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Burundi Budget Insight 2016

The Story Behind the Numbers

Introduction

The road to recovery

2015 was regrettably a year of turmoil for Burundi. Businesses came to a halt and people's lives were lived in uncertaininty. Anyone with an interest in the happenings outside what is going on in their backyard cannot have missed the news regarding the pre and post election violence in Burundi. It is against this backdrop that the BIF 1.2 trillion FY2016 budget which was approved in February is focused more on recovery and control of Government expenditure to ensure that the meagre resources are efficiently used.

To better manage the budget for FY16, the Government put in place a number of measures chief among which are:

1. Freezing of all records except for the sector of defence and security, as well as loyalty bonuses and other short-term premiums. This measure extends over all personnalised administrations of the state.
2. Freeze on all recruitments except Burundi Revenue Authority (OBR).
3. Quarterly commitment ceilings by Ministries / institutions are to be approved by the Ministers' Council.
4. In order to better manage the treasury of the State, all public accounts will be sub accounts of general treasury.
5. Restrictions on repatriation and transfer by banks foreign currency from all exports.

Even the tax measures enunciated in the FY16 budget are focused more on administration as opposed to looking to either increase or introduce new taxes. In accordance with those measures, all outstanding taxes as at 31 December 2015 are to be recovered during the 2016 year in accordance with the laws on assessment and collection of taxes. This is reinforced by the change requiring that a taxpayer pay thirty percent (30%) upfront of any disputed amount before making an objection

Tax measures

Customs & Excise duties

Introduction of a customs levy on imports of water

An additional fee of 20% of the customs value of imported mineral water and imported aerated waters is introduced. This initially only applied to imported fabric.

Who will be affected

Importers of water.

When

1 January 2016.

Our view

Burundi has a number of small and medium sized producers of water. This measures is a welcome one as it enables these business to be more competitive and hopefully expand their businesses.

Removal of other taxes previously applicable to telephone communications

VAT and consumption tax in mobile telephone sector has been removed.

Who will be affected

Telecom companies.

When

1 January 2016.

Our view

This is not a new measure but rather is a confirmation that the only tax applicable to domestic telephone communications is the levy of BIF 42 per minute. In the 2015/16 budget, the Government introduced the BIF 42 per minute levy on mobile communications. This was intended to replace the VAT and consumption tax which together totalled about BIF 61 per minute. When the measure was introduced, there had been concerns that this was on top of the current taxes which would make calls more expensive. Although a Ministerial Order was subsequently issued explaining this, including it as part of the Budget Law removes all doubt.

Change in excise duty rates for sugar and fuel/lubricants

Excise duty rates have been adjusted for two items:

- Decrease in excise on sugar from : 600BIF/ kg to 400BIF / kg
- Increase in duty for fuel and lubricants to 110BIF / litre.

Who will be affected

General public.

When

1 January 2016.

Our view

Burundi imports the bulk of the sugar used for home consumption. As such it makes sense that with the current situation, the Government will try to ease the burden on its citizens. But as always, excise duty is not called a sin tax for nothing. When Governments are looking for ways to bump up their tax revenues, the usual culprit is excise duty. And fuel has always been and will always remain an easy target.

Miscellaneous

Miscellaneous

Taxpayer to pay 30% of disputed amount before submission of an objection

Article 71 of Law No 1/18 of September 6, 2013 on Tax Procedures has been modified as follows: *"The taxpayer shall pay, before the submission of an application for refund or objection to the tax administration, 30% of the amount in dispute or the uncontested tax whichever is higher"*.

Who will be affected

Taxpayers making objections against OBR assesments.

When

1 January 2016

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Our view

Before the amendment, Article 71 read as follows, "An administrative appeal suspends the obligation to pay tax, interest and penalties. However, the portion of the tax not appealed for is subject to collection".

The measure is therefore intended to allow the Revenue Authority to collect much needed revenue upfront while the process of objecting is ongoing. This measure has no upside or silver lining for the taxpayer given that in a number of instances Revenue officers are eager to collect and do not put the necessary time and effort to carry out a proper audit before raising an assessment.

Interestingly though, under the Tax Procedure Law, if a taxpayer has overpaid tax (which would be the case if following an objection after the payment of the 30% the matter is decided in favour of the taxpayer), and requests for a refund, the OBR is required to pay the overpaid tax within a period of 60 days failing which they would need to pay interest payable on default. .

Miscellaneous

3 year rectification only applicable to tax declarations made after 2013

An additional provision has been added to Article 54 of Law No 1/18 of September 6, 2013 on Tax Procedures to the effect that *"Provisions of the first paragraph of this article are only applicable for tax declarations submitted after the promulgation of the Law No 1/18 of September 6, 2013 on Tax Procedures. The recall rights of the tax administration, provided under the Article 118 of the Law of September 21, 1963 on General Tax Rules is maintained for all declarations submitted before the promulgation of Law No 1/18 of September 6, 2013 on Tax Procedures. The provision can only be interrupted by an audit notice in conformity of the tax procedures in force"*.

Who will be affected

Taxpayers in General.

When

1 January 2016

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Our view

Paragraph 1 of Article 54 provides that "Rectification can be done within a period of three years from the date of the declaration of tax. The adjustment notice must be issued no later than the last day of the mentioned period of three years".

The measure that has been introduced, seeks to limit the application of the above to only years of income 2013 and after.

With a backlog of audits yet to be conducted and limited resources to do so, this is the Government's way to ensure that time does not run out on the possibility for them to rectify tax declarations already filed which fall outside the three year mark contained in the Tax Procedure Law of 2013.

Forex controls put in place for entities receiving external donations

All foreign currency accounts of State entities and projects and those of non-governmental organizations receiving external support should be opened in the Bank of the Republic of Burundi. Thus, all foreign currency accounts of these organizations already open in commercial banks should have been closed by latest 31 March 2016.

Upon request by the beneficiaries of such funds to the National Bank of Burundi, the Bank will credit the Burundi Franc equivalent to their accounts either in the Bank itself or in commercial Banks.

Who will be affected

Entities receiving external funding.

When

31 March 2016.

Our view

This measure is a way for the Burundi Government to control the amount of forex in circulation and control the depreciation of the Burundi Franc against other foreign currencies. This is especially important for a country with minimal exports and more so, one which is reeling from the aftermath of a political crisis which has greatly affected the economy. Similar measures to control the currency fluctuations have been seen in Rwanda, with the issuance of a notice in 2015 that all domestic transactions should be in Rwandan francs, and in Uganda with the requirement for procurement contracts from domestic suppliers to be in Uganda Shillings.

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