134.29	6,378.06	24,555.53	956.75
3304910000	POWDERS, WETHER OR NOT CO	110,419.24	21,445.23	32,966.21	11,041.92	42,511.41	858.11
3304991000	SUNSCREEN OR SUN TAN PREP	20,423.14	4,084.63	6,126.99	2,042.31	7,862.91	306.40
3304999000	OTHER BEAUTY OR MAKE-UP P	352,918.81	69,770.58	105,672.88	35,291.88	135,873.74	4,277.84
3305200000	PREPARATIONS FOR PERMANEN	41,390.97	8,278.15	12,417.30	4,139.10	15,935.52	620.83
3305300000	HAIR LACQUERS	35,995.37	7,199.05	10,798.65	3,599.54	13,858.22	539.95
3305900000	OTHER PREPARATIONS FOR US	395,247.19	79,049.26	118,574.25	39,524.72	152,170.17	5,928.62
3306109000	OTHER DENTIFRICES	7,886.21	1,577.22	2,365.88	788.62	3,036.19	118.29
3306200000	YARN USED TO CLEAN BETWEE	8,494.70	1,698.93	2,548.43	849.47	3,270.46	127.43
3306900000	OTHER PREPARATIONS	25,635.48	5,127.08	7,690.66	2,563.55	9,869.66	384.53
3307100000	PRE-SHAVE, SHAVING OR AFT	33,776.91	6,755.36	10,133.12	3,377.69	13,004.11	506.68
3307300000	PERFUMED BATH SALTS AND O	15,232.85	3,046.59	4,565.68	1,523.29	5,864.65	224.34
3307410000	"AGARBATTI" AND OTHER ODO	28,570.52	5,714.10	8,571.21	2,857.05	10,999.65	428.61
3307490000	OTHER PREPARATIONS FOR PE	151,211.07	30,242.19	45,363.48	15,121.11	58,216.26	2,268.30
3307900000	OTHER PRE-SHAVE SHAVING O	217,177.62	42,389.68	64,892.05	21,717.76	83,613.38	1,950.58
8704219100	4 CYLINDER WITH LESS THAN	1,512,352.40	151,235.23	0.00	151,235.24	0.00	-0.01
8704319100	4 CYLINDER, LESS THAN 3.0	2,533,661.60	253,366.18	178.20	253,366.16	0.00	178.22
8701200000	ROAD TRACTORS FOR SEMI-TR	1,926,700.80	96,335.00	202,303.47	192,670.08	105,968.54	-0.15

8704100000	DUMPERS DESIGNED FOR OFF-	45,005.00	4,500.50	2,728.00	4,500.50	2,475.28	252.73
8704219000	G.V.W. NOT EXCEEDING 5 TO	4,871,721.60	487,172.21	211,580.38	487,172.16	267,944.69	-56,364.26
8704229000	G.V.W. EXCEEDING 5 TONNES	984,386.29	98,438.64	105,699.54	98,438.63	108,282.49	-2,582.94
8704239000	G.V.W. EXCEEDING 20 TONNE	112,226.87	11,222.69	12,344.95	11,222.69	12,344.96	0.00
8704319000	G.V.W. NOT EXCEEDING 5 TO	5,091,224.10	511,211.61	545,347.43	509,122.41	560,034.65	-12,598.02
8704329000	OTHER G.V.W. EXCEEDING 5	262,213.53	26,221.34	30,584.75	26,221.35	28,843.49	1,741.25
8704900000	OTHER MOTOR VEHICLES FOR	15,000.00	1,500.00	1,650.00	1,500.00	1,650.00	0.00
8703233000	OF A CYLINDER CAPACITY EX	1,468,014.20	660,606.36	1,389.83	146,801.42	645,926.25	-130,731.48
8703234000	OF A CYLINDER CAPACITY EX	3,983,366.10	1,791,074.60	241,431.33	398,336.61	1,752,681.08	-118,511.76
8703234100	MORE THAN 4 CYLINDERS, LE	20,836.50	9,376.43	3,499.54	2,083.65	9,168.06	1,624.26
8703249000	OF A CYLINDER CAPACITY EX	3,227,819.10	1,407,330.70	520,262.31	322,781.91	1,420,240.40	184,570.70
8703319000	OF A CYLINDER CAPACITY NO	6,778.42	3,050.29	0.00	677.84	2,982.50	-610.06
8703322000	CYLINDER CAPACITY EXCEEDI	31,381.01	14,121.45	870.00	3,138.10	13,807.64	-1,954.30
8703324000	OF A CYLINDER CAPACITY EX	197,991.11	56,827.68	40,073.17	19,799.11	87,116.09	-10,014.35
8703339000	OF A CYLINDER CAPACITY EX	559,142.35	251,614.05	43,913.83	55,914.24	246,022.63	-6,408.99
8703339100	4 CYLINDER, EXCEEDING 250	3,500.00	1,575.00	0.00	350.00	1,540.00	-315.00
8703900000	OTHER MOTOR CARS & OTHER	9,222.00	4,149.90	1,599.78	922.20	4,057.68	769.80
2403100000	SMOKING TOBACCO, WHETHER	9,169.83	10,062.80	0.00	916.98	28,747.42	-19,601.60
2402200000	CIGARETTES CONTAINING TOB	187,822.23	230,440.80	390,744.50	18,782.22	588,822.69	13,580.39
Total		80,731,411.48	17,400,555.93	47,230,581.70	8,073,141.15	56,494,392.64	63,603.84

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