



MINISTRY OF FINANCE

NEWS RELEASE

NEW MEASURES TO IMPROVE TCI FINANCES AND PRIORITISE SPENDING

New measures to strengthen the Turks and Caicos Islands Government finances and increase education and capital spending were announced by Chief Financial Officer, Hugh McGarel-Groves, today, Wednesday, 16 November 2011.

He explained that the Government's financial position has worsened this year with its overall shortfall expected to increase from the planned \$8.5m deficit to a projected \$35m if he took no action.

This increase in the deficit has been caused by a combination of delaying new taxation measures earlier this year, slower progress in achieving the public service cost reduction targets and substantial unexpected increases in expenditure on liabilities from the past.

CFO Hugh McGarel-Groves set out taxation measures designed to contain the deficit now and to ensure that the Interim Administration's strategic objective of returning to a budget surplus is achieved next year.

The increase in revenues will also allow the Interim Administration to respond to public feedback to increase spending this year in schools and other infrastructure areas. Most notably work will begin shortly at the fire damaged Ona Ginton School and at the South Base government offices in Grand Turk made unusable by Hurricane Ike in 2008.

These revenue generating measures, which take effect from 1 December 2011, are:

- The Customs Processing Fee, which is levied on all imports, will be increased from 4% to 6%. This will generate an additional \$2m this financial year and \$6m in 2012/13.
- A switch from the Imperial Gallon to the US Gallon for the purposes of import duty and fuel tax calculations. With one Imperial Gallon equivalent to 1.2 US Gallons, and most beverages and fuel imported from the US, this simplifies how the tariff is calculated. Together the switch to the US Gallon will generate an additional \$0.8m this year (\$2.4m in 2012/13) from alcoholic beverages, \$0.5m this year (\$1.6m in 2012/13) from fuel and \$0.1m from other beverages this year (\$0.2m in 2012/13).
- An additional 20% increase in the import duty tariff on alcohol and tobacco raising respectively \$1m (\$3m in 2012/13) and \$0.1m (\$0.2m in 2012/13).

The TCI Government is also taking action to reduce arrears in payments that it is owed, by recruiting additional revenue collection staff, agreeing stricter payment schedules with its creditors and other stronger initiatives where required.

“I appreciate that no tax rise is ever popular, but I know that the people of the Turks and Caicos understand the importance of getting the public finances back into balance,” said CFO Hugh McGarel-Groves. “If we are to hold elections next year we must ensure the Government achieves its milestone budget surplus in financial year 2012/13.

“Equally importantly we must look ahead and begin to invest once again in the fabric of the Islands.

“An additional \$0.5m will be made available this financial year to improve school buildings and classrooms. This will allow the reconstruction of the Ona Glinton Primary School which was damaged by fire last year. We have also released the first \$0.8m of the \$3m+ required to refurbish the Hurricane Ike damaged Government buildings at South Base, Grand Turk. The work on these projects will start this financial year and will help provide some extra support for TCI’s depressed construction sector.”

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