Mauritius Revenue Authority
Annual Report 2006/7

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MAURITIUS REVENUE AUTHORITY

Vision

To be a world class Revenue Authority respected for its professionalism, efficiency, fairness, integrity and its contribution to our economic and social development

CONCEPTUAL FRAMEWORK *The breaker pages of this Report underline the four core values of the MRA. These are creatively expressed through visuals that represent health, emergency services, education and infrastructure – the development of which relies on the role and activities of the MRA.*

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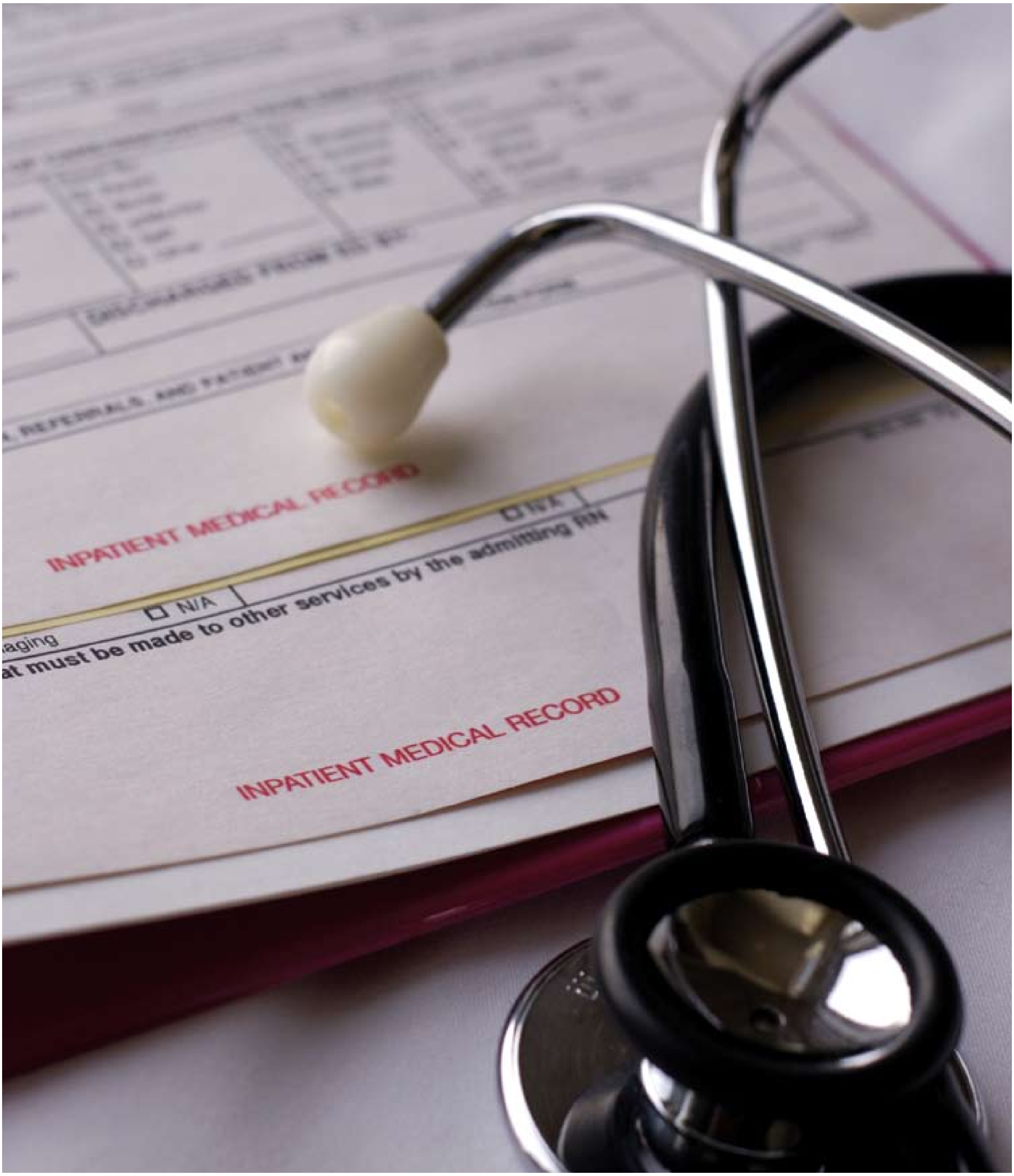

Integrity

MRA upholds the highest standards of integrity and honesty so as to gain the respect and confidence of taxpayers, stakeholders and the public at large.

Chairperson's Foreword

V. HASSAMAL
Chairperson

The Mauritius Revenue Authority (MRA) has completed both a challenging first year of operation and a successful one.

There can be few of us who have not experienced a difference in the way revenue administration is now structured. Of course, there is much more work for the organisation to do to improve its efficiency and effectiveness, and both myself and my colleagues on the MRA Board understand that we have an important role to play to ensure that this organisational development is managed appropriately. We aim to put our taxpaying customers and other stakeholders first, so that all Mauritians are provided with an excellent service to enable them to more easily fulfil their legal obligations to pay their fair share of tax for the benefit of our economy and society.

I believe that this first MRA Annual Report demonstrates the progress that has been made by the organisation in its first year, and also its important role as a partner with us all in contributing to the country's prosperity and economic and social development.

Sometimes we may lose sight of why we pay taxes. It is important to remember that, without these contributions, there would be no funds to create the infrastructure, services, schools, roads, and hospitals that we all rely on. This report aims to recognise this theme and hopefully will enlighten those who may occasionally wonder what happens to the taxes they pay or those who still need encouragement to understand their obligation to pay their fair share.

Finally, I would like to express my gratitude and appreciation to the members of the MRA Board, the Director General, management team and all staff for their efforts and contribution in this first year of MRA operation. I am confident we can build on MRA's encouraging start to operations this year and enhance further our reputation with all stakeholders.

V. Hassamal
Chairperson

Members of the Board

VASDEV HASSAMAL
Chairperson

Vasdev Hassamal became Chairperson of the MRA in November 2005. He is also an Adviser to the Ministry of Finance and Economic Development, particularly on the setting up and monitoring of Audit committees in ministries.

He was the Chief Accountant of the Development Bank of Mauritius from 1974 to 1982, and was selected to be the Financial Controller of the Secretariat of the African, Caribbean and Pacific Group of States (the ACP Group) in Brussels from 1982 to 2000, becoming Assistant Secretary-General of the Group in 2000, until his retirement from service in 2005. In that role, he attended many Council of ACP Ministers meetings in Togo, Zimbabwe, Mauritius, the Dominican Republic and elsewhere and was responsible for the organisation of many international conferences, including those of the Heads of State and Government of the ACP Group in Fiji (2002) and Botswana (2004).

Vasdev Hassamal is a member of the Institute of Chartered Accountants of England and Wales. He is also a member of the Mauritius Institute of Professional Accountants (MIPA).

DHEEREN KUMAR DABEE
Board Member

Dheeren Dabee, a Senior Counsel, was appointed to the Board in October 2004. He is currently Solicitor-General in the Attorney-General's Office. He is also Chairman of the Medical Tribunal and of the Cane Planters and Millers Arbitration and Control Board, as well as being legal adviser to a number of public organisations.

He has participated on a number of occasions in talks on the conclusion of Double Taxation Agreements and led delegations at talks on Air Services Agreements. As legal adviser to Government, he has advised regularly on tax-related issues and represented Government in various types of litigation, including tax cases. He has also served as a Board member of the former MOBAA, SEC and URB.

He is a former Laureate, a Graduate in Law and Political Science from Birmingham University and, since 1981, a Barrister-at-Law of the Middle Temple.

JAGNADEN PADIATY COOPAMAH
Board Member

Jagnaden Coopamah was appointed to the Board in October 2004. He is presently a member of the Monetary Policy Committee of the Bank of Mauritius and previously served for a number of years on the boards of the State Bank, the Development Bank of Mauritius, Mauritius Telecom and the National Investment Trust. He also served as Deputy Chairman of the National Economic Development Council and also for a brief period as Chairman.

After a stint in the private sector, Jagnaden Coopamah spent most of his career in the Civil Service. He started as an Economist in the Ministry of Economic Planning and Development, becoming Deputy Director of the Ministry in 1980. In same year, he was posted in the Ministry of Finance, where he worked for 16 years, the first five years as Head, Economic Intelligence Unit and the subsequent period as Director, Budget Bureau.

He is an Honours Economics graduate of the University of London.

J M LOUIS RIVALLAND
Board Member

Louis Rivalland was first appointed to the Board in November 2005. He is currently the Group Chief Executive of Swan Insurance and Anglo-Mauritius Assurance. He was previously part of the management team of Commercial Union in South Africa and conducted several assignments for Commercial Union in Europe. He then worked as Actuary and Consultant for Watson Wyatt in Johannesburg.

He is a director of several listed companies and also sits on a number of Corporate Governance and Audit committees. He was elected President of the Insurers' Association of Mauritius in March 2006, and is a member of the Financial Services Consultative Council.

He holds a BSc (Hons.) in Actuarial Science and Statistics from South Africa, and is a Fellow of the Institute of Actuaries of the United Kingdom and a Fellow of the Actuarial Society of South Africa.

Members of the Board

AISHA C TIMOL
Board Member

Aisha Timol was appointed to the Board in October 2004. She is the first Chief Executive of the Mauritius Bankers Association and has been occupying this post since 2003.

Prior to that, she worked in the public service from 1981, becoming Deputy Director of the Budget Bureau of the Ministry of Finance and then Director, Financial Services. She has also been involved in the academic field, both on a part-time basis and as a full-time Senior Lecturer in Mathematical Economics and Econometrics at the University of Mauritius from 1992 to 1995.

She is currently a member of the Senate of the University of Mauritius, and also on a number of boards in both the public and private sectors, including the Joint Economic Council, the Mauritius Chamber of Commerce and Industry and the Mauritius Employers' Federation.

She holds a BSc (Hons) degree in Economics from the University of St Andrews, a Post-Graduate Diploma (with Distinction) in Development Planning Techniques from the Institute of Social Studies in The Hague and a Diplôme d'Etudes Approfondies in Economie Mathématique et Econométrie from the University of Aix-Marseille.

PATRICK YIP WANG WING
Board Member

Patrick Yip was appointed to the Board in October 2004. He has been Director of Fiscal Policies in the Ministry of Finance since 2001 and is currently in charge of budget preparation and tax and expenditure policy formulation.

He is on a number of public sector boards, including the Development Bank of Mauritius and the State Investment Corporation, and has also served as a member of the former Stock Exchange Commission and the Unified Revenue Board.

After studying in Dijon, France for a Maitrise in Econométrie and a Diplôme d'Etudes Approfondies in Politique et Analyse Economique, he first worked in the private sector for a few years before joining the Civil Service in 1986 as an Economist at the Ministry of Economic Planning and Development.

SUDHAMO LAL
Director-General

Sudhamo Lal was appointed Director-General of the Mauritius Revenue Authority in May 2005, thereby also becoming a member of the Board. Since then, he has led a complete organisational transformation, with the merging of four revenue departments into an integrated revenue administration.

Prior to working with the MRA, he worked in direct tax administration in Pakistan, progressing from Commissioner of Income Tax and Wealth Tax and Director-General (Withholding taxes), to Member (Tax Policy and Administration) in the Central Board of Revenue, Islamabad. In this role he was responsible for leading a US$150 million World Bank funded tax administration reform programme. He has frequently interacted with European Union, Asian Development Bank, IMF and other international finance institutions.

Sudhamo Lal's formal qualifications include a first degree in Law and a postgraduate degree in Agri-Economics and Soil Science. He has also undergone training in Public Administration, National Management, Tax Fraud Administration and Revenue Forecasting.

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Responsiveness

MRA endeavours to provide a prompt, efficient, effective and quality service to taxpayers, stakeholders and the public at large in an effort to exceed their expectations.

Director-General's Review

M. S. LAL
Director-General

The restructuring of how the public sector functions has been a recurrent theme in recent decades in developed countries, as governments aim to deliver more efficient services at a lower cost to citizens. Traditional Government structures have been viewed as too rigid to respond effectively to the rapidly-changing needs of the public and to the challenges public services face from an ever-evolving economic and social environment. An emerging trend, therefore, has been for governments in developed countries to devolve powers to agencies acting on their behalf. In line with this strategy, the administration of revenue collection has also been entrusted to semi-autonomous agencies or parastatal bodies in many cases, to achieve enhanced revenue collection, trade facilitation, and a better and more rapid service to taxpayers.

Governments of developing countries share many of these same goals. However, they are faced with a number of problems related to inadequate capacity, archaic administrative set-ups requiring significant reform, and ineffective revenue collection machinery leading to tax evasion, illegal activity and high levels of corruption, all of which strengthen the case for a different form of administrative structure. Mauritius, no exception to this general rule, has chosen to address these problems and embark upon the road to tax administration reform by setting up a Revenue Authority, which became operational in July 2006.

The Mauritius Revenue Authority was established under the MRA Act of 2004 as a State agency, vested with the authority to collect Income Tax, VAT, Customs and Excise Duties, and taxes on Gambling and Licence Fees, which constitute more than three quarters of total recurrent Government revenue. It also has responsibility for the general administration of the country's main revenue departments.

During its first year of operation, the Authority has remained committed to its developmental objectives and to its vision of becoming a World Class Revenue Authority, by continuously reforming and modernising tax administration, whilst respecting core values of integrity, responsiveness, fairness, transparency and accountability.

- Revenue collection of Rs 34,204 million, representing 99.6% of initial budgeted projections.
- Broadening of the VAT taxpayer base by 21.9%, and the registration of more than 18,000 new Income Taxpayers on the Income Tax register.
- Opening of a new Taxpayer Service Centre, providing a single interface for all taxpayer queries and payments.
- 96% of income tax refunds issued in 45 days (against a target of 3 months) and VAT repayments in fast track cases within 10 days.
- Significant improvement in cargo dwell times to facilitate trade.
- Start of the infrastructure improvement project for a new Customs House.
- 24 public awareness campaigns organised, covering filing of tax returns, Budget tax changes, a taxpayer mailing service and business compliance and facilitation.
- 28 educational seminars conducted for the benefit of stakeholders.
- 15 taxpayer information leaflets issued.
- 72% of staff received training in our first year.

- Establishment of a new human resources strategy and policy framework, including the design of an organisational structure grouping together similar types of taxpayer, underpinned by shared operational and corporate services; fixed-term performance contracts for senior staff; a new performance management and review system; a new remuneration strategy based on external competitiveness, consolidation of all allowances and pay increases based solely on performance; a key performance-indicator framework; new disciplinary procedures; a new training and development programme.
- Start of a major Information Systems reform programme, including the implementation of an Integrated Tax Administration Solution and the upgrade of the Customs Management System.
- Establishment of an Internal Affairs function, with responsibility for monitoring and enhancing integrity and ethics within the organisation.
- Integrity screening of all staff through the verification of the declaration of assets submitted by each employee at recruitment.
- Initiating an Integrity Awareness Campaign.
- Implementation and launch of a new integrated Finance and Human Resources Management System.
- Establishment of an Internal Audit function and finalisation of the Internal Audit Charter and the Annual Action Plan. Four systems have been subjected to internal audit and works were in progress in five areas.
- Setting up a new Fiscal Investigation Department to review cases of fraud and fiscal evasion. In the first year, investigations were initiated into 170 cases, resulting in an additional tax yield of Rs 136.7 million.
- Introducing non-intrusive examination of goods at the Port and Airport through the use of x-ray scanners.
- Issuing Tax Residence Certificates within 7 days.
- Widening the scope for e-filing of returns.
- Launching an MRA website and hotline.
- Launching a Taxpayers Mailing Service.

In publishing its first Annual Report on its work and results during 2006/7, the MRA is aiming to cover comprehensively and transparently all of our major operational areas, ranging from tax collection to taxpayers services, and from trade facilitation to managing staff and the performance of the entire organisation.

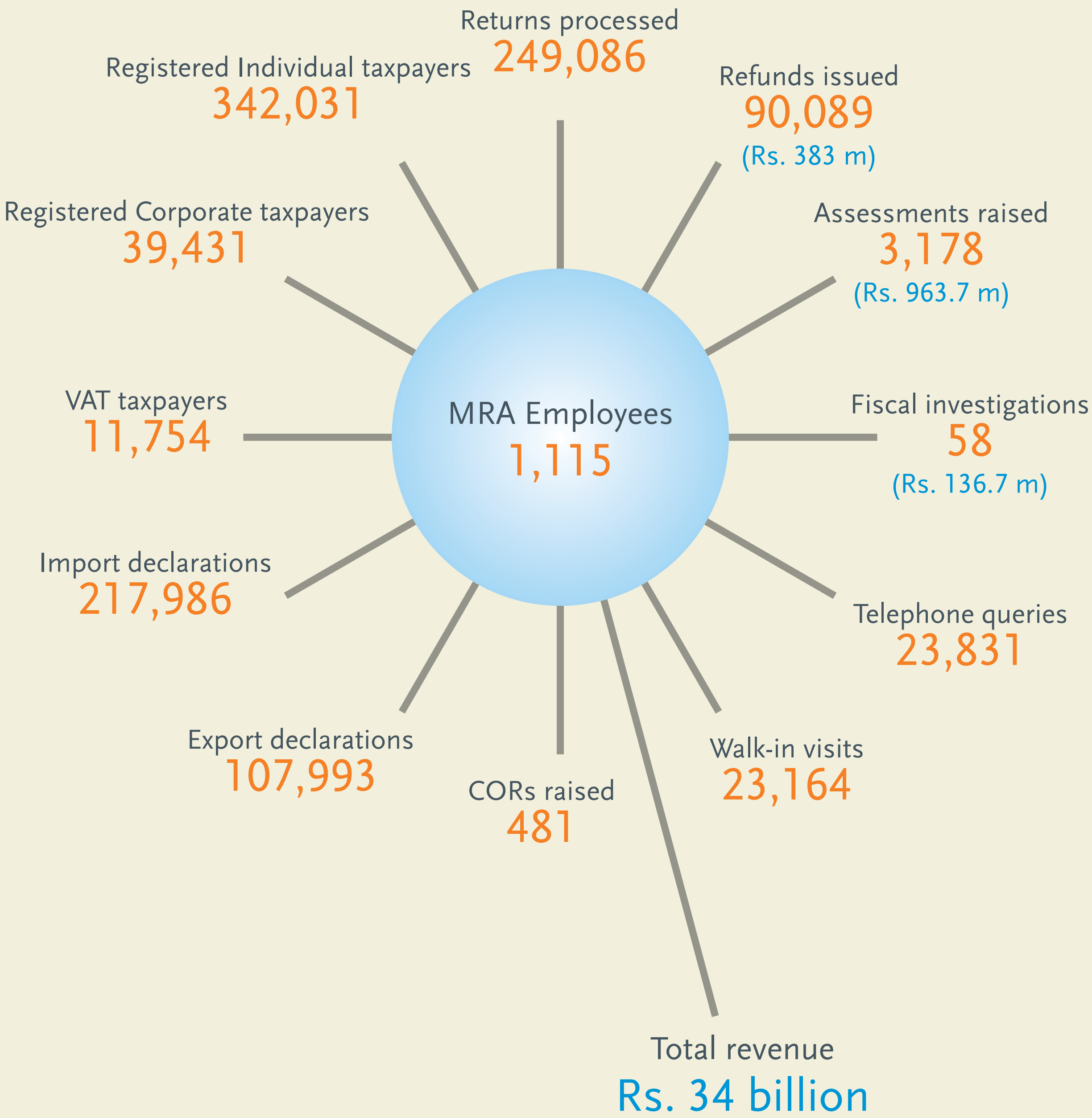
When MRA was launched, what was foremost in our minds was to achieve a successful transition without disrupting services to taxpayers. This difficult task would not have been possible without the hard work and assistance of all MRA employees.

I and the other members of the management team are grateful to the members of the Board, who have always provided appropriate guidance and collaboration, as well as for the strong support of the Ministry of Finance and Economic Development, which has helped to ensure a successful first year of operation.

M. S. Lal
Director-General

1.

1. MRA in Figures



2.

2. Our role

The Mauritius Revenue Authority (MRA) is a body corporate, set up to manage an effective and efficient revenue-raising system. It administers and collects taxes due in Mauritius within an integrated organisational structure.

The MRA is an agent of State and, as such, the Ministry of Finance and Economic Development continues to have overall responsibility for the organisation and monitors its performance.

The establishment of the MRA on 1 July 2006, under the provisions of the MRA Act 2004, has enabled services to the taxpaying public and business community to be redefined.

The MRA is responsible for collecting approximately 80% of all tax revenues and for enforcing tax laws in Mauritius. It manages:

- Corporate and Personal Income Tax
- Tax Deduction at Source on certain specific types of payment
- Value-Added Tax
- Customs Duties
- Excise Duties
- Gambling taxes, including taxes on lotteries, betting and gaming
- Temporary Solidarity Levy
- Issuance/renewal of several types of licence (liquor, gaming and Freeport).

As from the financial year starting on 1 July 2007, the MRA will also collect the following additional fees and levies on behalf of Government:

- Environment protection fees
- Passenger fees
- Passenger solidarity fees
- Special levy on banks.

3.

Our strategic framework

3. Our strategic framework

The MRA's vision, mission and core values guide all of our efforts and strategies:

Vision

To be a world class Revenue Authority respected for its professionalism, efficiency, fairness, integrity and its contribution to our economic and social development.

Mission

To continually reform and modernise Revenue Administration in order to manage and operate an effective and efficient Revenue organisation comprising of highly motivated and skilled staff.

Core Values

Integrity – MRA upholds the highest standards of integrity and honesty so as to gain the respect and confidence of taxpayers, stakeholders and the public at large.

Responsiveness – MRA endeavours to provide a prompt, efficient, effective and quality service to taxpayers, stakeholders and the public at large in an effort to exceed their expectations.

Fairness – MRA is committed to apply revenue laws impartially and objectively and treat everyone in an equitable manner.

Transparency and Accountability – MRA efforts are geared towards the development of the Authority in a manner which promotes a transparent and accountable administration.

Strategic objectives

The key factor in the establishment of the Mauritius Revenue Authority was to provide an appropriate structure for improved organisational performance and, in particular, enhanced revenue collections. MRA's overall strategic objectives are to:

- Optimise revenue collections
- Improve taxpayer services
- Facilitate trade
- Implement an effective management information system
- Enhance corporate image
- Develop human resources.

Our main strategic initiatives and measures to achieve these objectives are:

- Promoting voluntary compliance
- Reinforcing audit and investigation
- Widening the tax base
- Boosting arrears' collection
- Research and planning
- Safeguarding revenue interests through judicial processes
- Providing timely service to taxpayers
- Promoting taxpayer education
- Promoting customer service and orientation
- Obtaining feedback from taxpayers
- Ensuring quick clearance of goods
- Minimising physical inspection of goods
- Promoting e-payment
- Integrating tax administration systems
- Increasing automation
- Developing an effective monitoring and evaluation mechanism
- Ensuring equity and fairness
- Enhancing integrity of staff and systems
- Maintaining quality and assurance
- Enhancing staff skills
- Maintaining a healthy and safe working environment
- Improving internal and external communication.

4.

4. Optimising revenue collection – 2006/7 results

4.1. OVERVIEW

Revenue collected in the 2006/7 Financial Year amounted to Rs 34,204 million. This collection is 0.6% above revised estimates of Rs 33,990 million, whilst 0.4% below the initial projected collection of Rs 34,348 million. Table 1 gives details of revenue collection in 2006/7 by tax:

Table 1: Revenue Collection (Rs m) for the year ended 30 June 2007

Revenue	Budget estimates	Revised estimates	Actual collections	% Increase/ decrease on Budget estimates	% Increase/ decrease on Revised estimates
Corporate Tax	5,275	4,860	4,922	-6.7	1.3
Personal Income Tax	2,525	2,720	2,815	11.5	3.5
VAT	15,000	15,600	15,492	3.3	-0.7
Customs	2,160	2,100	2,157	-0.1	2.7
Excise	7,945	7,310	7,440	-6.4	1.8
Gambling	1,145	1,117	1,133	-1.0	1.4
Licences	68	73	58	-14.7	-20.5
C&E Fees and Fines	55	35	31	-43.6	-11.4
Solidarity Levy	175	175	156	-10.9	-10.9
Total	**34,348**	**33,990**	**34,204**	**-0.4**	**0.6**

Detailed analysis of revenue performance shows that Personal Income Tax and VAT collections exceeded initial projections by Rs 290 million and Rs 492 million respectively. Receipts from Personal Income Tax included tax collected under the recently introduced system of Tax Deduction at Source (TDS). TDS yielded Rs 60 million more than expected, Rs 410 million as compared to the budgeted amount of Rs 350 million.

An additional Rs 230 million resulted from higher collections from individual taxpayers, despite major income tax reforms (reduction in tax bands and rates, and the drastic increase in income exemption thresholds). The additional VAT receipts of Rs 492 million may be attributed to a lowering of the VAT registration threshold, improvement in tax administration, inflation and buoyant consumption.

Corporate Tax and Excise Duties produced collections below estimate. Corporate Tax collections were below target by approximately Rs 353 million following lower than expected tax collections from certain key sectors such as banking, global business and hotel. Likewise Excise Duty collections fell short of projections by Rs 505 million, owing to lower collections of duty on motor vehicles and plastic bags and PET (plastic) bottles.

Tax collections from Customs and Gambling have almost matched initial projections. Receipts under the recently introduced Solidarity Levy were Rs 19 million less than the budget estimate of Rs 175 million.

Table 2: Trends in Tax Collections (Rs m) – 2003/4 to 2006/7

Main Duties and Taxes	2003/4	2004/5	2005/6	2006/7
Corporate Tax	2,404	3,275	4,704	4,922
Personal Income Tax	2,265	2,554	2,768	2,815*
Value Added Tax	11,189	12,524	13,710	15,492
Customs Duties	4,037	3,899	3,046	2,157
Excise Duties	5,756	6,670	6,618	7,440
Gambling Tax	794	897	993	1,133
Solidarity Levy	n/a	n/a	n/a	156
Total collections	**26,445**	**29,819**	**31,839**	**34,115**

* *Collections under TDS included*

Table 2 above illustrates that, after registering exceptional growth rates of 36% and 44% during financial years 2004/5 and 2005/6, Corporate Tax receipts grew by only 5% in 2006/7. Earlier growth in Corporate Tax was mainly driven by buoyant receipts from global business companies. However, in the year under review, tax receipts from these companies fell significantly by 11%.

A new Income Tax package was introduced in the 2006/7 Budget at an estimated cost to the Exchequer of Rs 600 million. It was expected that this loss would be reduced significantly by the inclusion of Tax Deduction at Source under Personal Income Tax, which was expected to yield some Rs 350 million. Thus, after registering growth of 13% and 8% in preceding years, receipts from Personal Income Tax were forecast to fall by 9% in 2006/7 (i.e. from Rs 2,768 million to Rs 2,525 million). Actual collections during the year were Rs 2,815 million, approximately 11.5 % above the estimates and 1.7% above the preceding year's collection.

Value-Added Tax receipts increased by 13%, which was higher than the average increase of 10.7% in the preceding two years.

Customs duties continue to fall as a result of Government policy to move towards a duty-free island. In 2006/7, collections from Customs duties were almost half of those collected in 2003/4. In 2003/4, there were eight non-zero ad-valorem duty bands, ranging from a low rate of 5% to a high rate of 80%. These bands have been amalgamated and reduced over the years, so that by 2006/7 there were only three non-zero ad-valorem bands of 10%, 15% & 30%.

Excise Duty collection, which had remained almost static in 2005/6, increased by 12% in 2006/7 to Rs 7,440 million. Excluding the recently introduced duty on PET bottles and plastic bags, collections from Excise Duty increased by 11% over 2005/6.

Gambling tax maintained the double-digit growth of earlier years, with a 14.2% increase in 2006/7.

4.2. DIRECT TAXES

4.2.1. Corporate Tax

As shown in Table 3 below, there was an increase of 5% in Corporate Tax collections in 2006/7. This represented a significant change from the robust increases of 36% and 44% in 2004/5 and 2005/6 respectively.

Table 3: Collections under Corporate Tax (Rs m) – 2003/4 to 2006/7

Type of Tax	2003/4	2004/5	2005/6	2006/7
Corporate Tax	2,404	3,275	4,704	4,922

The slower growth rate may primarily be attributed to lower than expected collections from the hotel, global business and construction sectors. Nevertheless, the number of companies liable to Corporate Tax continued to grow steadily, at an average annual rate of 11% to a total of 4,735 companies in 2006/7.

4.2.2. Personal Income Tax

Table 4: Personal Income Tax Collections (Rs m) – 2003/4 to 2006/7

Type of Tax	2003/4	2004/5	2005/6	2006/7
PAYE	1,974	2,185	2,393	2,038
CPS	108	145	141	153
Self Assessment	273	340	403	443
Refunds	-259	-314	-331	-383
Arrears	169	198	161	154
Total	**2,265**	**2,554**	**2,767**	**2,405**

Tax collections from emolument earners and self-employed for 2003/4 to 2006/7 is shown in Table 4. A major overhaul of tax policy brought sweeping changes to the Personal Income Tax structure in 2006/7. Personal Income Tax reform has been built on several interconnected elements:

(a) **Overhaul of the complex system of exemptions**. All reliefs, allowances and deductions were consolidated into new income exemption thresholds. As from 2006/7 there are only four categories of taxpayers, each with a different income exemption threshold:

Category A (no dependent) – Rs 215,000;
Category B (1 dependent) – Rs 325,000;
Category C (2 dependents) – Rs 385,000;
Category D (3 dependents) – Rs 425,000.

(b) **Reduction in the number of tax bands** from four to two.

(c) **Lowering of tax rates**. Prior to 2006/7, there were four tax bands starting from a low rate of 10% to a high rate of 30%. As a result of the reduction in tax bands and tax rates, chargeable income was taxable as set out in Table 5:

Table 5: Tax Bands and Rates – 2006/7

Chargeable Income	Tax Rate
First Rs 500,000	15.0 %
Remainder	22.5 %

(d) **Move from the existing PAYE system to a cumulative PAYE system**. The new system aims to ensure that the amount of tax withheld under PAYE corresponds exactly to the actual amount of tax payable at the end of the financial year, so that refunds or additional payments in September each year are reduced to a minimum.

(e) **Change in the Current Payment System (CPS)**. Taxpayers under CPS are now required to submit three Statements of Income, in December, March and June, relating to the first three quarters of the year respectively, as compared to only one Statement in respect of the first six months of the income year previously.

The main impact of these reforms in Income Tax structure may be summarised as follows:

- Around 36,000 taxpayers deriving income from emoluments no longer pay any Income Tax;
- PAYE collection, which had been increasing at approximately 10% in previous years, declined by 15% in 2006/7;
- CPS tax receipts increased by 9%, as 15 months tax was collected under CPS during 2006/7 as opposed to 12 months in a normal year.

4.2.3. Tax Deduction at Source

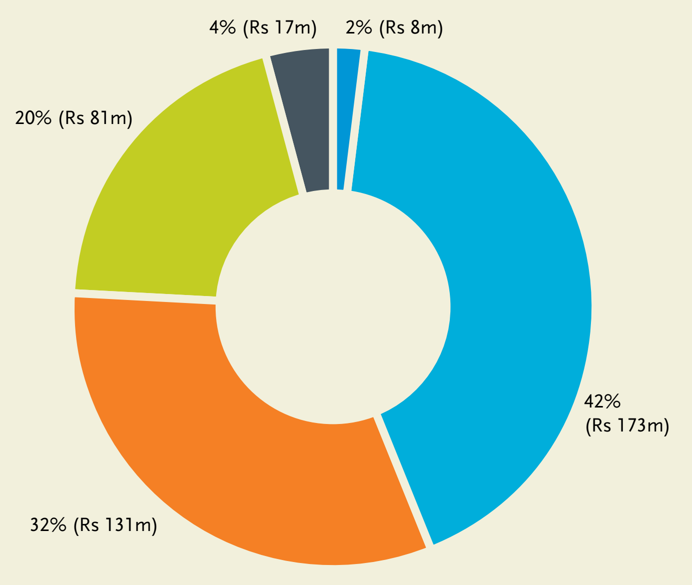
A new system known as Tax Deduction at Source (TDS) was introduced in respect of certain types of payments in October 2006. Under the TDS system, a payer is required to deduct tax at the time the payment is received by or credited to the account of the payee. Any tax paid under TDS can be claimed as a tax credit in Income Tax returns. The types of payment subject to TDS and the rate of tax deduction is outlined in Table 6 below:

Table 6: Payments and corresponding rates of tax under TDS

Nature of payment	Rate of tax
Interest payment	
(on financial deposits exceeding Rs 2 million)	15%
Royalties	10%
Rent	5%
Payments to providers of specified services	3%
Payments to contractors/subcontractors	0.75%

TDS collection for the nine-month period from October 2006 to June 2007 was Rs 410 million (approximately Rs 60 million above the sum estimated). Almost three-quarters of tax collected through TDS is derived from interest (42%) and rent (32%). TDS on payments to contractors and sub-contractors amounted to Rs 80.7 million (20% of total TDS collections). Figure 1 provides a breakdown of payments under TDS in 2006/7.

Figure 1: TDS collections by nature of payment – 2006/7



4.3. INDIRECT TAXES

4.3.1. Value Added Tax

Total Value Added Tax (VAT) collected in 2006/7 was Rs 15,492 million, an increase of 13% on 2005/6. A number of cumulative factors had a significant impact on VAT collection:

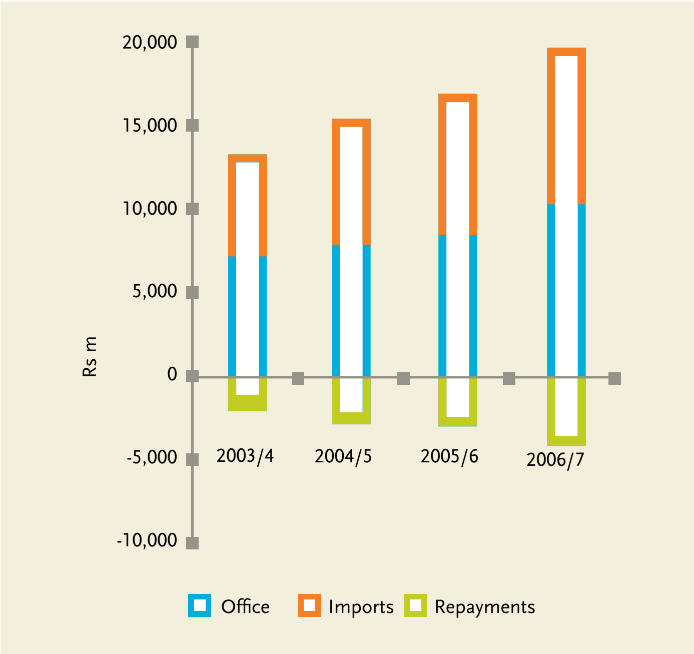
- Reduction in the VAT registration threshold from Rs 3 million to Rs 2 million, leading to 2,109 additional persons being subject to VAT.
- Change in the EPZ regime with respect to payment of VAT at importation.
- Increase in the international price of goods and higher freight charges.
- Depreciation of the rupee in the first half of the year.
- Increase in investment in the hotel sector and take-off of the Integrated Resort Scheme resulting in higher repayments.

Table 7 and Figure 2 set out a four-year trend analysis of VAT collections.

Table 7: Tax collected under VAT (Rs m) – 2003/4 to 2006/7

	2003/4	2004/5	2005/6	2006/7
VAT at office	7,007	7,752	8,340	10,110
VAT at importation	6,345	7,676	8,468	9,600
Total repayment	-2,163	-2,905	-3,098	-4,218
Net VAT	**11,189**	**12,523**	**13,710**	**15,492**

Figure 2: VAT collections – 2003/4 to 2006/7



A disaggregated analysis of VAT collections identifies three main components:

(a) VAT at importation, which is collected by the Customs Department and is levied on all VAT-able goods at their point of entry into Mauritius, irrespective of whether the importer is VAT registered or not. During 2006/7, VAT collected at importation was Rs 9,600 million (an increase of 13% over 2005/6).

(b) VAT at office relates to payments being made by VAT-registered persons in respect of VAT charged on their taxable supplies of goods and services. VAT collected at office was Rs 10,110 million during 2006/7, an increase of 21% over 2005/6.

(c) Repayment refers to the amount that has been reimbursed to VAT-registered persons in respect of zero-rated supplies and capital goods. The amount repaid under VAT was Rs 4,218 million, 36% higher than repayments in 2005/6.

Consumption generates VAT

4.3.2. Customs Duties

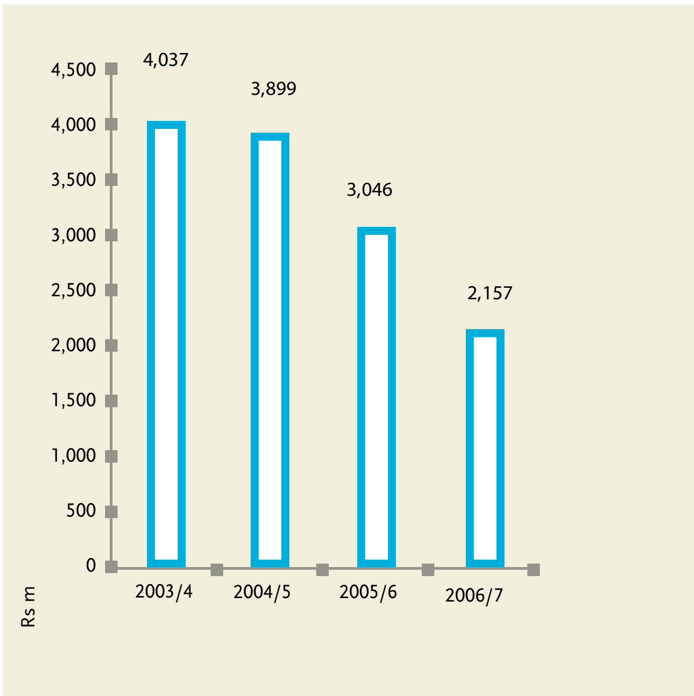
Significant reform in Trade taxes has caused dramatic reductions in Tariff rates and duty bands in recent years. This was continued in 2006/7 and has resulted in Customs Duty collection falling over a four-year period from approximately Rs 4 billion in 2003/4 to Rs 2 billion in 2006/7.

In the 2006/7 Budget, tariff cuts were extended to sixty percent of Tariff lines, bringing down the top Tariff rates of 65%, 55% and 40% to 30%. The Tariff structure was further simplified when the seven non-zero ad-valorem bands were reduced to three non-zero bands (30%, 15% and 10%).

Unloading of goods at the port

Figure 3 illustrates this mid-term trend in Customs Duty collections.

Figure 3: Customs Duties – 2003/4 to 2006/7



The geographical distribution of Customs Duty collections is highlighted in Figure 4 below:

Figure 4: Geographical distribution of Customs Duty collections – 2006/7

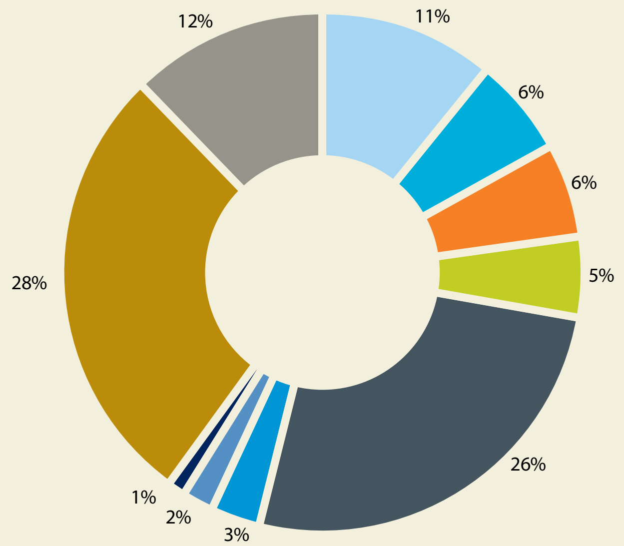


Figure 4 shows that China (including Hong Kong) is the major supplier of goods contributing to Customs Duties. During 2006/7, collections from merchandise of Chinese origin represented 28% of total collections as opposed to just 18% in 2003/4. Similarly, goods from France and countries forming part of the SADC & COMESA trading blocks were also important sources of Customs Duty collections in 2006/7, representing 12% and 11% of total duty collections respectively.

4.3.3. Excise Duty

In contrast to Customs duties, Excise Duty collections have continued to increase in 2006/7, as in other recent years. This is mainly attributed to the upward revision in Excise Duty rates on alcoholic beverages and cigarettes, and to a lesser extent to growth in consumption.

Trends in Excise Duty collections during the last four financial years are shown in Table 8.

Table 8: Total Excise Duty collections (Rs m) – 2003/4 to 2006/7

	2003/4	2004/5	2005/6	2006/7
Excise Duties on locally-manufactured goods	**2,408**	**2,838**	**2,468**	**3,176**
Alcoholic Beverages	1,054	1,220	1,316	1,536
Tobacco	1,352	1,617	1,151	1,539
Plastic Products	0	0	0	100
Other	2	1	1	1
Excise Duties on imports	**3,348**	**3,832**	**4,150**	**4,264**
Total Excise Duties collected	**5,756**	**6,670**	**6,618**	**7,440**

The table shows that Excise collections increased by 12% in 2006/7.

In 2006/7, Government introduced a specific Excise Duty rate of one rupee on plastic carrier bags and PET bottles as an environmental protection measure. This contributed Rs 100 million (representing 1 %) to total Excise collections.

4.3.4. Tax on Gambling

Table 9 sets out collections of tax on Gambling for the four most recent financial years.

Table 9: Tax collections on Gambling activities (Rs m) – 2003/4 to 2006/7

Type of gambling activity	2003/4	2004/5	2005/6	2006/7
Tax on Gaming	550	614	689	745
Tax on Betting	231	269	291	374
Bookmakers	171	204	213	268
Tote	34	47	57	85
Pool	25	18	20	21
Tax on Lotteries	13	14	13	14
Tax on Gambling	**794**	**897**	**993**	**1,133**

Tax collections on Gambling totalled Rs 1,133 million in 2006/7, an increase of 14% on 2005/6. Although tax on Gaming represents two thirds of Gambling tax collected, the increase in total collection is led by an increase in Betting Tax collections. Receipts from Bookmakers and the Tote amounted to Rs 268 million (+26%) and Rs 85 million (+49%) respectively.

4.3.5. Licences Fees

Licence fees include, but are not restricted to, annual fees paid in respect of Liquor and Gaming Licences. Table 10 provides a detailed breakdown for the last four years:

Table 10: Licences fees (Rs m) - 2003/4 to 2006/7

Type of licence	2003/4	2004/5	2005/6	2006/7
Liquor	10.4	10.2	10.6	9.9
Gaming Licences	37.9	32.7	42.4	46.2
Others	1.2	1.2	1.3	2.1
Total	**49.5**	**44.1**	**54.3**	**58.2**

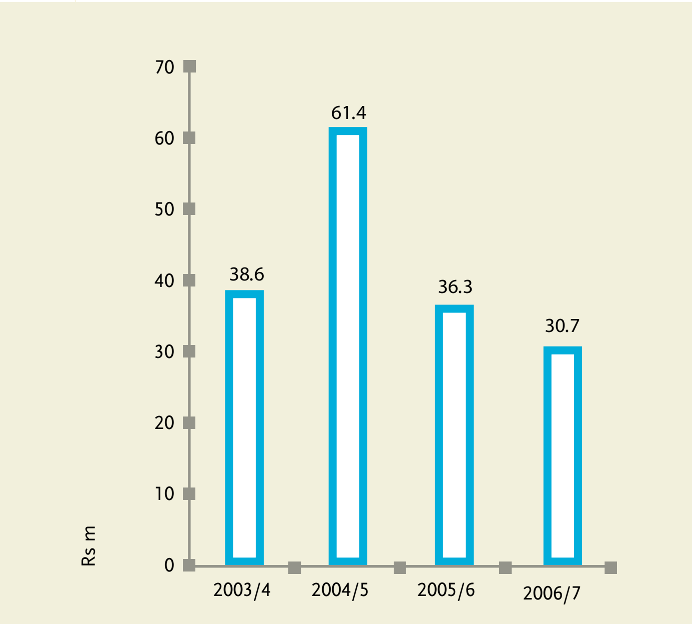
Licence fee collection has increased by almost 18% over the four-year period 2003/4 to 2006/7.

4.3.6. Customs & Excise Fees

The Customs Department has a number of fiscal, economic and social responsibilities. In addition to Customs and Excise Duties, it also collects a number of other specific revenues, including special duty and supervision fees, Freeport licence fees and fines.

Figure 5 illustrates these other specific revenues collected over a four-year period.

Figure 5 – Customs & Excise fees – 2003/4 to 2006/7



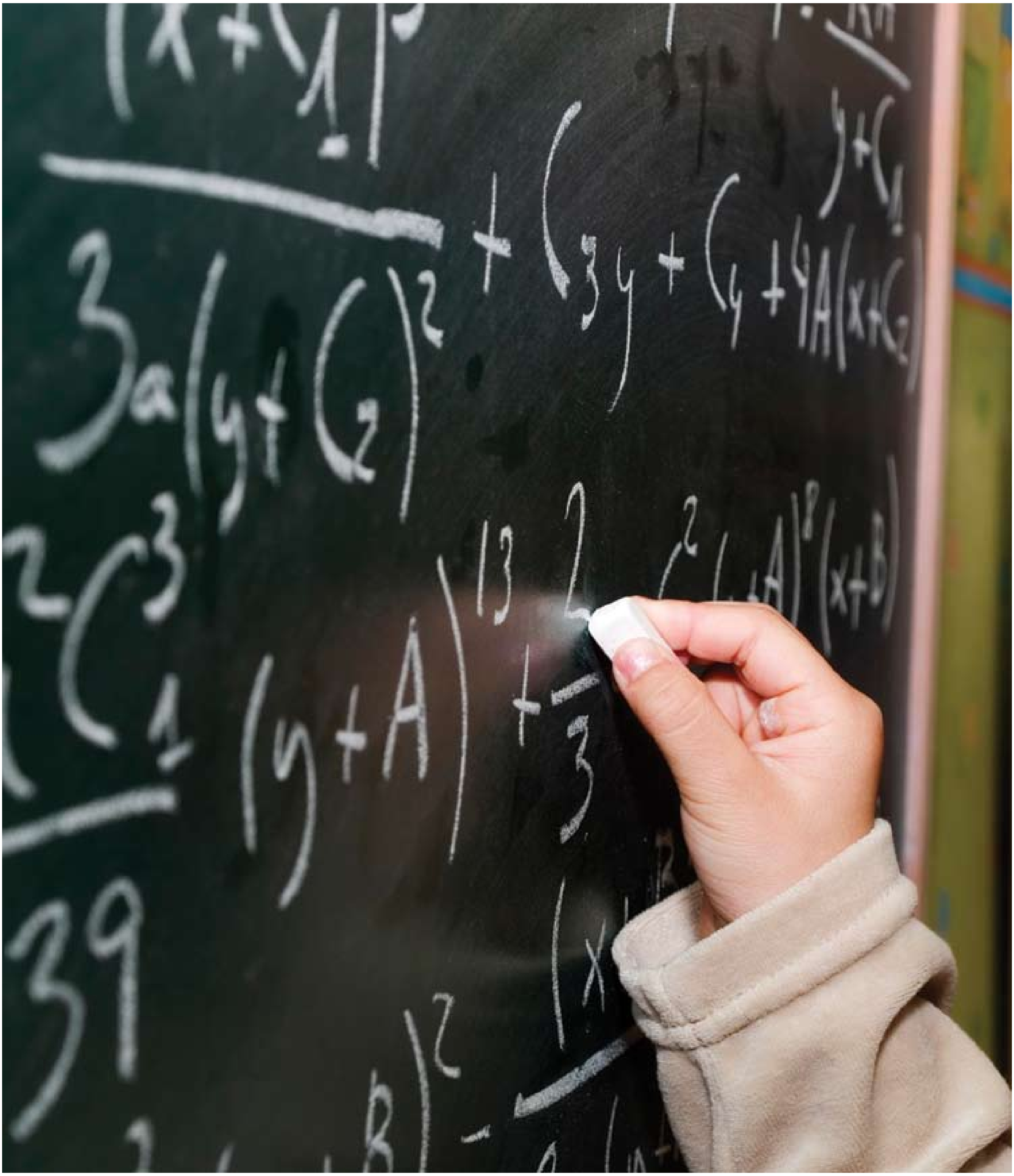
The pattern of collections has remained more or less static over the four-year period, barring 2004/5 when the amount collected in terms of fines represented 75% of total collections. In future years, this scenario is likely to change drastically, with Tax Stamps and Processing Fees being most significant. According to the 2007/8 Budget estimates, Tax Stamps and Processing Fees are expected to bring in some Rs 25 million and Rs 60 million respectively.

4.3.7. Solidarity Levy

In the 2006/7 Budget, a new temporary Solidarity Levy was introduced to contribute to the financing of the Empowerment Programme. The levy, at the rate of 0.85% of turnover, was applicable to profitable hotels, destination management companies and tour operators for a period of four years as from 1 July 2007. Table 11 below shows that collections under the Solidarity Levy amounted to Rs 156 million.

Table 11: Solidarity Levy collected (Rs m) – 2006/7

Categories	2006/7
Hotels	147.3
Tour Operators	6.5
Others	2.1
Total	**155.9**



Fairness

MRA is committed to apply revenue laws impartially and objectively and treat everyone in an equitable manner.

5.

5. Efficiency and effectiveness in revenue administration

5.1. EFFICIENCY IN A NEW ORGANISATION

The establishment of MRA has enabled the transformation of revenue administration and collection activities by merging together all revenue collecting departments into one integrated organisational structure. The performance of this new structure is monitored regularly against specific targets and benchmarks to ensure that the standards set by Management are being met. Table 12 below shows MRA's results in this respect in 2006/7:

Table 12: Efficiency at MRA

Activities	Targets	2006/7 Results
Registration of taxpayers	Within 3 days	3 days
Income Tax refunds	Within 90 days	96% issued within 45 days
VAT Repayments	Within 10 days for fast-track cases	10 days for fast-track cases
Issue of Tax Residence Certificates	Within 7 days	Within 7 days (except cases where additional information had to be sought)
Time taken to issue tariff rulings	Within 3 days	Within 4 days
% of returns filed electronically	LTD – 100% MSTD – 100% Increase	For subsequent evaluation
Time taken to determine objections	Disposal of all cases within 4 months	Within 4 months
Average dwell time for cargo	4 days by sea and 2 days by air	Green Channel (75%): 4 hrs by sea, 3/4 hr by air
Exports clearance time	Not more than 8 mins	Green Channel (75%): 7 mins by sea, 1 hr by air

The table shows that the MRA has met or exceeded most of its efficiency targets in 2006/7.

The following analysis gives details of the MRA's efficiency by area of activity:

5.1.1 Registration of Taxpayers

A Registration Section has been set up within the MRA's Operational Services Department to maintain a single integrated database register of all taxpayers. The Registration Section is required *inter-alia* to process voluntary registrations and generate a Tax Account Number (TAN) for all new taxpayers.

Through its on-line network with the Registrar of Companies, the Operational Services Department ensures that all companies/self-employed persons who have been given a Business Registration Number (BRN) are also registered with the MRA. This on-line networking obviates the need for a person engaged in business to register with the MRA in person.

On-line connectivity with the Registrar of Companies ensures that a company receiving a BRN is automatically granted a TAN. During the year, 209 persons/entities, allotted BRNs by the Registrar of Companies, were allocated a TAN through the electronic network. As shown in Table 13, the MRA has updated its existing database to include the TAN of 21,172 persons engaged in business.

Table 13: On-line Business Registration – 2006/7

Details	2006/7 Companies	2006/7 Self-employed	2006/7 Total
New Taxpayers with BRN	38	171	209
Existing taxpayers updated with BRN	9,748	11,424	21,172

During 2006/7, the MRA has met its target of effecting all registrations within 3 days.

5.1.2. Issue of refunds and repayments

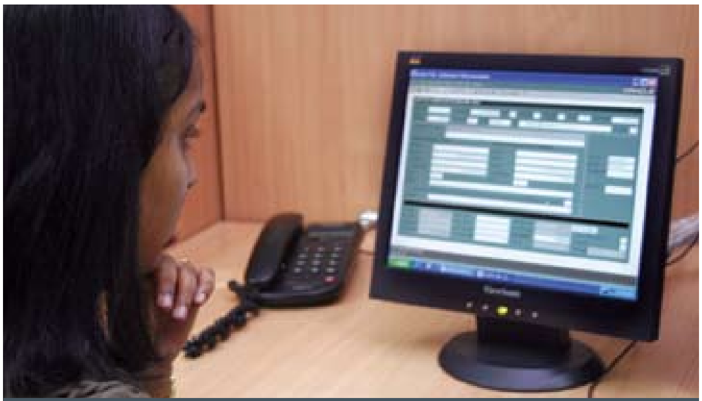
(a) **Income Tax refunds**
Where a taxpayer requests an Income Tax refund, MRA's performance target is to issue the refund within 90 days. The restructuring of departments and re-engineering of activities have enabled this target to be significantly exceeded, with the time period for the issue of Personal Income Tax refunds being reduced to 45 days. The total amount refunded for the year under review was Rs 383 million, an increase of 16% over 2005/6 refunds of Rs 331 million.

(b) **VAT Repayment**
VAT repayment is effected on receipt of VAT returns either on a quarterly or monthly basis. In normal cases, any repayment claimed by taxpayers is made within 45 days. However, in respect of fast-track cases (EPZ sector), repayments have been effected within 10 days. During 2006/7, approximately 4,800 repayment claims have been processed, representing almost Rs 4.2 billion.

5.1.3. Business facilitation

MRA is also fully committed to the achievement of the business facilitation strategy announced by the Government. In this respect, MRA is endeavouring to ensure:

(a) Electronic filing by all Large Taxpayers. In its drive to become a paperless organisation, the MRA is encouraging taxpayers to lodge electronic returns rather than paper returns, as evidenced by a rise of 19% in the number of e-filers from 812 in 2005/6 to 965 in 2006/7. Similarly, the amount collected electronically, which was Rs 12.9 million in 2005/6, increased to Rs 14.6 million in 2006/7. Electronic filling produces various benefits in that it is less error-prone, speeds up refunds, increases the quality of information and improves the efficiency of return and payment processing. As it is mandatory for large taxpayers to submit their returns electronically, the MRA is therefore focusing on ensuring that all such taxpayers conduct their transactions on-line. Such facilities will eventually be extended to all taxpayers, including individuals.



Electronic filing of a return

(b) VAT repayments for fast-track cases, such as EPZ companies, within 10 days of receipts of claims.
(c) Improvement in average dwell-time for cargo to 4 days by sea and 2 days by air.
(d) Issue of Tax Residence Certificates (TRC) for global business companies within 7 days.
(e) Issue of Tariff Rulings within 3 days.

To achieve all this, the MRA has invested in infrastructural and technological development to automate business processes, and benefits have already been noted.

5.2. BROADENING THE TAX BASE

MRA has faced the significant challenge of achieving buoyant tax receipts when an increase in the income exemption threshold has led to approximately 50% of individual income taxpayers falling outside the tax net. The broadening of the taxpayer base has become imperative in order to counterbalance the fall in the number of individual income taxpayers and consequently boost income tax receipts. Sustained efforts at broadening the taxpayer base during 2006/7 resulted in an additional 18,218 Income Tax payers being registered at the MRA. Table 14 provides a detailed breakdown.

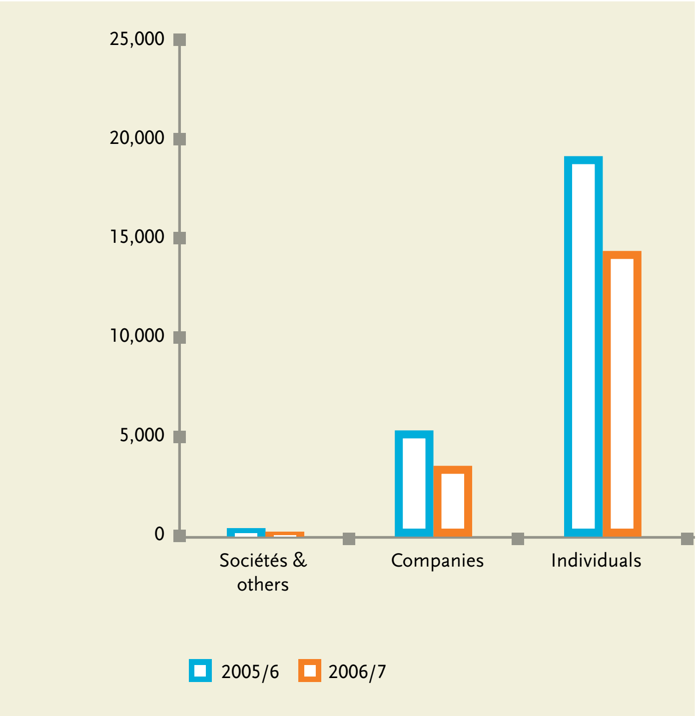
5.2.1. Income Tax

Table 14: Increase in the Income Tax Register

Details	New taxpayers registered during the year 2005/6	New taxpayers registered during the year 2006/7
Companies	5,321	3,584
Sociétés	123	105
Successions	90	52
Individuals	19,348	14,477
TOTAL	24,882	18,218

During the last fiscal year, 18,218 new taxpayers were added to the MRA database compared with 24,882 in 2005/6. The majority of registrations was recorded amongst individual taxpayers followed by corporate taxpayers. However, there was a decline in the number of new individual taxpayers from 19,348 in 2005/6 to 14,477 in 2006/7. This is a direct consequence of the increase in the threshold for PAYE deductions to Rs 16,500 per month from 1 July 2006.

Figure 6: New taxpayers 2005/6 and 2006/7



5.2.2. Value-Added Tax

Table 15: Increase in the VAT Register of Taxpayers – 2006/7

Details	Registrations at the start of the year	Net Registrations	Registrations at the end of the year	% Change
Individuals	1,872	363	2,235	+21.9%
Companies	7,773	1,746	9,519	

VAT performance is encouraging as 21.9% more VAT payers have been registered. In absolute terms, the number of registered VAT payers went up from 9,645 in 2005/6 to 11,754 in 2006/7. The broadening of the VAT base is a reflection of the following reforms in tax policy and administration introduced during the year:

(a) Reduction in the annual turnover of taxable supplies for compulsory registration from Rs 3 million to Rs 2 million
(b) Compulsory registration of Jewellers, resulting in 472 jewellers registered for VAT
(c) 54 field visits to identify new projects and potential, unregistered taxpayers. Out of these, 28 visits were effected in the construction sector alone
(d) Registration of 1,503 new employers.

5.2.3. Collection, Collation and Dissemination of Information

The MRA gathers information from various sources, including Government and Parastatal bodies, Local Authorities and private companies. This information is then used to detect non-filers of returns and assess, through audit, the amount of tax evaded. Table 16 indicates the sources from which third party information was collected during 2005/6 and 2006/7.

Table 16: Information from third parties

Details	2005/6	2006/7
Contracts for goods and services	7,571	28,855
Other sources of information	3,923	6,830

Information gathered from third parties enables MRA to identify taxpayers who have failed to declare their total income. Table 17 below gives a broad picture of the types of information that was entered in the MRA database during 2006/7.

Table 17: Types of information collected

Details	Number
Morcellement Permits	315
Land Purchases	2,041
Building Permits	1,610
Motor Vehicles	888
Driving Schools	376
Professionals	500
Pleasure Craft	307
Other sources	793

5.2.4. Voluntary Disclosure Incentive Scheme (VDIS)

In its drive to broaden and deepen the tax base, the Government has introduced a Voluntary Disclosure Incentive Scheme (VDIS). Under the scheme, taxpayers who have not reported and/or under-reported Income Tax and Value Added Tax are allowed to file a declaration for the 2006/7 assessment year and the four preceding assessment years. The Scheme allows the person to correct errors committed in the past, by fully disclosing income/turnover or amending any incorrect claim for deductions, reliefs or credit, whilst paying tax on these items at the rates applicable in those years. The Scheme came into operation on 1 July 2007 for a period of six months. It does not apply to those engaged in illicit activities.

This Scheme provides declarants with immunity from penalties and prosecution under the Income Tax Act and the Value-Added Tax Act to the extent of the amount declared. Those joining this Scheme are only required to pay interest at 0.5% per month in addition to the tax payable, thereby resulting in a 75% waiver of penalty/interest charges. On the expiry of the Scheme, recovery action will be taken as previously under existing legal provisions to identify and collect any tax due.

5.3. TAX AUDIT AND INVESTIGATION

Tax audit and investigation are essential features in a self-assessment tax regime, as they ensure full compliance with tax laws, prevent loss of Government income and aim to detect any tax evasion. After the completion of tax audits and investigations, notices of assessment are issued if under declaration/non-declaration of income or turnover has been identified. Taxpayers who disagree with the additional tax assessed may object in various ways including through the MRA Objection Section and the Appeal courts (Assessment Review Committee, Supreme Court and Privy Council).

In investigation cases, where serious offenses are established, on an offer being made by the taxpayer, the offences are compounded by a Compounding Committee chaired by the Director-General. Otherwise, the cases are referred for prosecution.

5.3.1. Tax Audit and Enforcement

MRA has set up two departments specialising in tax audit, one dedicated to Large Taxpayers and the other to Medium & Small Taxpayers. Such audit coverage includes both desk based audit at office and greater focus on field-audit approaches conducted on site. The quality of such tax audits is reinforced through access to various sources of information within the MRA such as:

(a) Statistics on non-resident artists collected by the International Taxation Unit
(b) Documentation collected on various economic transactions by the Registration Unit and the Fiscal Investigations Department (e.g. court cases involving attorneys and barristers, fees paid to medical practitioners, private tuition and a survey of street hawkers)
(c) Matching and user-tracking through TDS and CMS systems
(d) Consolidating information from different tax systems (Income Tax, Large Taxpayer and VAT systems).

Tax audit in progress

5.3.2. Effectiveness in Audit and Enforcement – The outcome

The main objective of tax audits is to ensure that taxpayers comply with the provisions of tax laws. During 2006/7, 1,102 audits were completed, of which 685 audits were performed in the MRA office and 417 on site. Site Audit consists of visiting business premises and examining taxpayers' books of accounts to ensure that profits have been correctly reported in returns. Since the MRA's inception, a coordinated audit strategy has been put in place, whereby VAT and Income Tax audits are conducted by the same audit team. This has improved both MRA's effectiveness in making assessments and in helping customers.

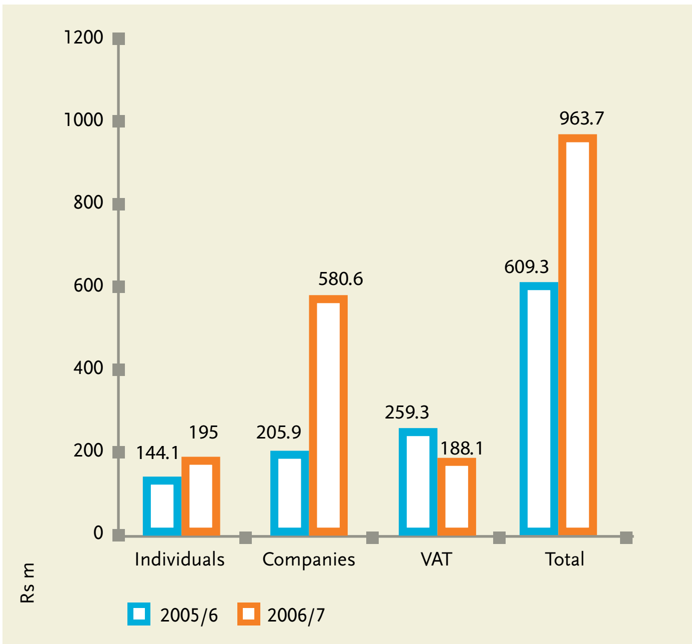
For 2006/7, MRA issued assessments totalling Rs 963.7 million as compared to Rs 609.3 million in 2005/6. This represents a 58% increase in the amount raised in assessment. The tax raised per assessment has also increased from Rs 160,000 in 2005/6 to Rs 300,000 in 2006/7. This demonstrates both increased effectiveness and improvement in the quality of MRA assessments.

Table 18 and Figure 8 illustrate further this improvement in assessment techniques.

Table 18: Summary of sums raised through Assessments

Year	July 2005-June 2006		July 2006-June 2007	
	Number of Assessments	Amount Rs m	Number of Assessments	Amount Rs m
Individuals	3,162	144.1	2,645	195.0
Companies	457	205.9	351	580.6
VAT	230	259.3	182	188.1
TOTAL	3,849	609.3	3,178	963.7
Tax yield per assessment		Rs 160,000		Rs 300,000

Figure 7: Demands created from Assessments



There is further evidence of effectiveness in the demand created per assessment without objection, which has increased from Rs 98,131 in 2005/6 to Rs 154,455 in 2006/7. Table 19 below provides further illustration of demand created per assessment without objection.

Table 19: Summary of Assessment raised without objection

Details	Number	2005/6 Amount (Rs m)	Number	2006/7 Amount (Rs m)
Income Tax	2,721	106.7	2,098	95.4
Corporate Tax	395	125.6	293	200.9
VAT	148	88.0	123	92.0
Total	3,264	320.3	2,514	388.3
Demand created per assessment		Rs 98,131		Rs 154,455

5.3.3. Post-Clearance Audit at Customs

During 2006/7, Customs has focused its attention on compliance verification after goods have been released from the port. In line with this strategy, declarants have been encouraged to prepare and submit their Customs' declarations prior to the arrival of the cargo, with any required Customs' inspection of goods occurring at the importer's premises whilst the goods are being un-stuffed. Post-Clearance Audits have brought satisfactory results as Table 20 shows.

Table 20: Summary of Post-Clearance Audits

	2005/6	2006/7	% Change
Number of Audits	19	41	116%
Revenue and Penalties assessed	Rs 30.8m	Rs 59.7m	94%

In 2006/7, 41 Post-Clearance Audits were completed, representing an approximate doubling of efforts over 2005/6. A direct consequence of this increase is seen in the amount of revenue and penalties assessed, which increased by 94% from Rs 30.8 million in 2005/6 to Rs 59.7 million in 2006/7.

5.3.4. Value Addition of Investigation

The Fiscal Investigation Department's (FID) main aim is to curb the perceived high level of tax evasion in the informal sector and the prevalence of an underground economy. Realising the pivotal role of this Department in tackling tax evasion and fraud, the MRA Act has given specific powers to the Fiscal Investigation Department under Section 15 of the MRA Act 2004. Under this law, FID officers can enter any business premises and require anyone to provide records, bank statements and other relevant information, orally or in writing.

In its first year of operation, the FID has produced strong results as set out in Table 21 below:

Table 21: Investigation performance – 2006/7

Financial Year	2006/7
Number of investigations completed	58 cases
Serious offences detected	37 cases
Assessments raised	28 cases
Value of demands created	Rs 136.7 m
Number of cases referred for prosecution	1 case

In-depth investigation has detected 37 serious offences in 58 completed cases. As a result of these investigations, assessments raised in serious offence cases were worth Rs 136.7 million. The efforts of the Department were spread over a number of trades/professions as illustrated in Table 22:

Table: 22: Investigation performance by trade/professions – 2006/7

Professions	Investigations initiated	Investigations completed
Traders	70	19
Professionals	32	14
Company Directors	32	8
Property Developers	22	8
Service Providers	14	9
Total	**170**	**58**

5.3.5. Customs Offence Reports (COR)

CORs are raised to foster greater compliance with Customs laws and combat Customs and Excise Revenue evasion. The Customs Department raises CORs at various stages of operations, including during compliance and physical inspections, and during deferred control and post-clearance audits and investigations. Table 23 and Figures 8 and 9 summarise the Customs Department's performance in issuing CORs:

Table 23: Duties and Taxes from CORs

Details	2005/6	2006/7
No. of Customs Offence Reports issued	759	481
Assessed duties and taxes	Rs 46.4m	Rs 35.5m
Assessed penalties	Rs 65.3m	Rs 23.2m
Duties and Taxes collected from CORs raised	Rs 27.3m	Rs 10.1m
Penalties collected from CORs raised	Rs 17.0m	Rs 15.5m

Figure 8 : Amount from CORs

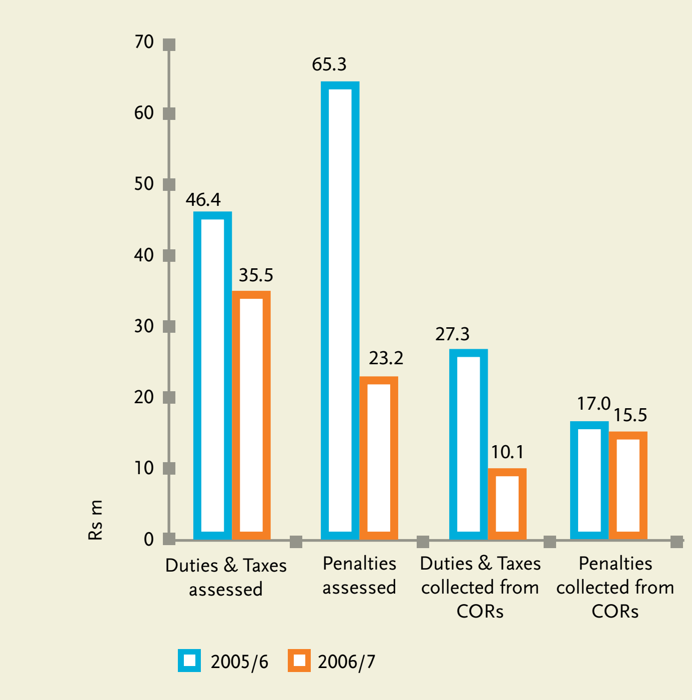


Figure 9 : No. of CORs raised

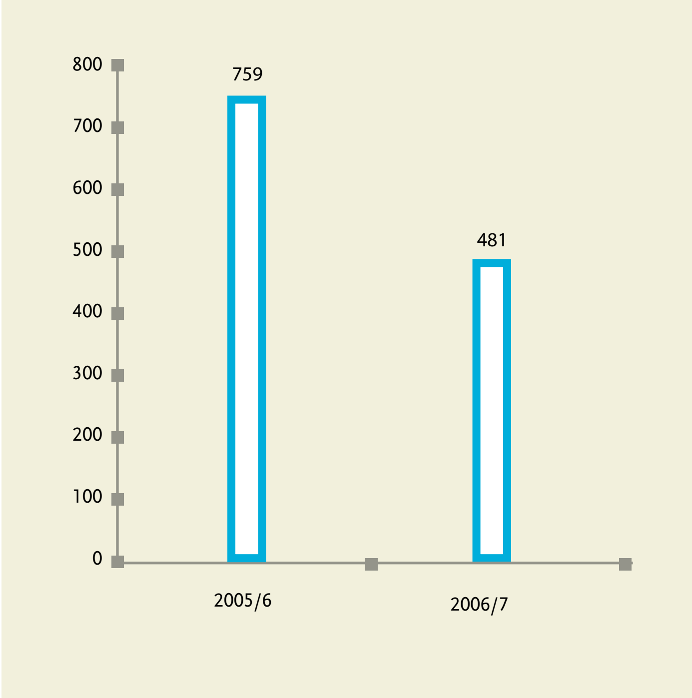


Table 23 reveals that duties and taxes assessed from CORs fell from Rs 46.4 million in 2005/6 to Rs 35.5 million in 2006/7. The amount of assessed penalties also fell from Rs 65.3 million to Rs 23.2 million. As a result, the amounts collected from CORs and penalties on CORs were only Rs 10.1 million and Rs 15.5 million respectively. The declining trend in the numbers and amounts raised from CORs is primarily due to drastic reductions in customs tariffs following Government's policy declaration of making Mauritius a Duty-Free Island. In the 2006/7 Budget, tariff cuts covered 60% of Tariff Lines and the top rate was brought down from 65% to 30%. This has significantly reduced the number and amounts raised by way of CORs. This trend is also indicative of improved compliance with Customs laws and regulations because of the MRA's sustained efforts to improve trader compliance, through educational sessions organised with all stakeholders.

5.3.6. Debt Management

The total amount of unpaid taxes, commonly known as tax arrears, was Rs 1,306 million at end of 2006/7. Total arrears have increased by 27.6% (i.e. by Rs 282.8 million over the previous year's total arrears of Rs 1,023.2 million). The increase is attributable to a number of factors, the primary ones being an increase in the amount of tax assessed, delaying tactics on the part of taxpayers, the winding-up of businesses, the death of taxpayers, expatriation and emigration.

Table 24 sets out an arrears collection comparison by category for 2005/6 and 2006/7.

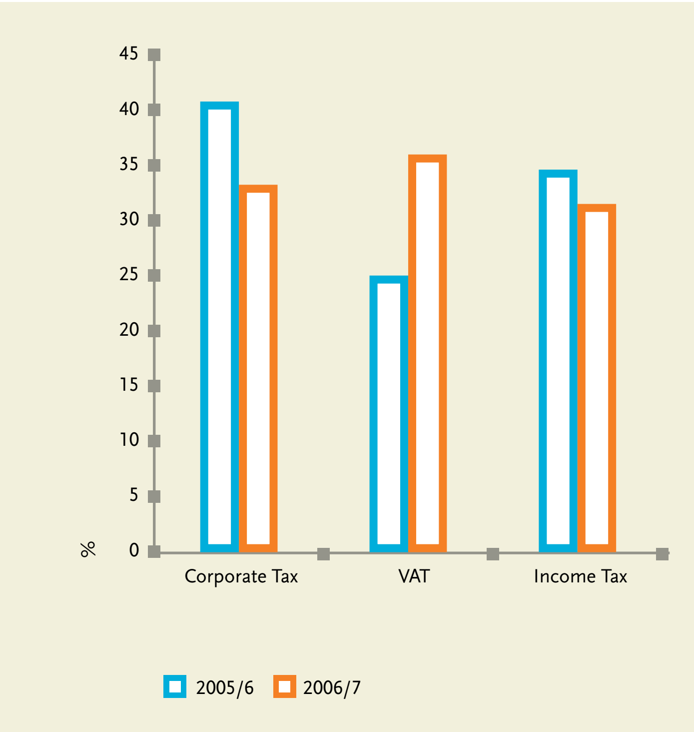
Table 24: Collection of arrears (Rs m)

Details				2005/6				2006/7
	Income Tax	Corporate Tax	VAT	Total	Income Tax	Corporate Tax	VAT	Total
Collectible and non-collectible debts at the start of the year	630.9	691.8	521.9	1,844.6	664.2	695.1	528.7	1,888.0
Arrears at objection/appeal stage (non- collectible debt)	293.2	275.2	307.2	875.6	314.6	275.2	275.1	864.9
Collectible arrears	337.7	416.6	214.7	969.0	349.7	419.9	253.6	1,023.2
Additions to debt during the year	172.9	214.8	148.7	536.4	209.6	153.2	315.2	678.0
Collections during the year	160.9	211.5	109.8	482.2	153.5	138.2	103.5	395.2
Arrears at the end of the year	349.7	419.9	253.6	1,023.2	405.8	434.9	465.3	1,306.0

In order to address increasing arrears, Government has introduced a **Tax Arrears Payment Incentive Scheme** (TAPIS), which will be in operation for six months as from 1 July 2007. It is designed so that interest and penalties, which are payable on tax due as at 30 June 2007 by individuals and companies, are waived, as an incentive for debtors to settle their tax liabilities within a given timeframe. With this Scheme, it is expected that taxes, which have become long overdue as a result of taxpayers' incapacity to pay because of heavy accrued penalties, will now be largely cleared.

The increase in outstanding debt can further be broken down by type of tax. There is an inferred fall in Corporate Tax and Income Tax in the composition of arrears from 41.0% and 34.2% in 2005/6 to 33.1% and 31.2% respectively in 2006/7. However, VAT arrears have seen their share increase from 24.8% in 2005/6 to 35.7% in 2006/7.

Figure 10: Arrears by type of tax – 2005/6 and 2006/7



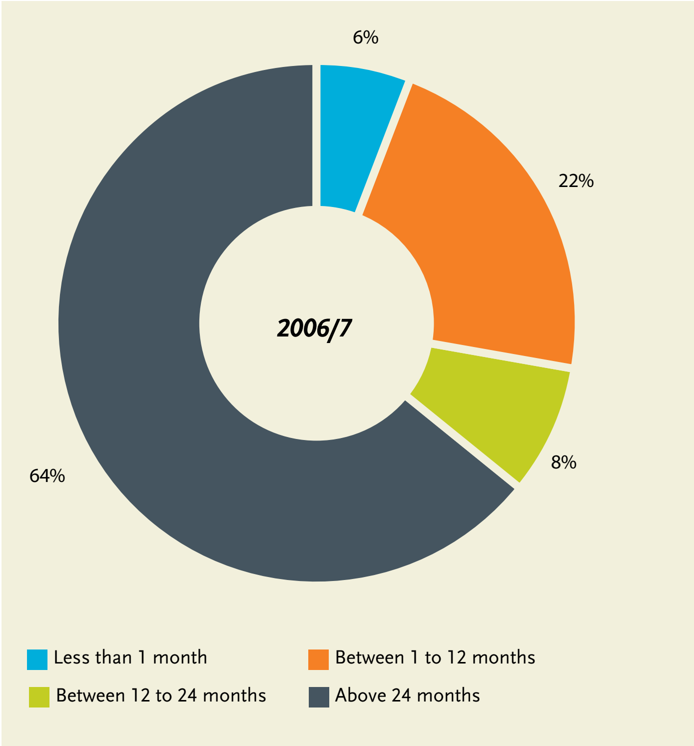
In the MRA's re-engineered debt-collection strategy, emphasis is placed on debt analysis and collection according to the age of the debt. This new classification of debt ensures that we do not lose track of old debts and ensures that all possible action is taken to speed up recovery. The age analysis of debt by type of tax is shown in Table 25.

Table 25: Age Analysis of Debt (Rs m) – 2006/7

Details	2006-2007			
	Income Tax	Corporate Tax	VAT	Total
Debt outstanding up to 1 month	5.22	6.53	61.38	73.13
Debt outstanding from 1 to 12 months	63.34	63.47	164.56	291.37
Debt outstanding from 12 to 24 months	35.26	18.28	50.93	104.47
Debt outstanding above 24 months	261.20	289.93	286.01	837.14

As Figure 11 shows, debt outstanding for more than 24 months accounted for 64% of total arrears, of which the share of Corporate Tax and VAT was 35% and 34% respectively. With the new strategy in place, it is expected that debt outstanding for more than 2 years will fall significantly.

Figure 11: Age analysis of Debt as at 30 June 2007



Various steps have been taken to reduce tax arrears, including the issuing of notices to third parties such as employers, bankers and other persons holding money on behalf of defaulting taxpayers, attachment of assets owned by them and prevention of their leaving the country under the Passport Act 1969. Table 26 summarises recovery action taken by the Recovery Section.

Table 26: Recovery Action

Details	2005/6		2006/7	
	No.	Rs m	No.	Rs m
Claims issued	2,288	190.7	1,677	873.1
Distress warrants	100	20.9	107	110.0
Objections to departure	35	40.8	78	56.1

During 2006/7, 78 cases, for a total amount of Rs 56.1 million, were subject to enforcement under the Passport Act, compared to 35 cases for a sum of Rs 40.8 million in 2005/6. This represents an increase of more than 50% in the number of taxpayers prevented from leaving the country. In addition, 107 distress warrants amounting to Rs 110 million were issued for service by a Court Usher in 2006/7. Whilst there was a fall in the number of claims issued during 2006/7, the amount claimed per notice (which was Rs 0.08 million in 2005/6) has increased to Rs 0.52 million in 2006/7.

To further improve efficiency in the collection of tax arrears, MRA also granted payment facilities to taxpayers to settle their outstanding taxes on an instalment basis. During the year under review, 13.5% of old debt was payable under the instalment program, representing total arrears of nearly Rs 176 million compared to only Rs 40 million in the preceding year.

Table 27: Payment of Arrears by Instalment

Details	2005/6	2006/7
No. of taxpayers under the instalment programme	235	235
Amounts involved	Rs 40.4 m	Rs 175.5 m

Despite the MRA's increased efforts to collect the maximum amount of arrears, there is a proportion of debt which is un-collectible for various reasons, including insolvency and death. During 2006/7, 207 cases (amounting to Rs 111.4 million) were processed for write-off, which represents 8.5% of the total amount of collectible debt. Under Section 17 of the MRA Act 2004, no tax which has become irrecoverable can be written off without the prior comments of the Director of Audit and the approval of the Minister of Finance.

5.3.7. Detection of Prohibited and Smuggled Goods

As part of its role in protecting society from hazardous goods and illicit practices, MRA's Customs Department has employed state-of-the-art cargo x-ray scanners to efficiently and effectively detect smuggled and prohibited goods in a non-intrusive manner. The scanners have enabled the MRA to inspect an increasing number of containers and to detect drugs and contraband, such as cigarettes and gold. Advanced CCTV camera systems have also been introduced at the SSR Airport Arrival Hall and PATS Air Cargo Warehouse. The introduction of such sophisticated equipment aims to fulfil two main objectives. Firstly, to deter people from importing, exporting or transhipping goods through Mauritius illegally; and, secondly, to enable Mauritius to comply with security requirements laid down by the WCO Framework of Standards.

X-ray scanning of containers

Interpretation of scanned images

Table 28: Summary of containers scanned – 2006/7

Details	Port	Airport
No of containers x-rayed	19,176	5,207
No of suspect containers	474	547
No of offences detected	80	28

Table 29: Narcotics & other seizures

Narcotics	2005/6 Weight/Quantity	2005/6 Value (Rs)	2006/7 Weight/Quantity	2006/7 Value (Rs)
Heroin	4,137g	41,400,000	5,632g	56,300,000
Hashish/Cannabis	1,504g	451,000	330g	98,700
Cocaine	2,400g	24,000,000	3g	30,000
Magic Mushrooms	-	-	618g	6,000
Subutex	2,464 tabs	1,900,000	52,035 tabs	41,600,000
Psychotropes	90 tabs	900	179,739 tabs	17,900,000
TOTAL		**67,751,900**		**115,934,700**

Other Seizures	2006/7 Weight/Quantity	2006/7 Value
Gold	28.18 kg	Rs 20,200,000
Foreign Currency	US Dollars	US$ 41,146
	Euros	€ 83,780

As illustrated in Table 29, during 2006/7, the Customs Drugs Unit made 25 seizures and prevented 5.6 kg of heroin, 618 g of magic mushrooms, 179,739 tablets of psychotropes, 52,035 tablets of Subutex and others, having a total value of Rs 115.9 million, from entering the market. The corresponding value of items seized the previous year was Rs 67.7 million. Similarly, during the year under review, 24,383 containers were scanned by x-ray, of which 1,021 were identified as suspect. As the Port and Airport are both of strategic importance within the Mauritian economy and where a large volume of goods are in transit, it means that illicit transactions at these points are high. As set out in Table 28, in 2006/7, 474 containers were considered suspect at the Port while at the Airport the number was 547.


Seizure of cannabis concealed in shoes

6.

6. Improving taxpayer and trade facilitation services

The MRA's success in promoting voluntary compliance and addressing non-compliance is largely dependent on a high-quality taxpayer service and an efficient taxpayer education strategy. In pursuit of these objectives, the MRA is endeavouring to understand taxpayer characteristics and requirements, and build strong communication channels with the various groups of taxpayers, so that it can tailor and deliver services in a cost-effective manner.

In its drive to provide efficient tax collection services, the MRA is continuously striving to identify measures that reduce compliance costs, without undermining the quality or availability of information needed to enforce compliance. The aim is to get the necessary information from taxpayers in the easiest possible way and reduce taxpayer costs, whilst retaining effective control over a tax system largely based on self-assessment.

Against this background, a dedicated Taxpayer Services Department has been established, with the objective of providing taxpayers with efficient education and awareness programmes. This new Department also liaises closely with MRA's Operational Services Department to seek to reduce compliance costs.

In December 2006, the MRA published its Taxpayer Service Charter, which clearly sets out its commitments to the taxpaying public so far as providing excellent customer service and appropriate education and awareness are concerned.

6.1. TAXPAYER EDUCATION AND COMMUNICATION

The launching of the official MRA website in July 2006 and the introduction of the Taxpayer Mailing Service in April 2007 were the main Communication highlights during 2006/7. The main elements in the taxpayer education and awareness campaign have included:

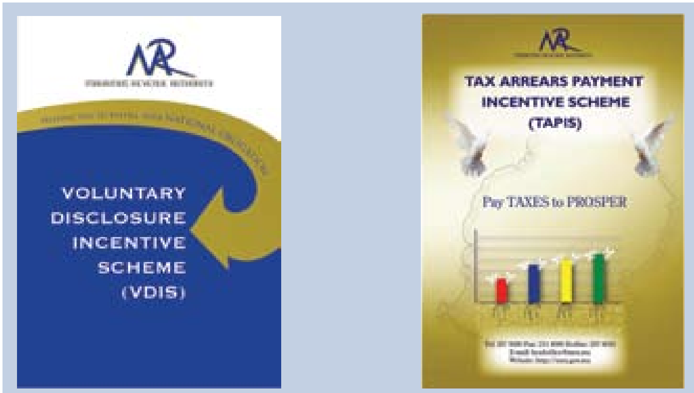
- Regular updating of the MRA website, to make available fresh information, publications and the latest versions of Acts, Regulations, legislation and Double Taxation Avoidance Agreements (DTAA). The objective is to provide continuous assistance and education to taxpayers and the business community. Since its launch, the website has been updated some 115 times, and more than a million hits were recorded during 2006/7.

MRA website

- Introduction of a Taxpayer Mailing Service on 1 April 2007, to disseminate information to all interested companies, individuals and other parties wishing to receive publications, information updates, leaflets and taxpayer guides by e-mail, free of cost. For the year under review, 252 parties asked to be added to the list of recipients.

- Publication and distribution of Taxpayer education leaflets, including leaflets on the following topics:

  - Voluntary Disclosure Incentive Scheme (VDIS)
  - Tax Arrears Payment Incentive Scheme (TAPIS)



VDIS and TAPIS

  - Guide on Tax Deduction at Source
  - Tax Deduction at Source – Questions & Answers
  - Code of Conduct and Ethics
  - Malpractice Manual
  - Guide on Current Payment System (CPS)

- Taxpayer Charter
- 6 VAT leaflets on exempted and zero-rated supplies, and on VAT submission of returns, payment and modus operandi
- Pay As You Earn Guide
- Customs Passenger Leaflet.


MAURITIUS REVENUE AUTHORITY

Taxpayer's Service Charter

You can expect from us to:

- Settle your tax affairs promptly and accurately
- Keep your affairs confidential
- Provide basis for decision taken
- Encourage Compliance
- Be consistent and impartial in our dealings

- Provide a service of high ethical standards
- Encourage whistle-blowing of suspect dealings
- Provide same service level to all stakeholders
- Allow taxpayers to exercise their rights for re-examination of tax affairs and resort to objection & appeal procedures

Quality & Efficient Service

Honest, Fair & Just

Raising Standards & Being Accountable

Assist & Communicate Clearly

- Set excellent standards in our operational services (Response time & quality)
- Publish these standards and review with a view to raise level of service to stakeholders
- Be accountable for not being to the level of standards communicated to stakeholders

- Provide forms, returns and brochures
- Be courteous in our dealings
- Give relevant information and assistance at our enquiry offices
- Listen to suggestions & improve service where possible

- The issue of 45 press communiqués during the year under review, informing or reminding taxpayers of the due dates for payment of various types of tax, including renewals of Rum & Liquor licences.
- Several briefing sessions at the request of stakeholders on various pertinent issues, including:

  - Compulsory VAT registration
  - Income Tax changes and facilitation
  - VAT issues
  - Taxation of fringe benefits
  - PAYE treatment of fringe benefits
  - Corporate Tax and Tax Deduction at Source (TDS).

- Occasional briefing sessions in both Mauritius and Rodrigues with accountants on the e-filing of returns and the filing of Employee Declaration Forms (EDF).

- 24 Awareness Raising Campaigns during the year via radio, television, newspapers and magazines on:

  - Post-launch activities
  - Code of Ethics
  - Taxpayer Mailing Service
  - Making taxpayers aware of budget measures
  - Free Income Tax Assistance (FITA)
  - Filing of VAT, Income Tax, TDS and Annual returns
  - Importation of counterfeit goods
  - Income tax changes and compulsory VAT registration
  - Compliance and business facilitation
  - Auction sales at Customs
  - Professional qualifications needed to operate as Customs House Brokers
  - Taxation of fringe benefits
  - E-filing action plan
  - Illicit trade in cigarettes
  - Submission of VAT returns and payment of licence fees
  - Payment of CPS and Excise Duties.

FITA Centres: Assisting Taxpayers

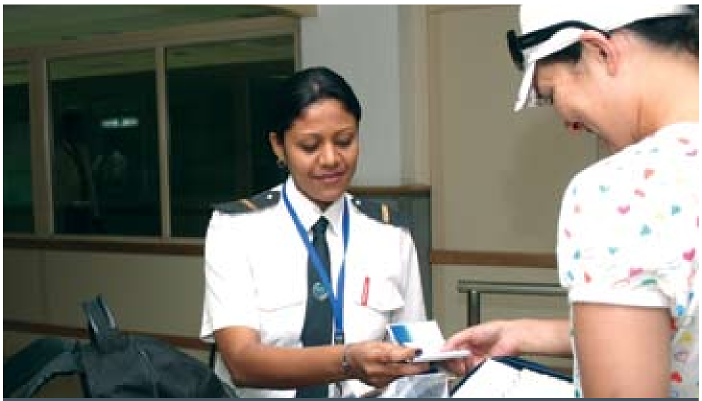
6.2. REDUCING COMPLIANCE COSTS

Curtailing superfluous administrative costs and the burden of compliance in relation to tax collections is an essential element in the provision of quality taxpayer services. During 2006/7, the Taxpayer Services Department and the Operational Services Department worked together to reduce compliance costs through the following initiatives:

- VAT repayment for fast-track cases were effected within 10 days
- Refunds were issued within 45 days in 96% of cases
- All Income Tax forms and returns were simplified and made more user-friendly for ease of comprehension and compliance
- Offices remained open longer on days where there were declaration filing deadlines
- E-filing and e-payments were promoted and in 2006/7, 55% of all payments were made electronically
- Taxpayer Service Centres were set up with comfortable waiting areas. The Operational Services Department is operating a Single Window Customer Service for taxpayers who visit the MRA to:

  - Make payment of taxes, duties, fees, penalties or interest for any taxes administered by the MRA
  - Request information about their obligations to the MRA

- Request information in respect of their taxpayer account
- Make complaints.



Customs Officer assisting passenger at the airport

- In addition to the Customer Service Desk at the MRA office, advice and assistance were also provided by telephone, including hotline services, making such services more easily accessible. The number of persons who used such services during 2006/7 and the response times in respect of essential services were as shown as in Table 30:

Table 30: Performance of Customer Service Desk – 2006/7

Number of telephone enquiries (Hotline)	23,831
Number of taxpayers who visited MRA to obtain information or file returns	23,164
Response time for telephone enquiries & office visits	Immediately
Response time for letters and correspondence	3 days

Customer Service Centre at Ehram Court

- In its endeavour to provide enhanced and quality services, the MRA has commissioned a perception survey to obtain feedback from the general public. The findings of the survey will be used to provide benchmarks against which to measure our capacity to meet the expectations and needs of taxpayers.

7.

7. Developing Human Resources

To achieve our corporate objectives and ensure that the organisation is focused on optimising revenue collection in an efficient and effective manner, it is essential that the organisation is able to recruit, motivate, develop, and retain quality people.

7.1. STAFFING THE NEW ORGANISATION

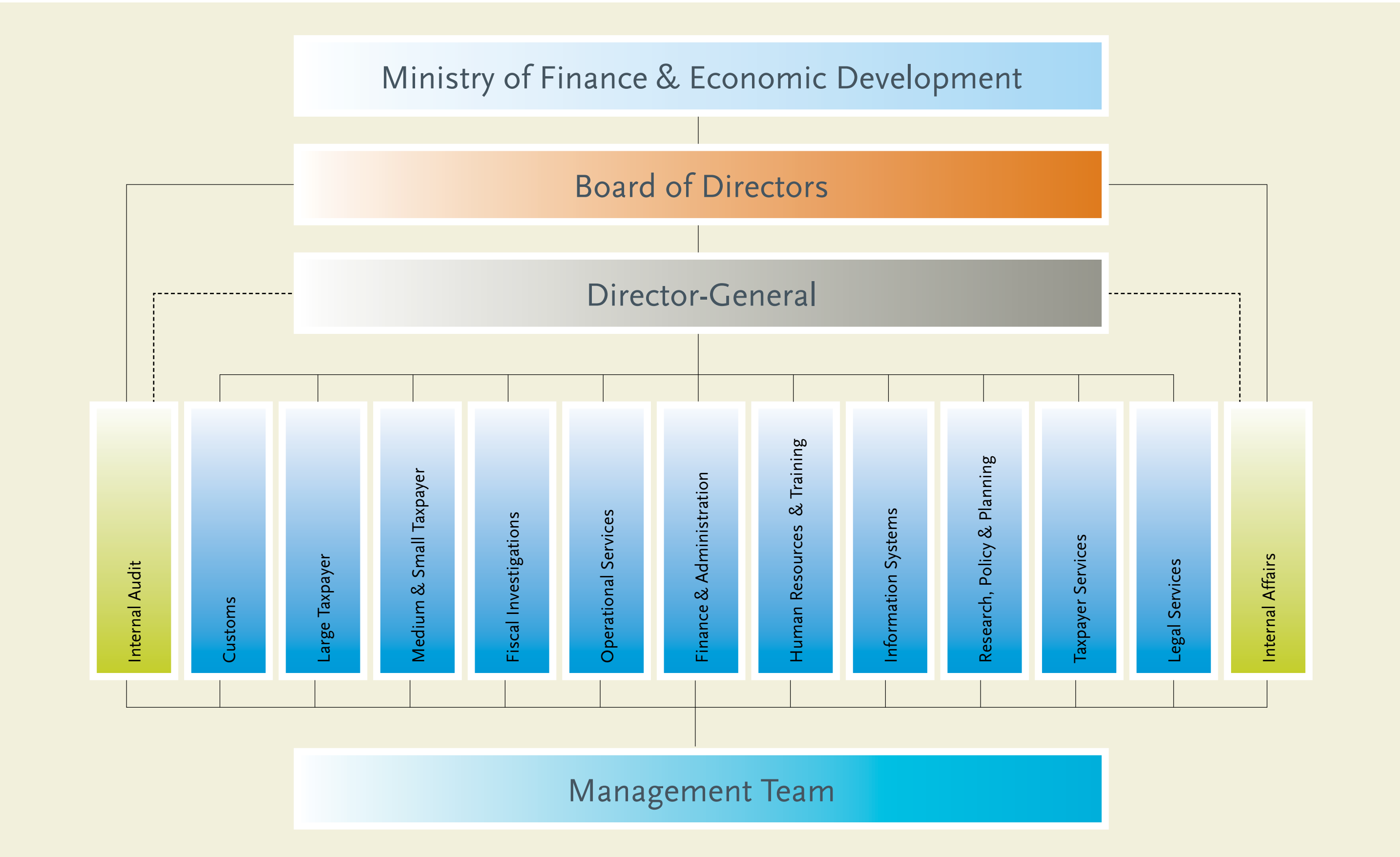
To be successful, the setting up of the MRA required significant change management, as well as careful planning and implementation. A key component of the implementation programme was the recruitment of staff with appropriate skills and attitudes, able to adapt to the new organisational culture and objectives. This included enabling the smooth transfer to the MRA of former staff of revenue departments.

An extensive recruitment exercise was carried out for Directors, Section Heads and Team Leaders. To ensure the MRA was able to acquire new ideas and expertise, a number of these positions were filled through external appointments. The staffing exercise resulted in a 62% change in management staff compared with the previous four revenue department post-holders.

7.2. ORGANISATIONAL STRUCTURE

The MRA's organisational structure is set out in Figure 12:

Figure 12: Organisational Structure



7.3. LEVELS OF MANAGEMENT AND GRADING STRUCTURE OF THE MRA

A grading structure has been designed following an in-depth job evaluation exercise. Every job has been assigned a position in the grading structure and the scope for progression within grades defined. The structure also details the various levels of management and accountability at the MRA.

Table 31: Human Resource Structure

Grade		Number of Employees	
		MRA Board Approved Establishment	Currently in Post
-	Director General	1	1
7	Director	13	11
6	Assistant Director/ Section Head	37	26
5	Team Leader	124	97
4	Technical Officer	321	219
3	Officer/Customs Officer 2	434	335
2	Customs Officer 1/Support 2	424	341
1	Support 1	152	84
	TOTAL	**1,506**	**1,115***

*includes legal adviser

7.4. HUMAN RESOURCES STRATEGY AND FRAMEWORK

On 30 June 2007, the MRA had 1,115 employees. To provide a co-ordinated service and better human resource management, the MRA has developed a shared service approach. Strategy and policy are developed centrally, whilst dedicated HR managers serve each department, ensuring adherence to policy and consistency in approach across the organisation.

A new Human Resources Framework has been developed to enhance efficiency. The key ingredients of this framework are as follows:

- Fixed-term performance contracts for the top three tiers of management, to ensure that Top Management output, performance and decision-making are of the highest standard.
- Flattening of the organisational structure, to reduce bureaucracy and hierarchy and improve communication and decision-making.
- A hybrid taxpayer-based and functional structure, to facilitate improved service levels and efficiency gains.
- Remuneration strategy and pay scales based on external competitiveness and performance-based reward.
- Progression and promotion based on performance.

Open office environment at Ehram Court

7.4.1. Highlights

Other key developments and initiatives completed in 2006/7, contributing to the overall HR framework, include:

(a) **A Human Resource Management Manual** was prepared, which details the terms and conditions of all employees in conformity with national employment laws and regulations. It outlines the MRA's human resources policies and procedures, provides guidelines for handling specific HR management issues, empowers managers to deal with staff issues in their departments and promotes consistent managerial behaviour in the handling of staff matters. A copy of the manual is available to all employees.

(b) **An effective performance management system** was implemented which aligns organisational and departmental performance on the basis of identified key performance indicators (KPIs), with individual performance monitored through an annual performance review and management system. The 2007/8 performance review process is comprehensive, open and interactive, with an appraisal scheme that integrates both KPIs and the measurement and development of key behavioural indicators.

(c) **A medium-term organisational review** is under way to reconsider the structure of each department, identify medium-term manpower needs and match these needs against existing manpower levels so as to plan future recruitment and skills development.

(d) **Appropriate training and skills development programmes** have been designed to enhance capabilities and knowledge, and to allow employees to fulfil their roles effectively. A training needs-assessment of all departments was carried out and some 1,000 officers have benefited from training and staff development programmes. Appendix 6 gives details on training and workshops conducted.

Award of certificate ceremony for training program

(e) **A Human Resource Management System (HRMS)** is being developed. The objectives of the system are to collect, process and disseminate information to MRA staff. This system will also assist the Human Resources and Training Department with organisational structure and management, recruitment processes and staffing, personnel action and administration, training and staff development, performance management, processing time and attendance records, and leave management.

(f) **Health and Safety** – MRA is committed to maintaining a safe, healthy and sound working environment to support its staff and effectively manage work-related risks. In order to achieve this objective, the services of a Health and Safety Officer are being sought.

(g) **Discipline** – To deal effectively with employee-related issues and ensure transparency and parity in the treatment of all employees, the MRA has established a set of disciplinary procedures and principles that are set out in the Human Resources Management Manual.

8.

8. Enhancing Corporate Governance and Corporate Image

MRA is striving to enhance its corporate image, and in the process, inculcating a new culture of integrity and a new set of values, to provide its employees with a framework for adhering to the highest ethical standards and earning the respect and confidence of taxpayers, fellow employees and the public at large. The focus of the Organisation on integrity management and quality standards is demonstrated with statutory provisions under the MRA Act for the setting up of (1) the Internal Affairs Division and (2) the Internal Audit Division as two distinct and independent divisions reporting directly to the MRA Board.

8.1. INTERNAL AFFAIRS DIVISION

- Scrutinises **declarations of assets** by MRA officers and employees.
- Examines and investigates complaints or allegations against MRA employees and officers from various sources, including the MRA hotline, website, anonymous letters, phone calls, whistle blowers, referrals by other authorities and members of the Board or Management Team.
- Is empowered to call for, retain and make copies of records, bank statements and other documents in the exercise of its functions.
- Can summon any person to give such information as may be required in pursuit of an investigation.

Key highlights for 2006/7:

- Processed over 1,000 declarations of assets, of which over 20% have been verified.
- Carried out 165 pre-employment integrity checks for officers selected for top positions.
- Completed 16 investigations out of 45 cases received.
- Conducted four training programmes on the promotion of an integrity culture at the MRA.
- Prepared a “Code of Conduct and Ethics” and a “Prevention of Malpractice Manual”.
- Drafted terms of reference for a “Perception of Integrity” survey.
- Profiled risk officers.
- Set up an MRA staff database.
- Established on-line access with the National Transport Authority.
- Established liaison with the World Customs Organisation for training programmes on ethics, integrity, fraud, and prevention of corruption.

8.2. INTERNAL AUDIT DIVISION

The Internal Audit Division adds value and improves operations of the organisation by systematically evaluating and recommending improvement and the implementation of best practices. It also helps the Board to discharge its responsibilities for maintaining and strengthening the internal control framework.

Key contributions for the year

- An Audit Charter and an Action Plan were prepared so as to provide the Division with a framework, operating guide and to ensure a professional approach.
- An Audit procedure manual is being compiled to enable uniformity in audits and to improve audit quality.
- Audits were completed in the following areas: Conversion of salaries, Management of Bank Guarantees, Revenue Collection and Processing of Tax Returns and Refunds. For these assignments, some 100 recommendations were made mainly for enhancement of systems.
- Assignments in progress were in respect of Transport Management, VAT Repayment, Filing of Customs Declaration Forms, Control over Excise Stations and Examination of containers by the Customs Department.
- As part of its mandates, the Division also advised on adequacy of controls in new systems and procedures upon request.

8.3. ENHANCING INTERNAL SYSTEMS AND PERFORMANCE

The MRA's strategic objective to improve the efficiency and effectiveness of revenue administration requires improved internal systems and performance management.
Sustained efforts were made in 2006/7 through:

- Taking steps to start the Integrated Tax Administration Solution (ITAS);
- Establishment of expenditure control procedures; and
- Initiating work on designing a three-year Corporate Strategy.

The support departments – Research, Policy and Planning Department, Finance and Administration Department and Information Systems Department – made a tangible contribution to the on-going reform and modernisation of revenue administration.

The following analysis sets out the key contributions of these departments in 2006/7:

8.3.1. Research, Policy and Planning Department

- Liaises with the Ministry of Finance and Economic Development on fiscal policy issues.
- Consolidates and makes proposals on tax policies during the budget exercise.
- Undertakes research on various fiscal policy issues.
- Develops Key Performance Indicators for different departments and helps in the setting up of related targets and benchmarks.
- Monitors departments against KPI targets and benchmarks.

(a) **Key contributions**

- Analysed revenue performance on a monthly basis and suggested corrective action where needed.
- Assisted in laying down departmental objectives, finalising KPIs and related targets and benchmarks.
- Monitored the performance of all departments against targets and benchmarks.
- Contributed to the preparation of the 2007/8 Budget.
- Provided inputs during the preparation of the Finance Bill 2007.
- Assisted the Ministry of Finance and Economic Development in finalising projected revenue targets for the current year in respect of different taxes and duties.
- Assisted the Ministry of Finance and Economic Development in the Tax Expenditure exercise.
- Prepared various papers in connection with tax policy and administration.
- Prepared a draft MRA Corporate Plan.
- Initiated work on setting up an MRA Documentation Centre.

8.3.2. Finance and Administration Department

- Responsible for the implementation of effective and efficient administration and expenditure control procedures within the MRA.
- Established efficient systems of control to minimize wastage and ensured that the cost of revenue collection is minimised.
- Prepared and assisted various departments in preparing tender documents for some 16 major projects.
- Provided the Management Team with details of revenue collection under different taxes and duties on a daily and monthly basis.
- Prepared and submitted the MRA's expenditure budget to the Ministry of Finance and Economic Development.
- Supported MRA operations through administrative functions and ensured that all the MRA's statutory reporting responsibilities were fulfilled.

8.3.3. Information Systems Department

- Is responsible for the development, implementation and management of information systems.
- Assists other departments in identifying their system needs and specifies hardware and software solutions, which match the information systems strategy defined by the management team.
- Is responsible for information systems support and training.

(a) **Key contributions**

- Implementing an **Integrated Tax Administration Solution** (ITAS). Details on progress are set out further below.
- **Adopted responsive IT systems** – interim solution implemented. Other projects nearly completed include setting up a messaging system and centralized data storage for back-ups. The implementation of an integrated Finance and Human Resources Management System is almost completed.

- **Increased level of automation** – other projects nearing completion involve increasing the ratio of computers to staff members, full LAN and WAN coverage, and the installation of internet-based technologies for e-filings, payments, processing returns and registration.

(b) **Progress toward an Integrated Tax Administration Solution**

- MRA is moving from the current stand-alone information systems for handling domestic taxes to a new integrated information system known as ITAS.
- The IS department prepared and issued a request for proposal for ITAS during the year and together with the Central Tender Board, completed in the evaluation of proposals submitted by firms. The contract was awarded in August 2007 and the project is expected to be completed within a 2-year period.

(c) **Objectives of ITAS**

- **Involving taxpayers** in service delivery by giving them the opportunity to have access to certain services electronically, such as registration, filing of returns, payment of tax and enquiries.
- **Empowering MRA staff** by aligning officers along functional lines rather than along tax statute lines to increase effectiveness. Any queries and complaints emanating from taxpayers can be handled efficiently by officers with the support of work-flow systems.
- **Facilitating Tax Audit and Collections**: An integrated system provides a huge amount of information on taxpayers that will facilitate the undertaking of audit activities and easy detection of tax evasion. The task of collections will be facilitated through streamlined, simplified and integrated taxpayer data.
- **Providing Management Information**: With a centralised management information system, Management will have better decision-making tools for achieving results.

8.4. CORPORATE SOCIAL RESPONSIBILITY (CSR)

- A number of important initiatives were undertaken in fulfilment of the MRA's corporate social role, in order to support Government's initiatives and show concern about the difficulties Mauritian society is facing at present.

  The key contributions of MRA's corporate social responsibility programmes include:

- Participation in Government's **Empowerment Programme** through the enlistment of 40 graduates and diploma holders for training at the MRA. The exercise was followed by a two-week course for some 25 Lower Six students.
- In collaboration with the University of Mauritius (UoM), UoM students are posted at the MRA for a 6-month training period.
- An IT Graduate Scheme for unemployed graduates has been initiated to provide on-the-job training opportunities, whilst at the same time exposing them to the MRA's work environment. The duration of the training period will range from 18 to 24 months, with possibilities for subsequent employment with the MRA.
- Preparatory work for a **blood donation** campaign was initiated during the year. The blood donation exercise was held on 3 July 2007 and 315 pints of blood were collected from MRA staff and the public.

Blood donation campaign

8.5. CORPORATE GOVERNANCE REPORT

Introduction

MRA Board ensures that the principles of Corporate Governance are followed. The Board is fully committed to comply with the Code of Corporate Governance of Mauritius. The Board has the key responsibility for the corporate governance system and the performance and affairs of the Authority. It monitors and evaluates the implementation of strategies, policies and implementation plans. It provides guidance and maintains effective control over the Authority and monitors management to carry out Board decisions.

Composition of the Board

Mr. V. Hassamal – Chairperson
Mr. P. Yip Wang Wing
Mr. D. K. Dabee
Mr. J. P. Coopamah
Mrs. A. C. Timol
Mr. J. M. L. Rivalland
Mr. M. S. Lal – Director General

The organization, powers and duties of the MRA Board are set out in MRA Act 2004. In line with sound governance practice, Section 5 of MRA Act 2004 provides that:

a. The Chairperson shall be a person who has not been, or is not, actively engaged in any political activity. The Chairperson of the Board is appointed by the President, after consultation with the Prime Minister and the Leader of the Opposition, for a period of not less than three years and on such terms and conditions that the President thinks fit.

b. Board members are appointed by the Minister of Finance and Economic Development for a period of not less than three years.

c. The Director General shall not have the right to vote.

d. Where a member of the Board, or a close relative of his, has a direct or indirect interest in any matter which is, or is to be, raised at a meeting of the Board, he shall, as soon as he is aware of the fact, notify the Secretary of the Board. The Board shall then determine that the member shall not be present or shall not vote while the matter is considered.

As per Section 6 (6) of the MRA Act 2004, the Board shall not concern itself with any matter relating to the application or execution of the Revenue Laws, nor will it have access to information concerning the liability or otherwise of any person to tax.

The MRA Board provides oversight of the financial reporting process, and ensures that an effective system of internal control is established in the Authority, to maintain quality and reliability of financial and non-financial information used for decision-making and for the organisation to achieve its objectives.

Board Fees

Chairperson – Rs 40,000 per month
Members – Rs 20,000 per month

Table 32: Board Meeting Attendance for the year ended 30 June 2007

Members	Board Meeting
Mr. V. Hassamal - Chairperson	13/13
Mr. P. Yip Wang Wing	11/13
Mr. D. K. Dabee	12/13
Mr. J. P. Coopamah	11/13
Mrs. A. C. Timol	12/13
Mr. J. M. L. Rivalland	10/13
Mr. M. S. Lal	13/13

Board members also attended recruitment and selection committees during the year, as per Section 6 and 11 of MRA Act 2004.

8.5.1. Internal and External Audit

External Audit

As provided in the MRA Act, the external auditor of the Authority is the Director of the National Audit Office. The MRA Board reviews the scope and results of the auditor; monitors the audit process and ensures all information required by the auditors is available.

Internal Audit

The MRA has established a dedicated Internal Audit function. The Director, Internal Audit reports to the Board and is responsible for preparing and executing a comprehensive internal audit program for the purpose of accomplishing the internal audit objectives and the Authority's policies and plans in connection therewith. The Board also reviewed and approved the Internal Audit Charter which sets the purpose, authority, responsibility and standards of Audit Practice.

In executing the internal audit function the Director, Internal Audit and other members of the audit staff have full, free and unrestricted access to all the Authority's functions, records, properties and personnel.

The Director, Internal Audit submits to the Board a report on a quarterly basis that outlines the results of the internal audit assignments covered during the period under review.

The Board has reviewed all Internal Audit reports. Management has been advised through the Director General to take remedial actions to reinforce systems of control. The Board has been kept informed of progress of implementation of Audit report either through feedback reports from management or from follow up exercises carried out by Internal Audit.

Internal Affairs

The MRA has established a dedicated Internal Affairs function. The Director, Internal Affairs reports to the Board and is responsible for integrity development in MRA. The Director manages enquiries directed to the Division, and, as directed by the Board or the Director-General, personally conducts enquiries into suspected cases of corruption or malpractice in the MRA.

The Director, Internal Affairs submits to the Board a report on a quarterly basis that outlines the results of internal affairs investigations during the period under review.

Transparency & Accountability

MRA efforts are geared towards the development of the Authority in a manner which promotes a transparent and accountable administration.

9.

9. MRA Financial Statement

BOARD'S REPORT

The Board of the Mauritius Revenue Authority presents its first report and the audited financial statements of the Mauritius Revenue Authority for the years ended 30 June 2005, 30 June 2006 and 30 June 2007.

The Mauritius Revenue Authority is a body corporate established under the MRA Act 2004 as the agent of State for the purposes of the assessment of liability to, collection of and the accountability for tax and the management, operation and enforcement of the Revenue Laws.

Statement of Board's responsibilities in respect of the financial statements

MRA Board is responsible for the preparation of the financial statements for each financial year, which gives a true and fair view of the state of affairs and income and expenditure account of the Authority. As per Section 9(1) of MRA Act 2004, the MRA Board shall, not later than seven months after the close of every financial year, forward to the Minister a report on the activities of the Authority together with its audited accounts in respect of that financial year.

Though MRA was incorporated in September 2004, it started its operations on 1 July 2006. Consequently financial statements were prepared after that date and submitted to audit. The audited statements and audit opinion are appended to this report.

In preparing these financial statements, the Board ensures that:

- Suitable accounting policies are selected and applied consistently
- Judgements and estimates are reasonable and prudent
- Applicable accounting standards have been followed, subject to any material departures and explained in the financial statements
- The financial statements have been prepared on the going concern basis.

The Board confirms that they have complied with the above requirements in preparing the financial statements.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority and hence for taking responsible steps for the prevention and detection of fraud and other irregularities.

Approved by the MRA Board.

Signed on their behalf

V. Hassamal
Chairperson

9. MRA Financial Statement – 2005

REPORT OF THE DIRECTOR OF AUDIT TO THE CHAIRPERSON OF THE MAURITIUS REVENUE AUTHORITY

I have audited the accompanying balance sheet of the Mauritius Revenue Authority as of 30 June 2005, and the related statements of income, and cash flows for the period then ended. These financial statements are the responsibility of the Authority. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Audit Opinion

In my opinion, the financial statements give a true and fair view of the state of affairs of the Mauritius Revenue Authority as of 30 June 2005, and of its income and expenditure for the period then ended in accordance with International Accounting Standards and comply with the Statutory Bodies (Accounts and Audit) Act 1972.

(DR R. JUGURNATH)
Director of Audit

National Audit Office
14th Floor, Air Mauritius Centre
PORT LOUIS
29 November 2007

Balance Sheet as at 30 June 2005

	Notes	*20 Oct 04 to 30 June 2005* Rs
ASSETS		
Non-Current Assets		
Equipment	2	12,800
Total Non-Current Assets		12,800
Current Assets		
Cash and Cash Equivalent	3	37,362
Total Current Assets		37,362
TOTAL ASSETS		**50,162**
EQUITY AND LIABILITIES		
Equity		
Capital Grant	4	12,800
Accumulated Surplus		37,362
Total Equity		**50,162**
Current Liabilities		
Trade and Other Payables		-
TOTAL EQUITY AND LIABILITIES		**50,162**

Approved by the Board on 29 November 2007

Chairman   **Director General**

The Notes on pages 58 to 60 form part of these Accounts.

Income Statement for the period ended 30 June 2005

	Notes	*20 Oct 04 to 30 June 2005* Rs
REVENUE		
Grant From Government	5	5,304,000
Other Income	6	18,456
		5,322,456
EXPENDITURE		
Administrative expenses	7	5,284,556
Finance Cost	8	538
		5,285,094
Surplus		**37,362**

Statement of Changes in Equity for the period ended 30 June 2005

	Capital Grant Rs	*Accumulated surplus* Rs	*Total* Rs
At 20 October 2004:			
As previously reported	-	-	-
Movement during the year	16,000	-	16,000
Less transfer from Capital grant	(3,200)	-	(3,200)
	12,800	**-**	**12,800**
Net surplus for the year	-	37,362	37,362
	12,800	**37,362**	**50,162**

Cash Flow Statement for the period ended 30 June 2005

	20 Oct 04 to 30 June 2005
	Rs
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Surplus	**37,362**
Adjustments for :	
Depreciation	3,200
Transfer from Capital grant	(3,200)
Interest Income	(15,256)
Operating Surplus/(Deficit) Before Working Capital Changes	**22,106**
(Increase)/Decrease in Trade & Other Receivables	-
(Increase)/Decrease in Stock	-
Increase / (Decrease) in Trade & Other Payables	-
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**22,106**
Cash flow from Investing Activities :	
Purchase of Fixed Assets	(16,000)
Interest Received	**15,256**
Net Cash used in Investing Activities	**(744)**
Cash Flow from financing activities :	
Receipt on Government Grant	**16,000**
Net Increase in cash & cash equivalent	**37,362**
Cash & Cash Equivalent at Beginning of Period	**-**
Cash & Cash Equivalent At End of Period	**37,362**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1.1 Principal Activities

The Mauritius Revenue Authority (MRA), a body corporate, was established on 20 October 2004 to serve the purpose described in The Mauritius Revenue Authority Act 2004. It is operational since 1 July 2006. The MRA has been established as a body corporate for the purposes of managing and operating an effective and efficient revenue raising organization acting as agent of the State for the collection of revenue under the revenue laws and for matters incidental thereto.

1.2 Accounting Policies

(a) **Basis of Preparation**

The financial statements have been prepared under the historical cost convention.

(b) **Statement of Compliance**

The financial statements of The Mauritius Revenue Authority (MRA) have been prepared in accordance with International Financial Reporting Standards.

(c) **Fixed assets and depreciation**

Fixed assets are stated at cost before deduction of grants received. The cost of fixed assets is depreciated in equal installments over the estimated useful life of the assets.

The annual rates of depreciation are as follows:

Table 33: Annual rates of depreciation

	2004/2005 %
Computer Hardware	20 %
Computer Software	25 %
Furniture & Fittings	10 %
Scanners	12.5 %
Equipment	20 %, 25%

(d) **Cash and Cash equivalent**

Cash and cash equivalents in the balance sheet comprise cash at banks.

(e) **Revenue recognition**

Taxes

MRA is an agent of Government for the collection of Revenue under the Revenue Laws. Consequently, the revenue collected on behalf of the Government is not reported in the Financial Statements.

Revenue Grant and other Income

These are recognized on an accrual basis.

(f) **Accounts Payable**

Accounts Payable is stated at their fair value.

(g) **Pension**

International Accounting Standard 19 ("IAS 19") does not apply as no employees prior to 1 July 2006 were on permanent and pensionable basis.

(h) **Government Grant**

Revenue Grant

Revenue grant received from Government to meet recurrent expenditure is reported in the financial statements under the heading of Grant from Government.

Capital Grant

Capital grant received from Government to finance capital expenditure is reported in the financial statements under the heading of Capital Grant. An amount equal to the depreciation charge for the year is transferred from the Capital Grant to Other Income in the Income Statement.

(i) **Comparative figures**

Since the Mauritius Revenue Authority came into operation on 20 October 2004 by Proclamation No. 10 of 2006, there was no revenue operation and therefore no comparative figures were available.

2 - Fixed Asset Schedule

COST	*Computer Hardware*	*Computer Software*	*Furniture and Fittings*	*Scanners*	*Equipment*	*Boat*	*Total*
	Rs	*Rs*	*Rs*	*Rs*	*Rs*	*Rs*	*Rs*
At 20 October 2004	-	-	-	-	-	-	-
Additions	-	-	-	-	16,000	-	16,000
Disposals	-	-	-	-	-	-	-
At 30 June 2005	**-**	**-**	**-**	**-**	**16,000**	**-**	**16,000**
ACCUMULATED DEPRECIATION							
At 20 October 2004	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	3,200	-	3,200
Disposals	-	-	-	-	-	-	-
At 30 June 2005	**-**	**-**	**-**	**-**	**3,200**	**-**	**3,200**
NET BOOK VALUE							
At 30 June 2005	**-**	**-**	**-**	**-**	**12,800**	**-**	**12,800**

	20 Oct 04 to 30 June 2005
	Rs
3 - Cash and Cash Equivalent	
Cash Balance - Recurrent Account	37,362
Total	**37,362**
4 - Capital Grant	
Capital Grant	16,000
Less transfer to revenue	(3,200)
Net Capital Grant	**12,800**
5 - Grant From Government	
Grant From Government	**5,304,000**
6 - Other Income	
Transfer from Capital Grant	3,200
Interest Receivables	**15,256**
	18,456
7 - Administrative Expenses	
Staff Costs	1,688,177
Board Members Fees	1,218,393
Office Expenses & Services	207,672
Cost of Utilities	3,478
Advertising and Publications	868,278
Materials, Supplies and Consumables	30,358
IT Expenses	1,265,000
	5,281,356
Depreciation	3,200
	5,284,556
8 - Finance Cost	
Bank Charges	**538**
9 - Related Party Transactions	
Compensation to Board members and Key management personnel:	
- Short term benefits	2,350,537
- Post-employment benefits contribution	-
- Other benefits	-
	2,350,537

As per provisions of the Act constituting the Authority, the Board members represent the interest of Stakeholders. However, the Board considers that such representation does not trigger any other related party transactions that would require any further disclosure.

9. MRA Financial Statement - 2006

REPORT OF THE DIRECTOR OF AUDIT TO THE CHAIRPERSON OF THE MAURITIUS REVENUE AUTHORITY

I have audited the accompanying balance sheet of the Mauritius Revenue Authority as of 30 June 2006, and the related statements of income, and cash flows for the year then ended. These financial statements are the responsibility of the Authority. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Audit Opinion

In my opinion, the financial statements give a true and fair view of the state of affairs of the Mauritius Revenue Authority as of 30 June 2006, and of its income and expenditure for the year then ended in accordance with International Accounting Standards and comply with the Statutory Bodies (Accounts and Audit) Act 1972.

(DR R. JUGURNATH)
Director of Audit

National Audit Office
14th Floor, Air Mauritius Centre
PORT LOUIS
29 November 2007

Balance Sheet as at 30 June 2006

	Notes	2006 Rs	20 Oct 04 to 30 June 2005 Rs
ASSETS			
Non-Current Assets	2		
I T Equipment		81,600	-
Equipment		51,442	12,800
Total Non-Current Assets		133,042	12,800
Current Assets			
Prepayments	3	16,604,909	-
Cash and Cash Equivalent	4	35,441,857	37,362
Total Current Assets		52,046,766	37,362
TOTAL ASSETS		**52,179,808**	**50,162**
EQUITY AND LIABILITIES			
Equity			
Capital Grant	6	46,328,740	12,800
Accumulated Surplus		4,679,387	37,362
Total Equity		**51,008,127**	**50,162**
Current Liabilities			
Trade and Other Payables	5	1,171,681	-
TOTAL EQUITY AND LIABILITIES		**52,179,808**	**50,162**

Approved by the Board on 29 November 2007

Chairman **Director General**

The Notes on pages 65 to 67 form part of these Accounts.

Income Statement for the year ended 30 June 2006

	Notes	2006 Rs	20 Oct 04 to 30 June 2005 Rs
REVENUE			
Grant From Government	7	22,000,000	5,304,000
Other Income	8	260,700	18,456
		22,260,700	**5,322,456**
EXPENDITURE			
Administrative expenses	9	17,617,266	5,284,556
Finance Cost	10	1,409	538
		17,618,675	**5,285,094**
Surplus		**4,642,025**	**37,362**

Statement of Changes in Equity for the year ended 30 June 2006

	Capital Grant Rs	*Accumulated surplus* Rs	*Total* Rs
At 1 July 2005:			
As previously reported	12,800	37,362	50,162
Movement during the year	46,350,001	-	46,350,001
Less transfer from Capital grant	(34,061)	-	(34,061)
	46,328,740	**37,362**	**46,366,102**
Net surplus for the year	-	4,642,025	4,642,025
	46,328,740	**4,679,387**	**51,008,127**

Cash Flow Statement for the year ended 30 June 2006

	2006	*20 Oct 04 to 30 June 2005*
	Rs	*Rs*
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Surplus	**4,642,025**	**37,362**
Adjustments for :		
Depreciation	34,061	3,200
Transfer from Capital grant	(34,061)	(3,200)
Interest Income	(226,639)	(15,256)
Operating Surplus/(Deficit) Before Working Capital Changes	**4,415,386**	**22,106**
(Increase)/Decrease in Trade & Other Receivables	(16,604,909)	-
(Increase)/Decrease in Stock	-	-
Increase / (Decrease) in Trade & Other Payables	1,171,682	-
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**(11,017,841)**	**22,106**
Cash flow from Investing Activities :		
Purchase of Fixed Assets	(154,303)	(16,000)
Interest Received	**226,639**	**15,256**
Net Cash used in Investing Activities	**72,336**	**(744)**
Cash Flow from financing activities :		
Receipt on Government Grant	**46,350,000**	**16,000**
Net Increase in cash & cash equivalent	**35,404,495**	**37,362**
Cash & Cash Equivalent at Beginning of Period	**37,362**	**-**
Cash & Cash Equivalent At End of Period	**35,441,857**	**37,362**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1.1 Principal Activities

The Mauritius Revenue Authority (MRA), a body corporate, was established on 20 October 2004 to serve the purpose described in The Mauritius Revenue Authority Act 2004. It is operational since 1 July 2006. The MRA has been established as a body corporate for the purposes of managing and operating an effective and efficient revenue raising organization acting as agent of the State for the collection of revenue under the revenue laws and for matters incidental thereto.

1.2 Accounting Policies

(a) **Basis of Preparation**

The financial statements have been prepared under the historical cost convention.

(b) **Statement of Compliance**

The financial statements of The Mauritius Revenue Authority (MRA) have been prepared in accordance with International Financial Reporting Standards.

(c) **Fixed assets and depreciation**

Fixed assets are stated at cost before deduction of grants received. The cost of fixed assets is depreciated in equal installments over the estimated useful life of the assets.

The annual rates of depreciation are as follows:

Table 34: Annual rates of depreciation

	2005/2006 %
Computer Hardware	20 %
Computer Software	25 %
Furniture & Fittings	10 %
Scanners	12.5 %
Equipment	20 %, 25%

(d) **Cash and Cash equivalent**

Cash and cash equivalents in the balance sheet comprise cash at banks.

(e) **Revenue recognition**

Taxes

MRA is an agent of Government for the collection of Revenue under the Revenue Laws. Consequently, the revenue collected on behalf of the Government is not reported in the Financial Statements.

Revenue Grant and other Income

These are recognized on an accrual basis.

(f) **Accounts Payable**

Accounts Payable is stated at their fair value.

(g) **Pension**

International Accounting Standard 19 ("IAS 19") does not apply as no employees prior to 1 July 2006 were on permanent and pensionable basis.

(h) **Government Grant**

Revenue Grant

Revenue grant received from Government to meet recurrent expenditure is reported in the financial statements under the heading of Grant from Government.

Capital Grant

Capital grant received from Government to finance capital expenditure is reported in the financial statements under the heading of Capital Grant. An amount equal to the depreciation charge for the year is transferred from the Capital Grant to Other Income in the Income Statement.

2 - Fixed Asset Schedule

COST	Computer Hardware	Computer Software	Furniture and Fittings	Scanners	Equipment	Boat	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 1 July 2005	-	-	-	-	16,000	-	16,000
Additions	102,000	-	-	-	52,303	-	154,303
Disposals	-	-	-	-	-	-	-
At 30 June 2006	102,000	-	-	-	**68,303**	-	**170,303**
ACCUMULATED DEPRECIATION							
At 1 July 2005	-	-	-	-	3,200	-	3,200
Charge for the year	20,400	-	-	-	13,661	-	34,061
Disposals	-	-	-	-	-	-	-
At 30 June 2006	**20,400**	**-**	**-**	**-**	**16,861**	**-**	**37,261**
NET BOOK VALUE							
At 30 June 2006	**81,600**	**-**	**-**	**-**	**51,442**	**-**	**133,042**
At 30 June 2005	**-**	**-**	**-**	**-**	**12,800**		**12,800**

	2006 Rs	20 Oct 04 to 30 June 2005 Rs
3 - Trade and other receivables		
Prepayments	**16,604,909**	-
4 - Cash and Cash Equivalent		
Cash Balance - Recurrent Account	**35,441,857**	**37,362**
5 - Trade and other Payables		
Other Payables	**1,171,681**	-
6 - Capital Grant		
Capital Grant	46,362,801	16,000
Less transfer to revenue	(34,061)	(3,200)
Net Capital Grant	**46,328,740**	**12,800**
7 - Grant From Government		
Grant From Government	**22,000,000**	**5,304,000**
8 - Other Income		
Transfer from Capital grant	34,061	3,200
Interest Receivables	226,639	15,256
	260,700	**18,456**
9 - Administrative Expenses		
Staff Costs	8,011,639	1,688,177
Training Of Staff	6,000	-
Board Members Fees	492,894	1,218,393
Missions/Training Abroad	32,062	-
Professional Fees	7,324,517	-
Office Expenses & Services	507,342	207,672
Rent	164,826	-
Cost Of Utilities	468,312	3,478
Motor Vehicles Expenses	4,000	-
Advertising and Publications	392,847	868,278
Materials, Supplies and Consumables	171,526	30,358
IT Expenses	4,900	1,265,000
Contributions/Subscriptions To Other Organizations	2,340	-
	17,583,205	**5,281,356**
Depreciation	34,061	3,200
	17,617,266	**5,284,556**
10 - Finance Cost		
Bank Charges	**1,409**	**538**
11 - Related Party Transactions		
Compensation to Board members and Key management personnel:		
- Short term benefits	14,074,145	2,350,537
- Post-employment benefits contribution	-	-
- Other benefits	-	-
	14,074,145	**2,350,537**

As per provisions of the Act constituting the Authority, the Board members represent the interest of Stakeholders. However, the Board considers that such representation does not trigger any other related party transactions that would require any further disclosure.

9. MRA Financial Statement - 2007

REPORT OF THE DIRECTOR OF AUDIT TO THE CHAIRPERSON OF THE MAURITIUS REVENUE AUTHORITY

I have audited the accompanying balance sheet of the Mauritius Revenue Authority as of 30 June 2007, and the related statements of income, and cash flows for the year then ended. These financial statements are the responsibility of the Authority. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Audit Opinion

In my opinion, the financial statements give a true and fair view of the state of affairs of the Mauritius Revenue Authority as of 30 June 2007, and of its income and expenditure for the year then ended in accordance with International Accounting Standards and comply with the Statutory Bodies (Accounts and Audit) Act 1972.

(DR R. JUGURNATH)
Director of Audit

National Audit Office
14th Floor, Air Mauritius Centre
PORT LOUIS
29 November 2007

Balance Sheet as at 30 June 2007

	Notes	2007 Rs	2006 Rs
ASSETS			
Non-Current Assets	2		
I T Equipment		30,103,889	81,600
Furniture and Fittings		28,431,181	-
Equipment		95,122,911	51,442
Total Non-Current Assets		153,657,981	133,042
Current Assets			
Inventory	3	1,684,637	-
Trade & Other Receivables	4	20,138,119	-
Prepayments	4	5,909,004	16,604,909
Cash and bank balances	5	89,510,459	35,441,857
Total Current Assets		117,242,219	52,046,766
TOTAL ASSETS		**270,900,200**	**52,179,808**
EQUITY AND LIABILITIES			
Equity			
Capital Grant	7	165,280,480	46,328,740
Accumulated Surplus		18,659,160	4,679,387
Total Equity		**183,939,640**	**51,008,127**
Current Liabilities			
Trade and Other Payables	6	86,960,560	1,171,681
TOTAL EQUITY AND LIABILITIES		**270,900,200**	**52,179,808**

Approved by the Board on 29 November 2007

Chairman Director General

The Notes on pages 72 to 77 form part of these Accounts.

Income Statement for the year ended 30 June 2007

	Notes	2007 Rs	2006 Rs
REVENUE			
Grant From Government	8	589,176,565	22,000,000
Other Income	9	33,614,175	260,700
		622,790,740	**22,260,700**
EXPENDITURE			
Administrative expenses	11	608,798,070	17,617,266
Finance Cost	12	12,897	1,409
		608,810,967	**17,618,675**
Surplus		**13,979,773**	**4,642,025**

Statement of Changes in Equity for the year ended 30 June 2007

	Capital Grant Rs	Accumulated surplus Rs	Total Rs
At 1 July 2006:			
As previously reported	46,328,740	4,679,387	51,008,127
Movement during the year	150,574,132	-	150,574,132
Less transfer from Capital grant	(31,622,392)	-	(31,622,392)
	165,280,480	**4,679,387**	**169,959,867**
Net surplus for the year	-	13,979,773	13,979,773
	165,280,480	**18,659,160**	**183,939,640**

Cash Flow Statement for the year ended 30 June 2007

	2007	2006
	Rs	Rs
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Surplus	**13,979,773**	**4,642,025**
Adjustments for :		
Depreciation	31,622,392	34,061
Transfer from Capital grant	(31,622,392)	(34,061)
Interest Income	(1,991,783)	(226,639)
Operating Surplus/(Deficit) Before Working Capital Changes	**11,987,990**	**4,415,386**
(Increase)/Decrease in Trade & Other Receivables	(9,442,214)	(16,604,909)
(Increase)/Decrease in Stock	**(711,394)**	-
Increase / (Decrease) in Trade & Other Payables	85,788,879	1,171,682
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**87,623,261**	**(11,017,841)**
Cash flow from Investing Activities :		
Purchase of Fixed Assets	**(73,119,772)**	(154,303)
Interest Received	**1,991,783**	**226,639**
Net Cash used in Investing Activities	**(71,127,989)**	**72,336**
Cash Flow from financing activities :		
Receipt on Government Grant	**37,573,330**	**46,350,000**
Net Increase in cash & cash equivalent	**54,068,602**	**35,404,495**
Cash & Cash Equivalent at Beginning of Period	**35,441,857**	**37,362**
Cash & Cash Equivalent At End of Period	**89,510,459**	**35,441,857**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1.1 Principal Activities

The Mauritius Revenue Authority (MRA), a body corporate, was established on 20 October 2004 to serve the purpose described in The Mauritius Revenue Authority Act 2004. It is operational since 1 July 2006. The MRA has been established as a body corporate for the purposes of managing and operating an effective and efficient revenue raising organization acting as agent of the State for the collection of revenue under the revenue laws and for matters incidental thereto.

1.2 Accounting Policies

(a) **Basis of Preparation**

The financial statements have been prepared under the historical cost convention.

(b) **Statement of Compliance**

The financial statements of The Mauritius Revenue Authority (MRA) have been prepared in accordance with International Financial Reporting Standards.

(c) **Fixed assets and depreciation**

Fixed assets are stated at cost before deduction of grants received. The cost of fixed assets is depreciated in equal installments over the estimated useful life of the assets.

Full year depreciation is charged in the year of acquisition and none in the year of disposal. However, some assets transferred from Ex-Revenue Departments have been charged 100% depreciation either because they are unserviceable or the value is less than Rs 1000. per unit

The annual rates of depreciation are as follows:

Table 35: Annual rates of depreciation

	2006/2007 %
Computer Hardware	20 % - 100 %
Computer Software	25 %
Furniture & Fittings	10 % - 100 %
Scanners	12.5 %
Equipment	20 %, 25% - 100 %

(d) **Inventories**

All consumables and accessories are valued at lower of cost or net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(e) **Cash and Cash equivalent**

Cash and cash equivalents in the balance sheet comprise cash at banks.

(f) **Revenue recognition**

Taxes

MRA is an agent of Government for the collection of Revenue under the Revenue Laws. Consequently, the revenue collected on behalf of the Government is not reported in the Financial Statements.

Revenue Grant and other Income

These are recognized on an accrual basis.

(g) **Accounts Payable**

Accounts Payable is stated at their fair value.

(h) **Government Grant**

Revenue Grant

Revenue grant received from Government to meet recurrent expenditure is reported in the financial statements under the heading of Grant from Government.

Capital Grant

Capital grant received from Government to finance capital expenditure is reported in the financial statements under the heading of Capital Grant. An amount equal to the depreciation charge for the year is transferred from the Capital Grant to Other Income in the Income Statement.

(i) **Pension and other benefits**

(i) **Pension and retirement scheme**

MRA contributes to a defined benefit scheme for its employees, whereby it pays contributions to a pension fund administered by SICOM. The regular contributions constitute net periodic costs for the year in which they are due and are included in administrative expenses.

MRA also received in June 2007 **Rs 590.57M** from Government for the past service liability pension of Ex-Revenue employees. This amount was transferred immediately to MRA Pension Fund run by SICOM. This amount has not been included in the Financial Statements. Only current year payment has been included in administrative expenses.

(ii) **State plan**

For those employees holding a permanent and pensionable post in MRA, MRA contributes to the Family Protection Scheme run by SICOM and Civil Service. It also contributes to National Pension Scheme for those working on contract basis. The contributions are expensed to the Income Statement in the period in which they fall due.

2 - Fixed Asset Schedule

COST	*Computer Hardware*	*Computer Software*	*Furniture and Fittings*	*Scanners*	*Equipment*	*Boat*	*Total*
	Rs	*Rs*	*Rs*	*Rs*	*Rs*	*Rs*	*Rs*
At 1 July 2006	102,000	-	-	-	68,303	-	170,303
Transferred from Prepayment (F Assets)	9,287,446	1,928,989	3,277,009	-	2,111,465	-	16,604,909
Additions	18,910,988	-	27,988,942	-	9,614,933	-	56,514,863
	28,300,434	1,928,989	31,265,951	-	11,794,701	-	73,290,075
From ex - revenue dept	4,827,750	2,900,000	324,250	134,640,565	1,473,323	500,000	144,665,888
From ex - revenue dept - 100%	62,710	-	823,125	-	135,977	-	1,021,812
	4,890,460	2,900,000	1,147,375	134,640,565	1,609,300	500,000	145,687,700
Disposals	-	-	-	-	-	-	-
At 30 June 2007	**33,190,894**	**4,828,989**	**32,413,326**	**134,640,565**	**13,404,001**	**500,000**	**218,977,775**

ACCUMULATED DEPRECIATION

At 1 July 2006	20,400	-	-	-	16,861	-	37,261
Deemed Depreciation on Scanners for 2 years	-	-	-	33,660,141	-	-	33,660,141
Charge for the year (MRA)	5,660,087	482,247	3,126,595	-	2,358,940	-	11,627,869
Charge for the year (Ex-revenue dept)	1,028,260	725,000	855,550	16,830,071	430,642	125,000	19,994,523
Disposals	-	-	-	-	-	-	-
At 30 June 2007	**6,708,747**	**1,207,247**	**3,982,145**	**50,490,212**	**2,806,443**	**125,000**	**65,319,794**

NET BOOK VALUE

At 30 June 2007	**26,482,147**	**3,621,742**	**28,431,181**	**84,150,353**	**10,597,558**	**375,000**	**153,657,981**
At 30 June 2006	**81,600**	-	-	-	**51,442**	-	**133,042**

	2007	2006
	Rs	*Rs*
3 - Inventory		
Stationery	1,483,644	-
Spare parts	200,993	-
Total	**1,684,637**	-
4 - Trade and other receivables		
Trade Receivables	778,517	-
Other Receivables	8,384,664	-
Receivables from Government	10,974,938	-
	20,138,119	-
Prepayments	5,909,004	16,604,909
Total	**26,047,123**	**16,604,909**
5 - Cash and Cash Equivalent		
Cash Balance - Recurrent Account	75,200,470	35,441,857
Cash Balance - Capital Account	8,099,763	-
Cash Balance - Deposit Account	6,210,226	-
Total	**89,510,459**	**35,441,857**
6 - Trade and other Payables		
Trade Payables	68,110,386	-
Other Payables	18,850,174	1,171,681
Total	**86,960,560**	1,171,681
7 - Capital Grant		
Capital Grant - (Money)	83,902,070	46,362,801
Capital Grant - (Assets)	113,000,802	-
	196,902,872	**46,362,801**
Less transfer to revenue	(31,622,392)	(34,061)
Net Capital Grant	**165,280,480**	**46,328,740**
8 - Grant From Government		
Grant From Government	**589,176,565**	**22,000,000**

	2007	2006
	Rs	*Rs*
9 - Other Income		
Transfer from Capital grant	31,622,392	34,061
Interest Receivables - Recurrent Account	1,445,316	226,639
Interest Receivables - Capital Account	336,816	-
Interest Receivables - Other Accounts	209,651	-
Total	**33,614,175**	**260,700**
11 - Administrative Expenses		
Staff Costs	470,279,003	8,011,639
Training Of Staff	278,072	6,000
Board Members Fees	2,092,978	492,894
Missions /Training Abroad	2,385,959	32,062
Professional Fees	2,928,145	7,324,517
Office Expenses & Services	13,427,203	507,342
Rent	40,044,313	164,826
Cost Of Utilities	18,098,442	468,312
Motor Vehicles Expenses	5,642,545	4,000
Advertising and Publications	3,100,925	392,847
Materials, Supplies and Consumables	7,002,664	171,526
IT Expenses	7,552,954	4,900
Conference On C A T A	1,503,189	-
Contributions /Subscriptions To Other Organizations	1,425,220	2,340
Other Operating Expenses	1,414,066	-
	577,175,678	**17,583,205**
Depreciation	31,622,392	34,061
	608,798,070	**17,617,266**
12 - Finance Cost		
Bank Charges	**12,897**	**1,409**
13 - Related Party Transactions		
Compensation to Board members and Key management personnel:		
- Short term benefits	30,994,195	14,074,145
- Post-employment benefits contribution	-	-
- Other benefits	-	-
	30,994,195	**14,074,145**

As per provisions of the Act constituting the Authority, the Board members represent the interest of Stakeholders. However, the Board considers that such representation does not trigger any other related party transactions that would require any further disclosure.

	2007	2006
	Rs	Rs
Amounts recognized in balance sheet at end of year:		
Present value of funded obligation	621,934,828	590,570,000
(Fair value of plan assets)	(628,280,959)	(590,570,000)
	(6,346,131)	-
Present value of unfunded obligation	-	-
Unrecognized actuarial gain/(loss)	6,346,131	-
Unrecognized transition amount	-	-
Liability recognized in balance sheet at end of year	-	-
Amounts recognized in income statement:		
Current service cost	25,938,324	-
Fund expenses	727,808	-
Interest cost	66,439,125	-
(Expected return on plan assets)	(2,037,706)	-
Actuarial loss/(gain) recognized	(54,677,130)	-
Past service cost recognized	-	-
Transition effect of adopting IAS 19	-	-
Total, included in staff costs	**36,390,421**	-
Movements in liability recognized in balance sheet:		
At start of year	-	-
- as previously reported	-	-
- effect of adopting IAS 19	-	-
- as restated	-	-
Total staff cost as above	36,390,421	-
(Contributions paid)	(36,390,421)	-
(Special contribution)	-	-
At end of year	-	-
Actual return on plan assets:	**2,272,600**	-
Number of members including pensioners	1,004	-
Main actuarial assumptions at end of year:		
Discount rate	11.25%	-
Expected rate of return on plan assets	11.50%	-
Future salary increases	8.00%	-
Future pension increases	6.00%	-
Normal retirement age	65 years	-

	2007
	Rs
Reconciliation of the present value of defined benefit obligation	
Present value of obligation at start of period	590,570,000
Current service cost	25,938,324
Employee contributions	-
Interest cost	66,439,125
(Benefits paid + interest)	(224,254)
Liability (gain)/loss	(60,788,367)
Present value of obligation at end of period	621,934,828
Reconciliation of fair value of plan assets	
Fair value of plan assets at start of period	590,570,000
Expected return on plan assets	2,037,706
Employer normal contributions	36,390,421
Employer special contributions	-
(Benefits paid + other outgo)	(952,062)
Asset gain/(loss)	234,894
Fair value of plan assets at end of period	628,280,959

Distribution of plan assets at end of period	
Percentage of assets at end of year	**2007**
Government securities and cash	54.5%
Loans	9.0%
Local equities	17.6%
Overseas bonds and equities	17.9%
Property	1.0%
Debenture stocks	0.0%
Total	100%

Additional disclosure on assets issued or used by the reporting entity	
	2007
Percentage of assets at end of year	**(%)**
Assets held in the entity's own financial instruments	0
Property occupied by the entity	0
Other assets used by the entity	0

History of obligations, assets and experience adjustments	
Year	**2007**
Currency	Rs
Fair value of plan assets	628,280,959
(Present value of defined benefit obligation)	(621,934,828)
Surplus/(deficit)	6,346,131
Asset experience gain/(loss) during the period	234,894
Liability experience gain/(loss) during the period	60,788,367
Year	**2008**
Expected employer contributions	39,290,799

10.

The MRA's performance record for the period July 2006 - June 2007

10. The MRA's performance record for the period July 2006 - June 2007

Objectives	Indicators	Targets	Results
1. Improving prospects for sustained economic growth by reducing revenue and fiscal deficits through buoyant tax revenues	• Tax revenue collected	Tax — Rs Billion Corporate Tax 5.28 Income Tax 2.53 VAT 15.00 Customs Duties 2.16 Excise Duties 7.95 Others 1.46 Total 34.35	Tax — Rs Billion Corporate Tax 4.92 Income Tax 2.82 VAT 15.49 Customs Duties 2.16 Excise Duties 7.44 Others 1.38 Total 34.20
	• Actual tax collections as percentage of budgeted tax collections	98% - 100% – Good Above 100% – Excellent	99.6%
	• Actual tax collections as percentage of revised tax collections	100% – Good Above 100% – Excellent	100.6%
2. Enhanced organisational efficiency and effectiveness of tax administration	• Average no. of days for registering taxpayers	3	3
	• Registration of jewellers	N/A	100% already registered
	• VAT registration	N/A	2,109 new taxpayers registered
	• VAT quarterly registered persons	N/A	2,016 new taxpayers registered
	• Maximum time taken to process returns and issue refunds	3 months for Income Tax 10 days for VAT fast-track cases	96% of Income Tax returns processed and refunds issued within 45 days from the date of submission of returns. In remaining 4% cases, there was some missing information because of which returns could not be processed within 45 days. For VAT fast-track cases, repayments effected within 10 days
	• Number and amount of refunds	N/A	90,089 refunds were effected amounting to Rs 383 million compared to 94,242 refunds amounting to Rs 331 million in previous year
	• No. of grievances/complaints relating to refunds as percentage of total number of refunds issued	Less than 5%	Less than 0.5%
	• Interest paid on refunds as percentage of total amount of refunds	0%	No interest paid
	• Returns filed electronically as percentage of total no. of returns	100% for LTD; 100% increase for MSTD	For assessment in 2007/8

<table>
<tr><th>Objectives</th><th>Indicators</th><th colspan="3">Targets</th><th colspan="3">Results</th></tr>
<tr><td>3. Improved enforcement machinery through strengthening of audit capacity and greater emphasis on liquidation of both old and new debt</td><td>• Percentage of cases selected for audit</td><td colspan="3">In MSTD 5% for Income Tax and 10% for VAT
For LTD 25%</td><td colspan="3">MSTD : VAT– 6.1% LTD – 38%
Income Tax – 0.3%
For non-business cases it is nominal.</td></tr>
<tr><td></td><td>• No. of cases identified for Fiscal Investigation following Department's intelligence work</td><td colspan="3">60</td><td colspan="3">142</td></tr>
<tr><td></td><td>• No. of Investigations completed</td><td colspan="3">N/A</td><td colspan="3">58</td></tr>
<tr><td></td><td>• Percentage of serious offences detected</td><td colspan="3">90%</td><td colspan="3">37 cases – (64%)</td></tr>
<tr><td></td><td>• No. of assessments raised</td><td colspan="3">N/A</td><td colspan="3">28 cases</td></tr>
<tr><td></td><td>• Additional tax yield</td><td colspan="3">Rs 30 million</td><td colspan="3">Rs 136.7 million</td></tr>
<tr><td></td><td>• Average additional demand created for Fiscal Investigation</td><td colspan="3">Rs 1.6 million</td><td colspan="3">Rs 2.3 million</td></tr>
<tr><td></td><td>• No. of cases where compounding agreement reached</td><td colspan="3">N/A</td><td colspan="3">8 cases</td></tr>
<tr><td></td><td>• No. of cases referred to Police to initiate prosecution proceedings</td><td colspan="3">7</td><td colspan="3">1</td></tr>
<tr><td></td><td>• No. of cases where business audit is completed within 3 months of its beginning as percentage of total no. of audits</td><td colspan="3">10% – LTD
50% – MSTD</td><td colspan="3">25% – LTD
55% – MSTD</td></tr>
<tr><td></td><td>• No. of cases where business audit is completed within 6 months of its beginning as percentage of total no. of audits</td><td colspan="3">75% – LTD
50% – MSTD</td><td colspan="3">27% – LTD
81% – MSTD</td></tr>
<tr><td></td><td>• Assessments raised</td><td colspan="3">No target fixed. 2005/6 position:</td><td colspan="3"></td></tr>
<tr><td></td><td></td><td>Tax</td><td>No. Cases</td><td>Tax Yield (Rs million)</td><td>Tax</td><td>No. Cases</td><td>Tax Yield (Rs million)</td></tr>
<tr><td></td><td></td><td>Income Tax</td><td>3,162</td><td>144.1</td><td>Income Tax</td><td>2,645</td><td>195.0</td></tr>
<tr><td></td><td></td><td>Corporate Tax</td><td>457</td><td>205.9</td><td>Corporate Tax</td><td>351</td><td>580.6</td></tr>
<tr><td></td><td></td><td>VAT</td><td>230</td><td>259.3</td><td>VAT</td><td>182</td><td>188.1</td></tr>
<tr><td></td><td></td><td>Total</td><td>3,849</td><td>609.3</td><td>Total</td><td>3,178</td><td>963.7</td></tr>
<tr><td></td><td>• No. of cases where the order is not objected to by the taxpayer as percentage of total no. of assessments issued</td><td colspan="3">65%</td><td colspan="3">74%</td></tr>
<tr><td></td><td>• Arrears collected</td><td colspan="3">N/A</td><td colspan="3">Rs 395.2 million</td></tr>
<tr><td></td><td>• Total amount of collectible debt collected as percentage of total collectible debt at the start of the year</td><td colspan="3">N/A</td><td colspan="3">36%</td></tr>
</table>

<table>
<thead>
<tr><th>Objectives</th><th>Indicators</th><th>Targets</th><th colspan="3">Results</th></tr>
</thead>
<tbody>
<tr><td></td><td>• Total amount of collectible debt collected as percentage of total collectible debt</td><td>65%</td><td colspan="3">22%</td></tr>
<tr><td rowspan="2">4. Boosting tax revenues through widening of the tax base</td><td>• Number of visits for widening of tax base</td><td>20</td><td colspan="3">54 out of which 28 to identify new construction projects and potential unregistered taxpayers</td></tr>
<tr><td>• Collection, collation and dissemination of information from third parties</td><td>N/A</td><td colspan="3">28,855</td></tr>
<tr><td rowspan="10">5. Improving trade facilitation through modern and internationally accepted Customs procedures</td><td>• Percentage of import declarations selected for physical inspection</td><td>20%</td><td colspan="3">24%</td></tr>
<tr><td rowspan="4">• Average dwell-time for cargo</td><td rowspan="4">4 days by Sea; 2 days by Air</td><td>Channels</td><td>Sea</td><td>Air</td></tr>
<tr><td>Green (75%)</td><td>4 hrs</td><td>$\frac{3}{4}$hrs</td></tr>
<tr><td>Yellow (75%)</td><td>$8\frac{1}{2}$ hrs</td><td>$1\frac{1}{4}$ hrs</td></tr>
<tr><td>Red (75%)</td><td>26 hrs</td><td>18 hrs</td></tr>
<tr><td>• Maximum time taken to issue a tariff ruling</td><td>3 days</td><td colspan="3">4 days.</td></tr>
<tr><td>• Number of e-payment users</td><td>45</td><td colspan="3">43</td></tr>
<tr><td rowspan="3">• Exports clearance time</td><td rowspan="3">Not more than 8 minutes</td><td>Channels</td><td>Sea</td><td>Air</td></tr>
<tr><td>Green (75%)</td><td>7 mins</td><td>1 hr</td></tr>
<tr><td>Yellow (75%)</td><td>7 hrs</td><td>$22\frac{3}{4}$ hrs</td></tr>
<tr><td rowspan="8">6. Effective enforcement through audit and other stringent measures in Customs</td><td>• Total number of post-clearance audits during the year</td><td>32</td><td colspan="3">41</td></tr>
<tr><td>• Audits completed within 3 months as percentage of total number of audits</td><td>More than 75%</td><td colspan="3">60%</td></tr>
<tr><td>• Total number of Customs Offence Reports (CORs) raised</td><td>850</td><td colspan="3">481</td></tr>
<tr><td>• Duties and Taxes assessed</td><td>Rs 40 million</td><td colspan="3">Rs 35.5 million</td></tr>
<tr><td>• Duties & Taxes collected through CORs</td><td>N/A</td><td colspan="3">Rs 10.11 million</td></tr>
<tr><td>• Penalties collected through CORs</td><td>N/A</td><td colspan="3">Rs 15.5 million</td></tr>
<tr><td>• Total amount of duties and taxes raised as a result of value upliftments</td><td>At least Rs 28 million</td><td colspan="3">Rs 19.99 million</td></tr>
<tr><td>• Value of goods forfeited</td><td>Rs 3 million</td><td colspan="3">Rs 0.7 million</td></tr>
<tr><td>7. Enhanced organisational efficiency and effectiveness in collection of Excise duties</td><td>• Number of errors/offences detected on Excise declarations</td><td>10% on all declarations</td><td colspan="3">37</td></tr>
</tbody>
</table>

Objectives	Indicators	Targets	Results		
8. Improvement in enforcement at Excise stations	• Average number of visits at Excise stations	At least 50 per month	54 per month		
9. Protecting society against illicit trade and related criminal activities	• Narcotics seizure	N/A	Narcotics	Weight/ Qty	Value (Rs)
			Heroin	5,632g	56.3m
			Hashish/ Cannabis	330g	98,700
			Cocaine	3g	30,000
			Magic Mushrooms	618g	6,000
			Subutex	52,035 tabs	41.6m
			Psychotropes	179,739 tabs	17.9m
			TOTAL VALUE		115.9m
	• Other seizures	N/A	Gold : 28.18 kg – Value Rs 20.2m Foreign Currency – USD: US $ 41,146 – Euro: € 83,780		
10. Fostering voluntary compliance and better operational and taxpayer services	• Number of awareness-raising campaigns organised	16	24, including -post-launch activities -compulsory VAT registration -Taxpayer Mailing Service -Taxation on fringe benefits		
	• % of advisory visits to large taxpayers at their request	100%	100%		
	• Number of forms simplified	5 during the year	10, including -PAYE remittance voucher -Employer Registration form -Request for HS classification of goods form		
	• Number of educational seminars conducted	At least 6 during the year	28, including -Capacity building & trade -Intellectual property rights -Corporate tax and TDS -VAT issues for newly registered persons		
	• Number of taxpayer information leaflets issued	At least 20 during the year	17, including -VDIS -TAPIS -Guide on TDS -Guides on CPS, PAYE, VAT -Code of Conduct and Ethics		
	• Introduction of unified MRA website and its continuous updating	By 1 October 2006, with weekly updating	Updated –115 times Hits– more than 1 million		
	• Promulgation and implementation of taxpayer charter	In the first year	Done		
	• No. of telephone enquiries (Hotline)	N/A	23,831		
	• Time within which taxpayers' telephone queries are answered	Complete the follow up action on 95% of telephone enquiries within 1 working day and the balance within 5 working days	Immediately		

Objectives	Indicators	Targets	Results
	• No. of Taxpayers having visited MRA to get information/file returns	N/A	23,164
	• Number of applications processed for Rum and Liquor permits	N/A	506
	• Time within which taxpayers' letters are answered	All letters to be answered within 72 hours of receipt and follow-up action to be completed in 2 weeks in all cases	3 days
	• Time within which taxpayers' queries are answered on office visits	90% of the queries to be answered at the time of a personal visit by the taxpayer and the balance to be answered within 2 working days of the visit. Complete follow-up action on 95% of visits within 1 working day and the balance within 5 working days	Immediately
	• Maximum time of waiting	20 minutes	10 minutes
11. Improving integrity and fairness	• Promulgation of Code of Ethics	During the year	Completed
	• Integrity perception survey through feedback	Once every year	Survey on the Perception of Integrity of MRA staff by the public launched
	• Prevention of Malpractices Manual	N/A	Finalised
	• Percentage of cases where declaration of assets made by an employee processed	100%	99%
	• Number of cases where enquiries initiated	120	88
	• No. of cases where enquiries were brought to a conclusion as a percentage of the total number of cases where enquiries were initiated	50%	Approximately 72%
	• Number of cases where disciplinary action was recommended	60	2
	• Internal Audit Charter	September 2006	Finalised
	• Annual Audit Plan	September 2006	Finalised
	• Audit of Revenue Systems	2 each for LTD, MSTD, Customs, OSD, Finance & Administration; 1 for HR and Fiscal Investigations (Total = 12)	Completed projects (a) Conversion of Salaries (b) Management of Bank Guarantees (c) Revenue Collection (d) Processing of Income Tax Returns and Refunds

Objectives	Indicators	Targets	Results
12. Adoption of responsive IT system	• Building underlying IT Infrastructure	In the first year (by 4.9.2006)	80%
	• Interim Solution	In the first year (8.9.2006)	100%
	• Messaging System	In the first year (4.9.2006)	90%
	• Set up Office Equipment	In the first year (29.12.2006)	90%
	• Centralise Data Storage	In the second year	90%
	• Users enabled and empowered to act as agents of change in IT management	In the second year	50% -Project on Finance and HRMS has been initiated and training will be done in parallel
13. Establishment of Integrated Tax Administration Solution for Revenue departments	• Evaluation of Request for Information (RFI)	In the first year (17.8.2006)	100%
	• Preparation of Request for Proposal (RFP) for Integrated Tax Administration Solution (ITAS)	In the first year (29.9.2006)	100%
	• Issue of RFP for ITAS	In the first year (17.10.2006)	100%
	• Evaluation of RFP	N/A	100%
	• Implementation of ITAS	In the first year (1.3.2007)	To start in September 2007 and go live in 2 years
14. Increased level of automation	• Increasing ratio of computers to staff members	75% of staff will be equipped with computers in the first year and 100% in the second year	90%
	• 100% LAN and WAN coverage	90% in the first year (28.3.2007)	90%
	• Installation of internet-based technologies for electronic filing, payment return processing and registration	In the second year (30.7.2008)	50%
	• Report on data and systems security architecture and back-up methodologies	31.7.2007	75%- Order for ASA (equipment) has been placed
	• Use of computers for selection of cases for audit and detection of non-filers and stop-filers	In the first year	100%
15. Managing Performance and Research	• Development of Performance Indicators	September 2006	Finalised in September 2006
	• Publish monthly, quarterly, bi-annually and annual reports on revenue and KPI performance	Monthly, quarterly, bi-annually and annually	Being done on a monthly and cumulative basis
	• Establish Management Information System	During the year	Finalised, and departments appraised regularly on the basis of information contained in MIS.
	• Performance Indicators for Section Heads and Team Leaders	N/A	Information being compiled from all departments

Objectives	Indicators	Targets	Results
	• Contribution to the Budget Exercise	On annual basis	(a) Preparation of Revised Estimates for 2006/7 and Forecast for 2007/8 (b) Preparation of MRA's Budget Memorandum (c) Assisting MOFED in the preparation of the Tax Expenditure Framework (d) Leading the role in the preparation of VDIS (e) Assisting MOFED in the preparation of the Finance Bill
	• Producing policy papers	Continuous process	Papers prepared include: (a) Curbing Tax Evasion – A Proposed Strategy (b) Tax Amnesty Scheme (c) Value Addition (d) Tax Incentives and Foreign Investment (e) Update on the Mauritian Tax System to the IMF-FSAP Team (f) Analysis of impact of change in VAT registration threshold and CPS taxable period (g) Impact of changes in exchange rate on tax collection
16. HR Reforms	• HR Strategy	November 2006	Designed and implemented
	• Implementation of recruitment strategy	October 2006	83% of posts filled
	• Remuneration strategy	N/A	Completed
	• Design and initiate performance management and review system	October 2006	Devised new format of open, interactive Performance Appraisal System
	• Establish mid-term organisational structure goals	October 2006	Completed
	• Implementation of HR System	March 2007	Expected October 2007
	• Development of Training and Development Strategy	October 2006	807 staff have undergone training which represents 72% of staff. Over 1,000 man days devoted to training

List of Tables of Appendices:

Appendices

DIRECT TAXES

Appendix 1 – Corporate Tax: Number of Taxpayers

				Number of taxpayers
	2003/4	2004/5	2005/6	2006/7
Corporate Tax	3,460	3,760	4,334	4,735

Source: MRA (2007)

Appendix 2 – Personal Income Tax: Information on Returns & Refunds

				Number of taxpayers
	2003/4	2004/5	2005/6	2006/7
PAYE	106,608	119,521	116,993	113,804
CPS	5,520	5,509	5,373	4,009
Self Assessment	26,037	28,717	26,644	28,855
Refunds	85,698	95,955	94,242	90,089

Source: MRA (2007)

INDIRECT TAXES

Appendix 3 – Number of taxpayers on VAT Register

				Number of taxpayers
	2003/4	2004/5	2005/6	2006/7
VAT Register	7,912	8,645	9,645	11,754

Source: MRA (2007)

Appendix 4 – Taxes on Gambling

				Number of taxpayers
	2003/4	2004/5	2005/6	2006/7
Tax on gaming	36	41	56	60
Betting tax	212	216	214	208
Bookmakers	73	74	81	85
Tote	1	1	1	2
Pool	138	141	132	121
Tax on lotteries	3	3	3	3
Tax on gambling	251	260	273	271

Source: MRA (2007)

Appendix 5 - Some Selected Liquor Licences and corresponding Fees

Types of Liquor Licences	Yearly Fees (Rs)
Manufacturer of Alcoholic Products	60,000
Brewer	10,000
Manufacturer of island recipe rum	6,000
Manufacturer of country liquor, fortified liquor and vinegar	6,000
Retailer of liquor and alcoholic products (on and off)	2,500
Bottler of imported liquor	1,500
Wholesale dealer in liquor and alcoholic products (Cooperative Store)	500
Retailer of liquor and alcoholic products (Cooperative Store)	200

Source: Excise Act 1994

HUMAN RESOURCE AND TRAINING

Appendix 6 - Training & Workshops - Local & Abroad

Local

Training /Workshops	
1	Training in Public Relations and Administrative Reforms
2	Drug Interdiction, Rummaging of Vessels and Aircrafts and Drugs/Money Laundering
3	Training in Customer Care
4	Workshop on Detection and Prevention of Fraud and Corruption
5	Awareness Session on ISO
6	Continuous Professional Development Training Course
7	Workshop on " Evolving US Trade Policy: How Do the Changes Affect Mauritius?"
8	Scanner Operations
9	Human Resource Management System
10	Performance Appraisal

Abroad

Training/Workshop		Beneficiary Department	Country
1	Master's Degree in Taxation Policy and Management	Medium and Small Taxpayers	Japan
2	Trade Facilitation Executive Training Programme	Customs	Singapore
3	Global Intellectual Property Academy Programme	Customs	USA
4	Train -the-Trainer Workshop	Customs	Belgium
5	Training on Customs Valuation Agreement, Post Clearance Audit and SADC Rules of Origin	Customs	Botswana
6	International Course For Senior Officers of Customs on Commercial Fraud	Customs	Malaysia
7	Chief Secretary-General Fellowship Programme For Senior Officers of Customs	Customs	Malaysia
8	Regional Workshop on Detecting and Preventing Cross-Border Transportation of Cash and Monetary Instruments	Customs	Zambia
9	Criminal Investigation	Customs	Botswana
10	Global Trade – New Challenges for the Customs Policy and Administration	Customs	Germany
11	Regional ICT Workshop	Customs	South Africa
12	Customs Officials in Developing Countries	Customs	China
13	4-day Train-the Trainer Workshop on Harmonized System (HS) and Customs Valuation	Customs	Belgium
14	WTO Regional Workshop on Trade Facilitation	Customs	Kenya
15	Tax Treaty Course	Large Taxpayers	Malaysia
16	Second Workshop on Harmonisation of International Merchandise Trade Statistics in SADC	Customs	Zambia
17	Implementation of the Cargo Community System (CCS)	Customs	France
18	Workshop on Tax Treaties	Large Taxpayers	South Africa
19	Regional Workshop on Integrity	Internal Affairs	Kenya
20	Workshop on Auditing Multinational Enterprises	Customs	South Africa

Training/Workshop		Beneficiary Department	Country
21	Fraudulent Documents Course at the International Law Enforcement Academy	Customs	Botswana
22	General Tax Training Administration Course	Large Taxpayers	Malaysia
23	Malaysian Technical Cooperation	Customs	Malaysia
24	Land Border Interdiction Course	Customs	Botswana
25	Law Enforcement Executive Development Programme	Customs	Botswana
26	Illicit Trafficking Information Management and Coordination	Customs	South Africa
27	Technical Aspects of the Transfers Regime	Customs	Zambia

Source: MRA (2007)

Appendix 7 – Summary of Objections 2005/6 and 2006/7

Details	2005/6 Income Tax No.	2005/6 Income Tax Amount Rs m	2005/6 Corporate Tax No.	2005/6 Corporate Tax Amount Rs m	2005/6 VAT No.	2005/6 VAT Amount Rs m	2006/7 Income Tax No.	2006/7 Income Tax Amount Rs m	2006/7 Corporate Tax No.	2006/7 Corporate Tax Amount Rs m	2006/7 VAT No.	2006/7 VAT Amount Rs m
Objections at start of the year	62	157.3	3	392.7	52	99.3	73	34.4	-	-	23	22.3
Objections Received	374	140.5	12	63.3	73	124.0	366	172.2	17	61.2	71	183.9
Objections Determined	363	144.7	15	456	100	164.2	309	154.2	14	18.7	58	138.4
Objections Withdrawn					1	0.2						
Objections Struck Out					1	0.2						
Cases at end of the year	73	34.4	-	-	23	22.3	130	49.8	3	10.7	36	50.4

Source: MRA (2007)

Appendix 8 – Representations to the Assessment Review Committee

Details	2005/6 Income Tax No.	2005/6 Income Tax Amount Rs m	2005/6 Corporate Tax No.	2005/6 Corporate Tax Amount Rs m	2005/6 VAT & Others No.	2005/6 VAT & Others Amount Rs m	2006/7 Income Tax No.	2006/7 Income Tax Amount Rs m	2006/7 Corporate Tax No.	2006/7 Corporate Tax Amount Rs m	2006/7 VAT & Others No.	2006/7 VAT & Others Amount Rs m
Cases at start of the year	163	304.5	12	17.9	168	174.1	189	464.5	11	197.5	141	268.7
Cases lodged	110	215.7	8	197.2	71	97.2	127	146.3	8	14.1	35	40.8
Cases transferred from Rev. Authority & Supreme Court					2	-						
Cases Withdrawn					2	-					2	0.5
Cases Struck Out					1	0.3					3	5.8
Cases Agreed/ Allowed					2	-					27	29.6
Cases Determined	84	20.4	9	17.6	93	67.9	120	135.0	8	6.4	60	62.0
Cases at end of the year	189	464.5	11	197.5	141	268.7	196	416.9	11	205.2	84	205.2

Source: MRA (2007)

Appendix 9– Representations to the Supreme Court

Details	2005/6 Income Tax No.	2005/6 Income Tax Amount Rs m	2005/6 Corporate Tax No.	2005/6 Corporate Tax Amount Rs m	2005/6 VAT & Others No.	2005/6 VAT & Others Amount Rs m	2006/7 Income Tax No.	2006/7 Income Tax Amount Rs m	2006/7 Corporate Tax No.	2006/7 Corporate Tax Amount Rs m	2006/7 VAT & Others No.	2006/7 VAT & Others Amount Rs m
Cases at start of the year	49	137.5	6	34.5	37	20.1	37	143.9	10	45.3	39	37.4
Cases lodged	6		4	10.8	12	13.4	20	63.7	1	1.1	9	13.9
Cases Withdrawn					3	5.7					6	13.2
Cases Agreed/ Allowed											1	1.0
Cases Determined	18	6.3			6	1.8	7	12.1			6	6.5
Cases remitted to ARC					1	-						
Cases at end of the year	37	143.9	10	45.3	39	37.4	50	145.8	11	46.4	35	43.8

Source: MRA (2007)

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Glossary

ARC	Assessment Review Committee
BRN	Business Registration Number
CCTV	Closed-Circuit Television
CMS	Customs Management System
COMESA	Common Market for Eastern and Southern Africa
COR	Customs Offence Report
CPS	Current Payment System
CT	Corporate Tax
DTAA	Double Taxation Avoidance Agreements
EDF	Employee Declaration Form
EPZ	Export Processing Zone
FID	Fiscal Investigation Department
FITA	Free Income Tax Assistance
FY	Financial Year
HR	Human Resource
HRMS	Human Resource Management System
IRS	Integrated Resort Scheme
ITAS	Integrated Tax Administration Solution
KPI	Key Performance Indicator
LTD	Large Taxpayer Department
MRA	Mauritius Revenue Authority
MOBAA	Mauritius Offshore Business Activities Authority
MSTD	Medium & Small Taxpayer Department
N/A	Not Applicable
OSD	Operational Services Department
PATS	Plaisance Airport Transport Services Ltd
PAYE	Pay As You Earn
PCA	Post Clearance Audits
PIT	Personal Income Tax
SADC	Southern African Development Community
SEC	Stock Exchange Commission
SICOM	State Insurance Company of Mauritius Ltd
TAN	Tax Account Number
TAPIS	Tax Arrears Payment Incentive Scheme
TDS	Tax Deduction at Source
TRC	Tax Residence Certificate
TSD	Taxpayer Services Department
UOM	University of Mauritius
URB	Unified Revenue Board
VAT	Value-Added Tax
VDIS	Voluntary Disclosure Incentive Scheme
WCO	World Customs Organisation
WTO	World Trade Organisation

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