MAURITIUS
REVENUE
AUTHORITY

MSB
REGISTERED FIRM

Mauritius Revenue Authority
MS ISO 9001:2008 certified
RF 121

ANNUAL REPORT 2011

Accessing our services from **Anywhere** and **Anytime**

MAURITIUS
REVENUE
AUTHORITY

Our Vision

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

Our 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.

Our 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.

TAXPAYER'S CHARTER

Taxpayer's Charter

YOUR RIGHTS

(i) Knowing your rights is essential for the entire revenue collection system to function properly and efficiently. You MUST know, understand and uphold your rights.

(ii) You have the following RIGHTS

- To be treated as Honest and Truthful unless there is evidence to the contrary;
- To be treated with respect and common courtesy by all our officials;
- To expect full confidentiality within legal provisions in respect of your personal right to privacy;
- To seek clarification on any rule or legislation and its implementation ;
- To seek and receive information on all issues pertaining to our operations;
- To question and constructively criticise our service levels and the manner in which we have communicated with you;
- To expect fair and just treatment regardless of whether you have agreed with our decisions, complained, committed offence or criticised us;
- To receive your refunds promptly and within deadlines set;
- To challenge and question our decisions with regard to taxes you are required to pay;
- To expect us to accept if we have made a mistake in our decisions or dealings and courteously apologise for the same;
- To request that your tax affairs be re-examined by exercising your right to object and appeal when you are not satisfied with our decisions; and
- To be represented and advised.

YOUR OBLIGATIONS

(i) To assist us in performing our duties and delivering you World Class Service, you have the following obligations.

(ii) You should

- Submit your returns on time;
- Make payment of the correct amount of tax on time;
- Maintain up-to-date and accurate records on all matters that may be relevant to your dealings with us;
- Notify us of relevant changes in circumstances;
- Notify us of any mistakes promptly;
- Submit all relevant information accurately in order to enable us to assess your tax liability correctly as per the law;
- Provide appropriate facilities to MRA officers to enable them to conduct tax audits on your business premises;
- Lodge your representations/appeal within the prescribed time;
- Know your rights, obligations and our commitments, so that you may achieve the most efficient and effective interaction with us;
- Promptly report on any dealings that you may believe are contrary to law;
- Promptly report in detail any wrong doing by any or our officer ; and
- Contact us immediately if you have realised that you may have acted contrary to any of the above points. We shall endeavour to assist you in rectifying the situation in the best interest of all.

(iii) If in doubt on any of the above, please contact your tax advisor or contact us directly – by phone, e-mail or in person at one of our offices.

MRA customers deserve nothing less than highest quality service. Our state of the art technology allows quick retrieval of returns, payments & tax arrears …. at our Service Counters. Thus, our customers spend less time in the waiting areas and leave our premises satisfied and confident

Mrs Sadhna Prayag,
Technical Officer,
Customer Service Delivery

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Chairperson's Foreword

VASDEV HASSAMAL
Chairperson

The MRA has now completed 5 years of operation, successfully realising, year after year since 2007, the budgetary targets for revenue mobilisation for the State to enable the fulfillment of essential services and social welfare needs of the population. I must say with pride, that the MRA has also achieved with brio, the other main objectives for its creation in 2006, namely, consolidation of the tax administration function in view of improving and enhancing the quality of services to the tax paying community.

It is encouraging to note that all the stakeholders perceive that MRA has met their expectations and those of the population at large. Tax administration, today, no longer suffers from the stigma that had yoked it for years. There is a pleasant rapport that has ever evolved between the taxman and the taxpayer. With the continuous application of its reform and modernisation strategy, the ever increasing application of ICT in its administration, the MRA intends to render the discharge of tax obligations a more easy and time saving activity to the taxpayer.

Chairperson's Foreword

I am aware that the economic prospects for 2012 and the coming years are not very bright and may be termed as difficult. During such difficult economic period, observers invariably turn to the statistics realised by Revenue Organisations to assess the economic performances of the State. In the present circumstances of the Eurozone crisis which is forecasted to impact negatively on the economic activity of the country, the MRA undoubtedly is faced with a daunting challenge to realise the 9.5% projected increase in revenue collection, set in the 2012 Budget. We should all hope that economic activities in our main sectors such as tourism, export, manufacturing and offshore maintain their momentum to bring in the much needed foreign direct investment. Similarly, if on the domestic front, sectors like construction, hotels and transport operate at a fairly high level of activities to create a reasonable consumption trend among the population, we may then realise the revenue collection targets.

I would, however, wish to conclude very optimistically that with strong leadership together with the support of the Management Team and the MRA staff, we shall be able to realise our goals. I wish to assure each and every staff of the MRA of the full guidance and support of the MRA Board and I am convinced that the good work will continue in spite of the difficult times ahead.

V. Hassamal
Chairperson

Director-General's Review

SUDHAMO LAL
Director-General

During the year 2011, the world economy continued to face the crisis which started in 2005 before developing, unfortunately, into the worst global economic crisis since the Great Depression.

However, owing to the very prompt and highly effective policy measures taken by Government, the Mauritian economy could weather the storm and even displayed a fair degree of resilience to successive external shocks that hit our shores. The economy kept growing throughout the crisis years with an average economic growth of 4.1%.

At the MRA, this positive performance was reflected in the annual revenue collections which have over the past five consecutive years exceeded budgetary projections including during the crisis years.

For the financial year 2011, the total revenue collection was projected at Rs 52.6 billion, which represented an increase of 6.6% compared to actual revenue collected in 2010 (Rs 49.3 bn).

In the midst of the economic crisis prevailing at that time, it was indeed a major challenge to realise that target. However, as the year went by, revenue collections demonstrated such an encouraging trend under Income Tax, Customs, Excise, Tax Deducted at Source and Special Levy on banks that the initial projections were revised upwards from Rs 52,607 million to Rs 53,012 million in October 2011. The MRA ended the year 2011 with a total collection of Rs 53,010 million, which in the circumstances may be termed a very positive performance indeed.

It is the profound belief of the leadership and management of the MRA that one of the effective ways for revenue organisations to address the challenges of difficult world economic situations is through a continuous (and rigorous) implementation of a reform and modernisation strategy. And, reform and modernisation remained the leitmotiv of the second MRA's Corporate Plan 2011-13. I am proud to say that, in overall terms, MRA has not only met most of the strategic objectives of our reform and modernisation strategy but has also realised fairly positive achievements in various key areas of tax administration in a bid to fulfill both objectives, namely, revenue mobilisation and provision of taxpayer services of a high standard. Some key realisations during 2011 would include:

(a) launching the 2011-13 Corporate Plan and initiating implementation of the initiatives mentioned therein;

(b) implementing the Personal Income Tax and Corporate Income Tax modules of ITAS;

(c) pursuing our e-filing initiative for individual taxpayers and extending the scope of e-payment facilities;

(d) implementing the risk management project with the support of the Commonwealth Secretariat;

(e) implementing other initiatives in line with the *Maurice Ile Durable* project such as Record Management System, purchasing environment friendly vehicles, air-conditioners and chemicals & detergents for cleaning services;

(f) finalising the e-Customs project with a view to reducing trader's operational costs and cargo dwell-time;

(g) launching the Authorised Economic Operator program on a pilot basis in end 2011;

(h) enhancing stakeholders' relationship through the setting up of the two steering committees - meeting with Accountants and Integrity Advisory Committee;

(i) re-designing MRA website and joining Twitter to provide additional information to taxpayers;

(j) reviewing SOPs of various sections and departments in line with our ISO Certification project; and

(k) assisting the IMF Technical Assistance Mission on Revenue Administration in Mauritius and initiate implementation of recommendations in the Mission Report.

Our above achievements, I must say, would never have been possible without the dedicated support of every member of the MRA staff to whom I am profoundly thankful. MRA is committed to the professional development and career advancement of its employees and this is clearly reflected in our training and formation strategy which is geared towards having a well trained personnel of high caliber, working in a most modern office environment conducive to healthy work performance.

Conscious of the necessity of providing just reward for effort provided, the MRA enlisted the services of Mr. B. Appanah of BCA Consulting to carry out a salary review in 2011. The recommendations of the consultant, I am pleased to report, were implemented in toto, which, *inter-alia*, were translated into an average of nearly 21% increase in salary across the various grades of officers in the organisation.

It is with much pride that I wish to mention that in 2011, the MRA obtained the Special Jury HR Excellence Award organised by the Human Resource Development Council (HRDC). The MRA also bagged the Public Sector ICT Execellence Award 2011 from the Ministry of Information and Communication Technology, which demonstrate, both, our commitment towards our people and the application of ICT to modernise tax administration.

The year 2012 is set to be another challenging year for the MRA, especially from a revenue collection perspective as the Eurozone crisis that is threatening to cloud our economic activities is forecasted to affect the country's economic performances quite significantly. Already an indication of this was provided in the collection of revenue under VAT during 2011 which fell short of projections by 0.4%.

Our target during 2012 will remain the realisation of the revenue projections of the 2012 Budget while maintaining our efforts at continuously reforming and upgrading our processes to enhance the quality of our services to the taxpayer whilst reducing taxpayers compliance cost and the trading community's costs of doing business. Some of the initiatives and projects for the coming year would include the following:

i) implementing successfully the various schemes announced in the 2012 Budget (VDIA, VRIS, EDRTS, TASS);

ii) simplifying the administration of small taxpayers;

iii) implementing the Taxpayer Online Services (TPOS);

iv) making tax laws more manageable by moving their procedural sections to a Tax Administration Act;

v) enabling payment of tax with debit/ credit cards;

vi) revamping the Fiscal Investigations Department to improve efficiency;

vii) re-organising the drugs unit at Customs and implementing the Drug Interdiction Strategy Plan;

viii) strengthening anti-smuggling operations by acquiring speed boats and sniffer dogs for the K9 unit;

ix) setting up the Enforcement team to track those who fail to register for VAT, pay Environment Protection Fee, Billboard Tax, liquor licence;

x) reinforcing the prosecution function to deter tax evasion;

xi) reviewing the penalty and appeal mechanism at Customs;

xii) finalising MOUs with various other organisations to promote information exchange;

xiii) improving interaction and information exchange with GRA;

xiv) creating a High Net Worth Individual Unit;

xv) re-organising the Gambling Unit at MSTD;

xvi) conducting the Customs Stakeholders Satisfaction Survey;

xvii) widening MRA's source of third party information to track tax evaders; and

xviii) promoting a tax culture through the introduction of taxation syllabus in schools, tax essay competition, celebration of Taxpayers' Day, etc.

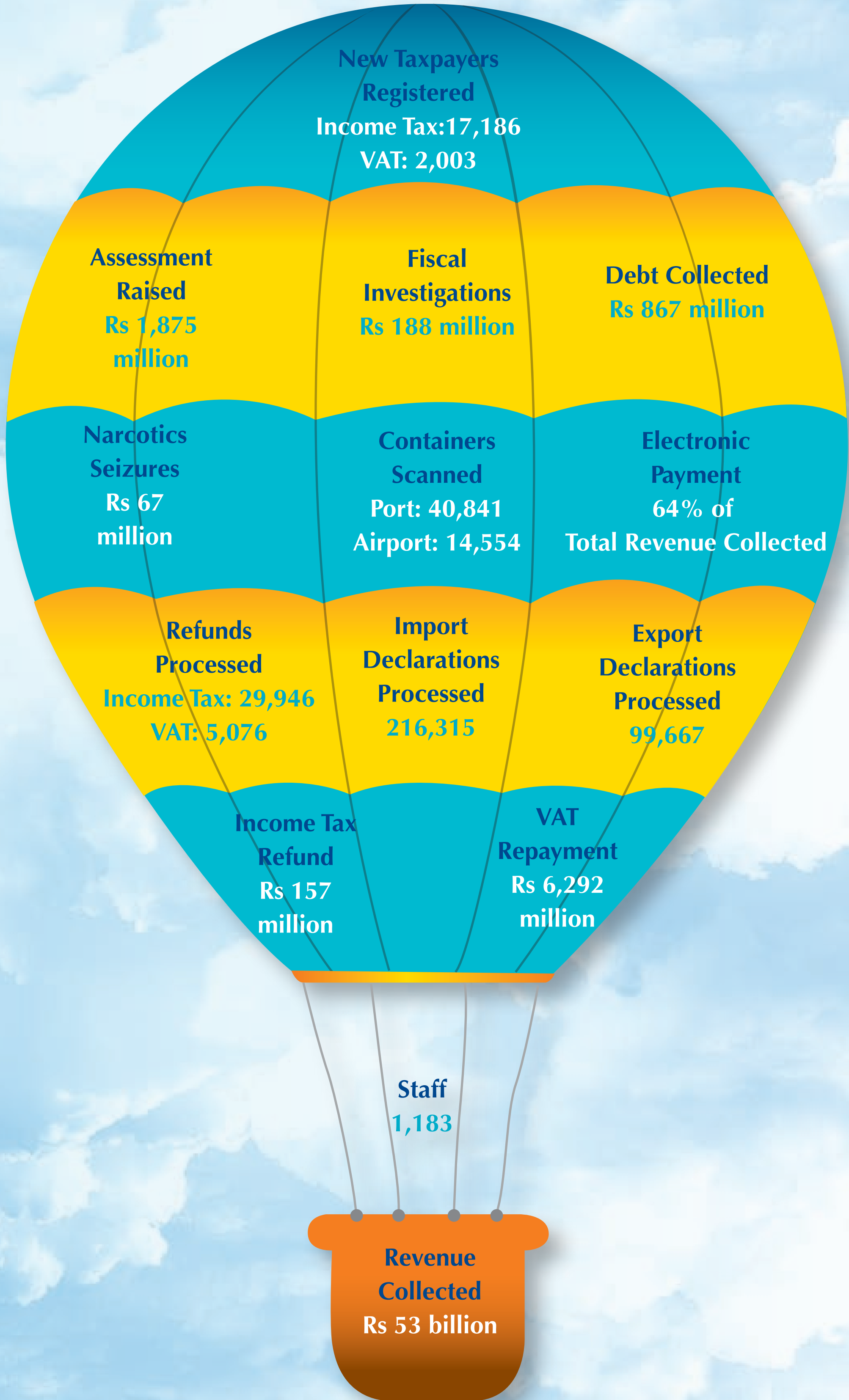
The reports and forecasts from various world institutions regarding the world economy tend to indicate quite difficult years ahead. But I am confident that with the abled guidance of MOFED, the unflinching support of the Board members and the Management Team and the dedication of our staff, we shall once again, overcome the hurdles that come our way and realise our objectives of fulfilling our responsibilities towards the State and the people.

Sudhamo Lal

Director-General

1. 2011 at a glance

2011 AT A GLANCE



2. Our Role

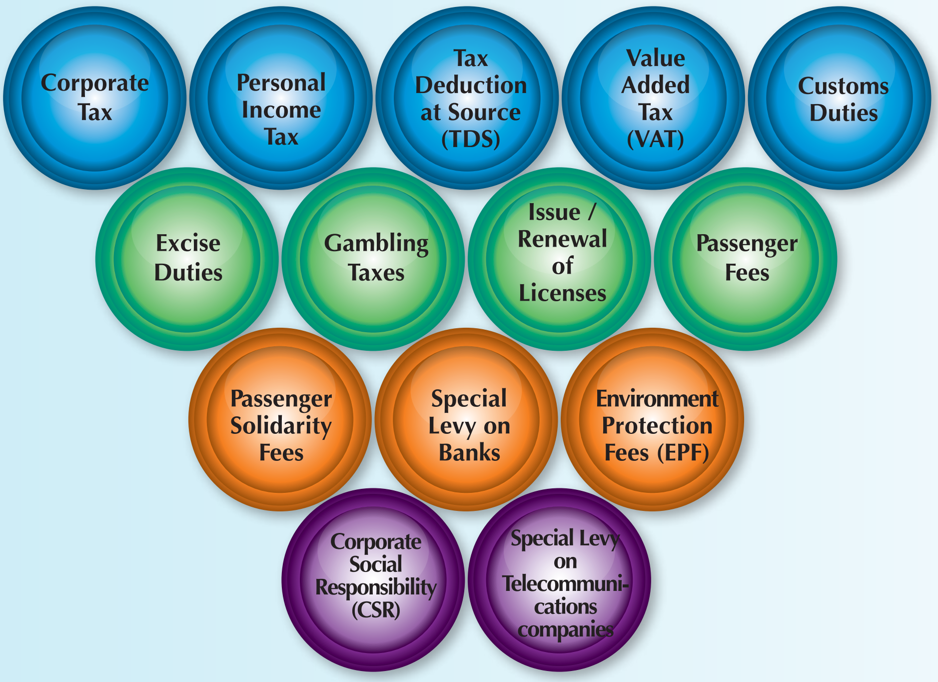
Our Role

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.

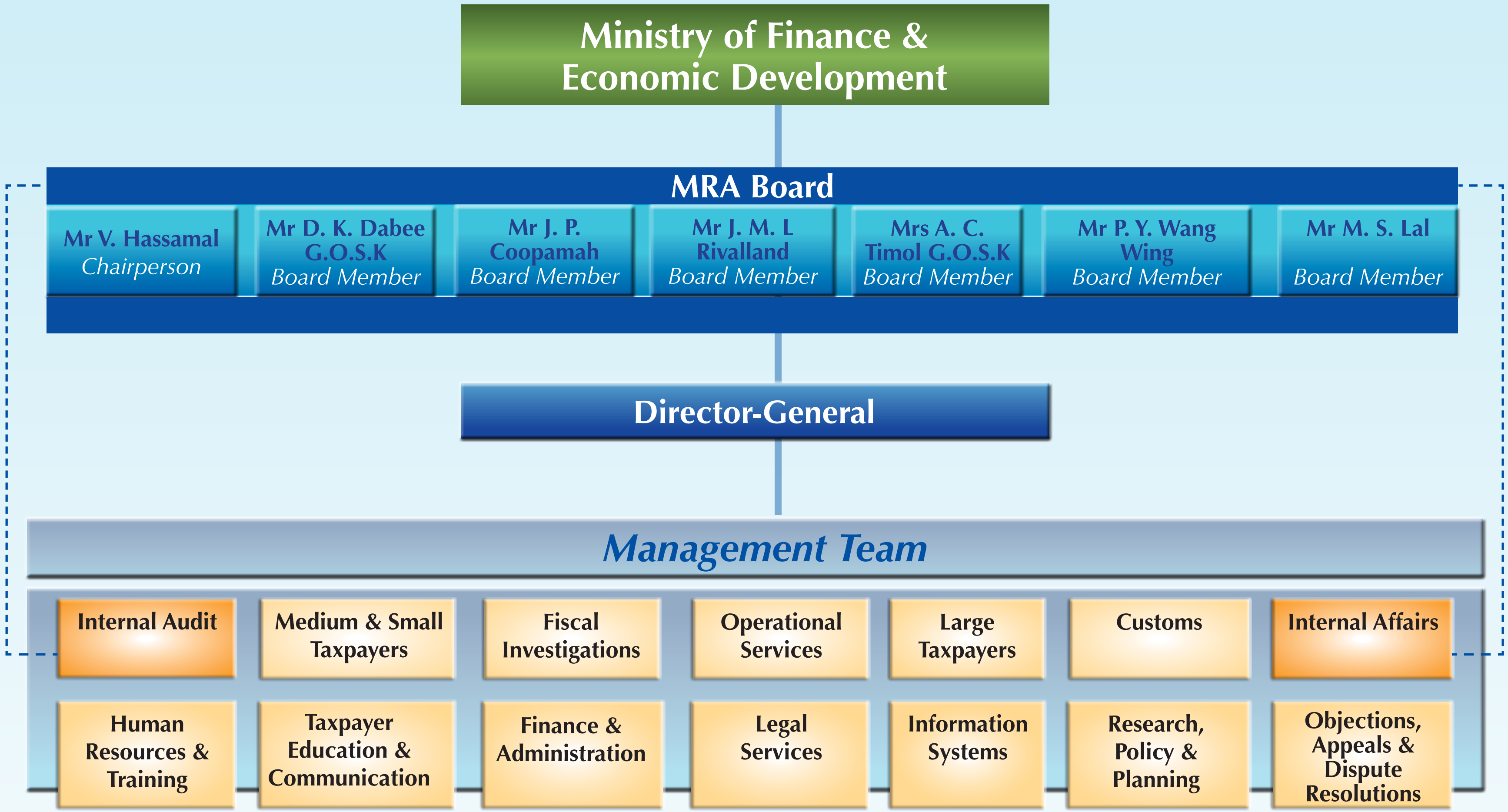
The MRA is responsible for collecting approximately 90% of all tax revenues and for enforcing tax laws in Mauritius.

In 2011, the MRA managed and collected the following taxes, duties and fees:



3. Organisational Structure

Organisational Structure



It makes me proud to file my returns electronically and I encourage all taxpayers not doing so to take advantage of these facilities as provided by the MRA.

Mr Allen Sandrazie,
President of Mauritius Taxpayers Association

4. Corporate Governance

Corporate Governance

The MRA is a body corporate set up by the Mauritius Revenue Act 2004 as an agent of the State for collecting revenue and managing, operating and enforcing Revenue Laws.

The MRA Board considers good governance practices to be crucial to the development and sustainability of the organisation. In setting up the MRA's corporate governance structure, the Board has been guided by the statutory obligations of the MRA Act and the principles of good corporate governance as laid down in the Code of Corporate Governance, where applicable to state-owned entities.

MRA's Corporate Governance structure hinges on the following pillars:

- The MRA Act which lays down specific criteria for the appointment of the Chairperson & Board members and requires disclosures in cases of conflict of interest etc;
- The MRA Board;
- Board sub-committees set up to closely scrutinise the organisation's policy regarding corporate governance, auditing, risk management and procurement;
- Risk management framework with clear responsibility for risk identification, assessment and monitoring;
- Auditing and accounting framework with particular emphasis on the role of internal and external audit;
- Integrated sustainability initiatives pertaining to ethics, environment, health & safety and corporate social responsibility;
- Standard operating procedures for all MRA processes through the ISO project thus enhancing transparency and accountability;
- Systematic computerisation of all MRA functions with emphasis on e-filing both for tax and customs purposes;
- Continuous communication with and education of stakeholders together with standing meetings with main stakeholders; and
- Accountability for results through the Performance Management System being monitored on a monthly basis.

This chapter gives an insight into the various layers of corporate governance at the MRA and action taken to ensure compliance with the Code of Corporate Governance.

4.1. THE MRA ACT

Sound corporate governance practices are already laid down in the MRA Act. Section 5 of the MRA Act 2004 provides that:

(i) 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 as the President thinks fit;

(ii) Board members are appointed by the Minister of Finance and Economic Development for a period of not less than three years;

(iii) The Director-General shall not have the right to vote; and

(iv) 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 being considered.

Furthermore, Section 6 (6) of the MRA Act stipulates that 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.

Section 12 of the MRA Act also provides that the Head of the Internal Affairs and Internal Audit Divisions shall report on, and be directly accountable to the Board for, the execution of the duties assigned to them.

4.2. THE BOARD

The MRA Board administers and manages the MRA and has key responsibility for its performance and affairs. It is chaired by Mr. V. Hassamal and comprises five other non-executive directors and one executive director, the latter not having a right to vote at Board meetings. During the year ended 31 December 2011, the Board was constituted as follows:

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

The profiles of Board Members are to be found in **Section 4.8** of this Report.

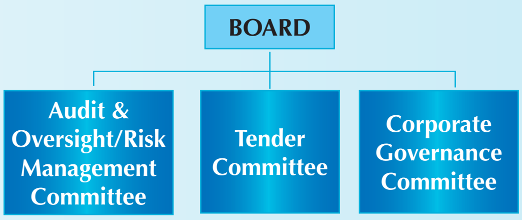
Functions of the Board

The roles and functions of the Board include:

- giving strategic direction and providing leadership;
- overseeing the implementation of strategies, policies and plans;
- giving guidance and maintaining effective control over the Authority;
- selecting and recruiting competent staff to form part of the Management Team;
- laying down the terms and conditions of service of officers of the Management Team;
- approving the annual budget of the Authority for submission to the Ministry of Finance;
- putting in place effective internal control systems; and
- ensuring that risk management strategies are developed and implemented effectively.

4.2.1. Board Committees

The MRA Board is supported by three committees that undertake a detailed review of items that are brought before the Board for its consideration.



4.2.1.1. Audit & Oversight/Risk Management Committee

The Audit and Oversight/Risk Management Committee is chaired by Mr. P. Yip Wang Wing, the other members are Mr. J.P.Coopamah and Mr. D.K. Dabee G.O.S.K and the Acting Secretary is Ms C. Fijac.

The functions of the Audit and Oversight/Risk Management Committee are:

- evaluating the scope of the annual audit plan and the annual internal audit report;
- reviewing the quarterly reports submitted by the Internal Audit Division and also reviewing any significant matters raised by the external auditors; and
- reviewing, evaluating & approving accounting, internal control and risk management procedures implemented at the MRA.

During 2011, the Committee has *inter-alia*,

- reviewed all internal audit reports;
- approved the policy document and framework manual for the MRA's Risk

Management project;

- approved the Annual Internal Audit Plan & Internal Audit Annual Report; and
- ensured the implementation of Audit recommendations and proposals for enhancement of the Internal Control System.

4.2.1.2. Corporate Governance Committee

The Corporate Governance Committee is chaired by Mr. V. Hassamal, the other members are Mr. J.M.L. Rivalland and Mrs. A.C.Timol G.O.S.K. and the Acting Secretary is Ms C. Fijac.

The functions of the Corporate Governance Committee are:

- ensuring that procedures are established to comply with regulatory requirements;
- enhancing the effectiveness of corporate governance within the MRA; and
- being responsible for the remuneration and nomination of directors (Management Team) and senior management.
- monitoring of performance and succession planning.

During the year, the committee reviewed initiatives taken in 2011 to enhance the level of corporate governance and in particular improve relationships with stakeholders. On several occasions, Corporate Governance matters were taken up directly at Board level, including reviewing the Annual Report and remunerating members of the Management Team following the salary review.

4.2.1.3. Tender Committee

The Tender Committee is made up of a Central Tender Committee (CTC) and a Departmental Tender Committee (DTC). Any procurement above Rs 1 million and up to Rs 5 million is approved by the DTC, and for procurement in excess of Rs 5 million the approval of the CTC is sought.The CTC is chaired by Mr. P. Yip Wang Wing, and comprises the Director-General and the Director, Finance and Administration.

4.2.2. Board and Committee Membership

Table 1 shows the membership of and attendance at Board and Committee meetings during 2011. Fees paid to Board Members are also indicated.

Directors are full-time employees of the authority and are paid in accordance with the MRA remuneration policy and package.

Table 1: Membership & attendance at Board meetings & committees in 2011

	Board of Directors	Board Committees		
		Audit & Oversight/ Risk Management Committee	Corporate Governance Committee	Tender Committee
No. of meetings	**16**	**5**	**1**	**3**
Meetings attended:				
Mr. V. Hassamal, Chairperson	16		1	
Mr. J. P. Coopamah	14	5		
Mr. D. K. Dabee G.O.S.K	13	5		
Mr. J. M. L. Rivalland	10		1	
Mrs. A. C. Timol G.O.S.K	14		1	
Mr. P. Yip Wang Wing	13	5		3
Mr. M. S. Lal, Director-General	16			3

Fees of Board

Board Member Fees	Rs (per month)
Chairperson	40,000
Members	20, 000

4.3. RISK MANAGEMENT

In its endeavour to enhance the level of corporate governance and to offer taxpayers a world class service, the MRA embarked on an Enterprise Risk Management Project aimed at institutionalising risk management in the organisation's corporate strategy, its day to day operations and its organisational culture. This project is championed by the Internal Audit Division with the assistance of the Governance and Institutional Development Division (GIDD) of the Commonwealth Secretariat.

4.3.1. Implementing the Risk Management Project

The implementation of the Risk Management Project has been expedited thanks to the commitment at the highest level of the MRA through the involvement of the Chairman, Audit committee members, the Director-General and all directors. In fact, the approval of the Risk Management Policy Manual at Board level has been the formal acknowledgement of the MRA Board's commitment to risk management.

4.3.1.1. Risk Identification and Assessment

Staff with appropriate knowledge of the MRA's operations and processes were involved in brainstorming sessions to identify risks. Two questions which were repeatedly asked were factors/events that could prevent the MRA from meeting its objectives, and how and why could it happen. All risks then identified were documented in departmental risk registers.

Risks were then evaluated in terms of their likelihood of occurrence and impact on the organisation through a Risk Assessment Table. The likelihood of risks occurring at the MRA were categorised as rare, unlikely, credible, likely and almost certain. The impact of a potential risk on the MRA was classified as critical, major, moderate, minor or insignificant.

Apart from risks that should be managed at departmental level, brainstorming workshops with the Director-General and all MRA directors were held to establish the most important MRA level risks. The process culminated in the identification of the following 10 top risks which should be constantly managed and monitored at management level. These risks are as follows:

- **Risk of not achieving Revenue targets.** The MRA is the main revenue agent of the Government and plays a major role in protecting fiscal solvency. Achieving expectations in terms of budgetary provisions with respect to revenue collection remains a priority challenge for the MRA and therefore needs constant monitoring.
- **Risk of illicit drug trafficking.** Drug trafficking, illegal arms importation and terrorism present major risks to national security. Through border control, the MRA has a vital responsibility to protect society from these transnational crimes. The MRA is constantly enhancing its operations by the extensive use of Information Technology and increased control and security mechanisms.
- **Risk of poor governance.** Effective governance is a key element in monitoring the effectiveness of any organisation. At the MRA, every effort is deployed to take on board all the recommended structures, practices and principles of good corporate governance.
- **Integrity risk.** Projecting a positive corporate image is essential for a large revenue collection agency like the MRA. The perception of stakeholders is therefore important and inspiring

trust and confidence remains one of the MRA's priorities. MRA manages integrity risks through a dedicated Internal Affairs division.

- **Risk of non-compliant taxpayers/ importers.** A proper risk-based methodology ensures that high-risk taxpayers/importers are targeted for compliance audits/investigations. The MRA is putting in place specific risk management units both in tax and customs departments to mitigate the risk of non-compliant taxpayers/ importers evading the tax net.
- **IT risk.** Driving a modernisation programme through the enhanced usage of information technology inevitably exposes the organisation to IT risks such as loss, leakage or damage of data which may severely disrupt operations.
- **Risk of not achieving voluntary compliance.** Increasing the voluntary compliance rate is a major MRA objective. Without regular monitoring and review of strategy, the MRA runs the risk of not narrowing the tax gap.
- **HR Risk.** The success of our organisation is primarily dependent on the quality of its staff. In handling some 1,200 staff, inevitably arise HR issues. To counter risk factors, employees are provided with a wide range of support, logistics mechanisim.
- **Risk of information leakage.** Maintaining the confidentiality of taxpayers' affairs and information is one of the major expectations of taxpayers. Any failure would affect the organisation's reputation and might entail legal action.
- **Risk related to staff security.** The nature of the MRA's operational activities often exposes staff to the threat of moral or physical assault. If not adequately managed, this risk may severely impact on organisational performance.

4.3.1.2. Responsibility for Risk Management

In defining responsibility for risk management, it has been made clear that each and every player in the organisation, ranging from a Board member to an individual officer has an important role to play. Each director is accountable for the risk and control of their department. This responsibility is further delegated down the line in terms of section, unit or process.

Based on the above self-controlled methodology, the Policy Document and Framework Manual provides for each director to present and discuss his/her quarterly risk report at the management team level, which is also the Risk Management Coordination Committee. On a half-yearly basis, a risk status report is submitted to the Audit Committee.

Internal Audit provides independent assurance by reviewing the risk management framework on an annual basis and provides assurance on its effectiveness to the Audit & Oversight/Risk Management Committee.

Achievements

The project has already been through its three main phases under the guidance of a Risk Management Consultant from the Commonwealth Secretariat. The major achievements so far are:

- A large number of MRA officers have been exposed to the importance of the Enterprise Risk Management during various workshops;
- The appointment of a Risk Officer in each MRA departments;
- Working sessions with Risk officers for the preparation of Departmental Risk Registers;
- Brainstorming workshops with the Director-General and all MRA directors to establish the most important MRA level risks;
- Meeting with the Chairperson of the MRA and the Audit Oversight/Risk Management Committee with respect

to role of that Committee in the risk management process;

- Workshop with Internal Audit staff on auditing the risk management framework for assurance purposes; and
- The writing and approval of the Policy Document and Framework Manual which formalises and communicates a consistent approach to managing risk for all MRA activities and establishes a reporting protocol.

The MRA believes that it has completed another milestone by adopting a structured approach for risk management together with the principles of good governance, hence boosting stakeholders' confidence in the organisation.

4.4. AUDITING AND ACCOUNTING

The Board is responsible for the timely preparation of the financial statements for each calendar year. These statements include the Board's report, Director of Audit's report, balance sheet, statement of income, statement of changes in equity and statement of cash flow which reflect a true and fair picture of the MRA's financial position.

With regards to the financial statements for the year ended 31 December 2011, the Director-General has, not later than 3 months after the end of every financial year to submit the annual report to the Board for approval. After approval by the Board, the Director-General must, not later than 30 April 2012, submit the Annual Report, including the financial statements, to the National Audit Office.

After having audited the statements, the Director of Audit, must within 6 months of the date of receipt of the Annual Report, submit the Annual Report and the Audit Report to the Board.

On receipt of the Annual Report including the audited financial statements and the Audit Report, the Board, not later than one month from the date of receipt, furnishes the Minister of Finance and Economic Development with such reports and financial statements.

4.5. INTERNAL AUDIT

The MRA has a full-fledged Internal Audit Division which has the key responsibility of providing independent assurance on the adequacy and effectiveness of the MRA's risk management, internal control and governance systems. Amongst other things, the Division:

(a) conducts system audits to assess the adequacy of controls for MRA to achieve its strategic goals. The areas audited during the year included the bonded showroom for second hand vehicles, bonded tanks generating revenue of some Rs 4.7 billion, VAT repayment in the Large Taxpayers Department and other disbursements (repayments and refunds);

(b) carries out transaction audits to provide assurance on the effectiveness of controls in risk areas and where there are large volumes of transactions. The objective is to ensure adherence to procedures, regulatory requirements and corporate policies. Some key areas where transaction audits were carried out during the year included the Mauritius Duty Free Paradise, writing off of debts, payroll, revenue collection systems and store management; and

(c) ensures Management's commitment towards continuous enhancements. Follow-up exercises were carried out during the year to ensure that agreed corrective action had been implemented.

Directors' responsibility for system of Internal Control

Directors of the Board are responsible for designing, implementing and maintaining internal controls relevant to the Authority's functions including controls relevant to the preparation and presentation of the financial statements.

Such systems should ensure that all functions are in line with best practices, that all transactions are authorised and recorded and that any material weaknesses or irregularities are detected and rectified within a reasonable time-frame. The Authority has an Internal Audit function which assists the Board and Management in effectively discharging its responsibilities. Controls are reviewed on an on-going basis by Internal Audit using a cycle-based risk approach.

The Audit and Oversight/Risk Management Committee reviews all internal audit reports and Management is advised through the Director-General of remedial action to be taken. The Committee is also kept informed of progress on the implementation of audit recommendations either through feedback reports from Management or follow-up exercises carried out by Internal Audit.

The Board is apprised of all deliberations and decisions taken by the Audit and Oversight/ Risk Management Committee.

V. HASSAMAL
Chairman MRA Board

P. YIP WANG WING
Chairman Audit & Oversight/Risk Management Committee

4.6. INTEGRATED SUSTAINABILITY REPORTING

4.6.1. Ethics and Integrity Management

In its endeavour to become a World-Class Revenue Authority, integrity management remains amongst one of the MRA's core values. The MRA views ethical conduct and practices as vital to ensure that all its stakeholders can build an element of trust and confidence with the organisation.

The MRA is one of the few organisations which has set up an Internal Affairs Division with the main objective of ensuring the implementation and maintenance of ethical standards and high levels of integrity and transparency within the organisation. Two key elements of the MRA's integrity management strategy are a Code of Conduct & Ethics and a Prevention of Malpractice Manual. The Code of Ethics sets out standards of business behaviour for all employees and is a useful tool for the promotion of good governance, transparency and accountability among MRA employees. As regards the Manual, it lays down the procedures for filing complaints, the investigative process and the measures to be taken to deal with instances of fraudulent, corrupt practices and other forms of misconduct by employees.

4.6.2. Environment

The MRA is committed to integrating environmental issues into its decision-making process so as to minimise the impact of its operations on the ecosystem. The MRA adopted effective environmental management programmes in 2011 to improve its environmental performance. These included:

- Pursuing its e-filing strategy so as to persuade more and more taxpayers to use less paper and thus reduce energy consumption. An increase of 70% was noted in 2011 in the use of electronic filing;
- Encouraging e-payment by individuals through banks;
- Promoting a paperless environment by implementing the Record Management System (RMS);
- Reducing electricity consumption at Custom House; (252,523 kwh consumed for period Oct-Dec 2011 compared to 289,982 kwh for the preceding period);
- Purchasing 6 vehicles meeting European and Japanese norms in order to reduce fuel consumption and maintenance charges;
- Environmentally-friendly chemicals and detergents in a tender for cleaning services;
- Installing air conditioners with 410 A as refrigerant instead of R 22;
- Landscaping and planting of trees at Custom House compound; and
- MRA engineer trained on Green Productivity pilot project

4.6.3. Health and Safety

The MRA recognises that health and safety is of fundamental importance to its workforce, as well as to taxpayers & stakeholders visiting its premises. To promote health and safety at the workplace, the MRA took several initiatives which included:

- Recruiting a full time Health and Safety Officer;
- Ensuring compliance with all relevant health and safety legislation;
- Providing first-aid kits to all departments / divisions;
- Providing and maintaining a safe and healthy environment for all staff;
- Renewing the Medical Scheme with British American Insurance Co. (Mtius) Ltd & Group Personal Accident Insurance Schemes with Swan Insurance Co. Ltd; and
- Continuing the health & safety inspections in all MRA's sites to identify hazards and take corrective measures.

In addition to the above, a Corporate Health and Safety Committee presently chaired by the Director, Human Resources & Training, now meets every 2 months to monitor progress in the fields of health & safety.

4.6.4. Corporate Social Responsibility

The MRA considers Corporate Social Responsibility (CSR) to be an important element for both the welfare of its employees and of society. During the year under review, the MRA was involved in the following CSR projects/activities:

- Organising a blood donation campaign on 1 July 2011, about 637 pints of blood were collected;
- Participating in the National Empowerment Foundation Programme by offering training opportunities to 29 unemployed degree/diploma holders;
- Collaborating with tertiary institutions for training placements for students;
- Collaborating with the HRDC, in the recruitment of 3 batches of Lower Sixth students for work placements at MRA;
- Organising an end of year lunch for MRA's staff;
- Organising free foot screening tests for all MRA's staff;
- Organising briefing sessions on AIDS & Good Nutrition; and
- Organising a series of sports activities for staff in collaboration with the *Fédération Mauricienne des Sports Corporatifs* (FMSC).

4.7. RELATED PARTY TRANSACTIONS

The Authority regards the Government of Mauritius as its controlling party and has disclosed at Note 17 to the Financial Statements the Related Party Transactions for the period under review in accordance with IPSAS 20 (Related Party Disclosures)

The related party transactions for the MRA for the year 2011 include

1. Grants (capital & revenue) of Rs 973,948,639 from Government; and

2. Payment to key management personnel for an amount of Rs 32,364,085

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.

4.8. BOARD MEMBERS' PROFILES

MR VASDEV HASSAMAL
Chairperson

MR VASDEV HASSAMAL
Chairperson

Vasdev Hassamal became Chairperson of the MRA in November 2005. He is also an Adviser to the office of Public Sector Governance under the aegis of Prime Minister's Office. He was Chief Accountant at the Development Bank of Mauritius from 1974 to 1982, and then 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 in 2005. In that role, he attended Council of ACP Ministers' meetings in Togo, Zimbabwe, Mauritius, the Dominican Republic, Gabon 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 Fellow of the Institute of Chartered Accountants of England and Wales and a member of the Mauritius Institute of Professional Accountants (MIPA).

MR DHEEREN KUMAR DABEE G.O.S.K
Board Member

Dheeren Dabee G.O.S.K, 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 & Millers Arbitration and Control Board, as well as being legal adviser to a number of public organisations. He previously held the post of Parliamentary Counsel and has been closely involved in the drafting of many pieces of legislation. 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 the Government's legal advisor, he has advised regularly on tax-related issues and represented Government in various types of litigation, including tax cases. 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.

MR DHEEREN KUMAR DABEE G.O.S.K
Board Member

Members of the Board

MR JAGNADEN PADIATY COOPAMAH
Board Member

MR JAGNADEN PADIATY COOPAMAH
Board Member

Jagnaden Coopamah was appointed to the Board in October 2004. He has until recently been 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 has also served as Deputy Chairman of the National Economic Development Council, and 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 the same year, he was posted to 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 also worked for a few years as Advisor in the Ministry of Finance. He is an Honours Economics graduate of the University of London.

MR J. M. LOUIS RIVALLAND
Board Member

MR 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 has been the President of the Joint Economic Council since March 2010, is a past President of the Insurers' Association of Mauritius and a member of the Financial Services Consultative Council. He is also a director of several listed companies and also sits on a number of corporate governance and audit committees. He has played an active role in the development of risk management, insurance and pensions in Mauritius, having chaired or been part of various technical committees in these areas. He holds a BSc (Hons) in Actuarial Science and Statistics, and is a Fellow of the Institute of Actuaries (UK) and a Fellow of the Actuarial Society of South Africa.

MRS AISHA C. TIMOL G.O.S.K
Board Member

MRS AISHA C. TIMOL G.O.S.K
Board Member

Aisha Timol G.O.S.K was appointed to the Board in October 2004. She has been the first Chief Executive of the Mauritius Bankers Association since 2003. Prior to that, she worked in the public sector 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 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'Études Approfondies en Economie Mathématique et Econométrie* from the University of Aix-Marseille.

MR PATRICK YIP WANG WING
Board Member

Patrick Yip was appointed to the Board in October 2004. He is currently a Director at the Ministry of Finance and Economic Development, in charge of the Budget Strategy and Management Directorate, which includes taxation policy issues. Mr Yip is also 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 en Econométrie* and a *Diplôme d'Études Approfondies en 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, becoming the Director for Fiscal Policies in 2001.

MR PATRICK YIP WANG WING
Board Member

Members of the Board

MR SUDHAMO LAL
Director-General

MR SUDHAMO LAL
Board Member

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 the European Union, Asian Development Bank, IMF and other international finance institutions. He is also the current President of The Commonwealth Association of Tax Administrators which has members in 48 countries. 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.

4.9. MANAGEMENT TEAMS' PROFILES

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First degree in Law and a postgraduate degree in Agri-Economics and Soil Science.

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5. Revenue Collection

5.1. REVENUE COLLECTIONS

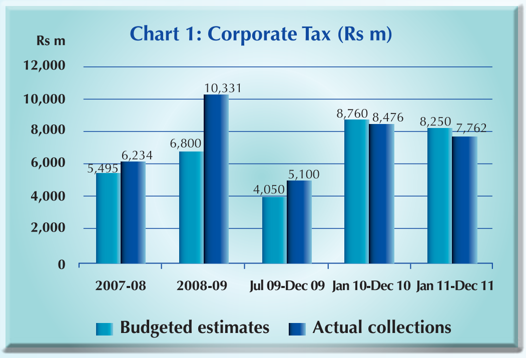
Revenue collections in the calendar year 2011 amounted to Rs 53,010 million and exceeded budgetary projections by 0.8%. Total collections as at 31st December 2011 represented a 7.4% increase over the previous year and almost matched the revised estimates for the year which were released by the Ministry of Finance and Economic Development in November 2011. Table 2 compares 2011 revenue collections, by type of tax, with budgetary estimates and revised 2011 estimates.

Table 2: Revenue collections for the year ended 31 December 2011 (Rs m)

TAX	Budgeted estimates	Revised estimates	Actual collections[1]	Increase / decrease over budgeted estimates	Increase / decrease over revised estimates
Corporate Tax	8,250	8,000	7,762	-5.9%	-3.0%
Personal Income Tax	4,863	4,913	4,920	1.2%	0.1%
Tax Deducted at Source	690	850	860	24.6%	1.2%
Value-Added Tax	22,800	22,500	22,710	-0.4%	0.9%
Customs Duties	1,515	1,650	1,560	3.0%	-5.5%
Excise Duties	10,736	11,394	11,487	7.0%	0.8%
Tax on Gambling	1,742	1,540	1,537	-11.8%	-0.2%
Environment Protection Fees	290	290	302	4.1%	4.1%
Passenger Fee	805	805	793	-1.5%	-1.5%
Special Levy on Banks	350	500	448	28.0%	-10.4%
Special Levy on Telecommunications	300	350	376	25.3%	7.4%
Corporate Social Responsibility	200	150	116	-42.0%	-22.7%
Miscellaneous[2]	66	70	139	110.6%	98.6%
Total	**52,607**	**53,012**	**53,010**	**0.8%**	**0.0%**

[1] MRA figures are on a collection basis and may vary from figures reported by the Accountant-General which are on a cash basis.
[2] Includes collections from Licences, Customs & Excise Fees and Fines, and Passenger Solidarity Fee.

Actual collections exceeded budgeted estimates by approximately Rs 400 million. The additional collections under Excise duties (+Rs 751m), TDS (+Rs 170m), Personal Income Tax (+Rs 57m), Special levy on Banks (+Rs 98m) and Special levy on Telecommunications (+Rs 76m) were reduced by 50% from shortfall in collections over the budgeted projections under Corporate Tax (-Rs 488m) and Value–Added Tax (-Rs 90m).



5.2. DIRECT TAXES

5.2.1. Corporate Tax (CT)

Corporate Tax collections fell short of budgetary projections by some Rs 488 million in 2011. Chart 1 compares actual and budgeted projections over the last 5 years.

As the chart shows, actual CT collections were higher than budgeted estimates between 2007 and 2009. Collections started falling short of projections as from 2010, which corresponds to the year when the impact of the world recession first touched Mauritius.

The relatively low corporate tax collections since 2010 may therefore be attributed to the impact of the international recession on the profitability of Mauritian companies. In fact, revenue collected from companies engaged in international business such as hotels and restaurants, telecommunications and to a lesser extent, global business companies all fell in 2011.

5.2.2. Personal Income Tax

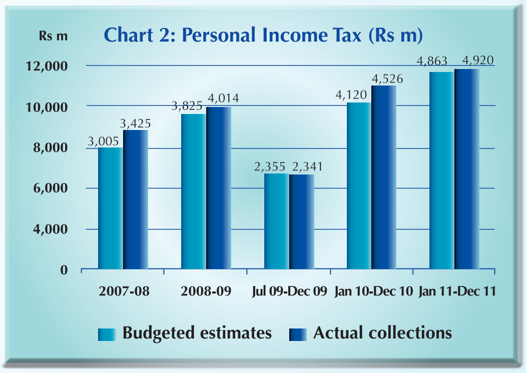


Chart 2: Personal Income Tax (Rs m)

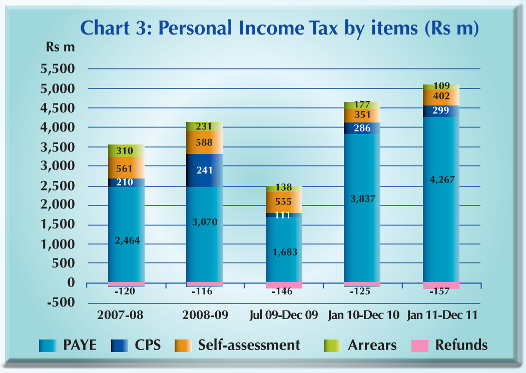


Chart 3: Personal Income Tax by items (Rs m)

Collections from individual taxpayers were 9% higher than 2010 collections and exceeded budgetary projections by 1%, driven mainly by PAYE receipts which grew by 11% from Rs 3,837 million in 2010 to Rs 4,267 million in 2011.

As regards individuals in business, i.e. self-employed taxpayers, the total tax collected through the 3 CPS statements and the final self-assessment returns amounted to Rs 568 million in 2011, i.e. 3% higher than in 2010.

5.2.3. Tax Deduction at Source (TDS)

In 2010 Budget, the threshold for TDS on interest income was raised from Rs 2 million to Rs 5 million. Consequently, a decline in collections under TDS was anticipated and the budgeted projections were set at Rs 690 million. Nonetheless, TDS collections were above projections by 25% mainly on account of an increase in non-interest TDS.

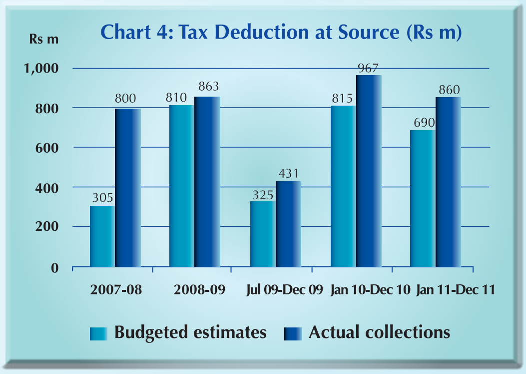


Chart 4: Tax Deduction at Source (Rs m)

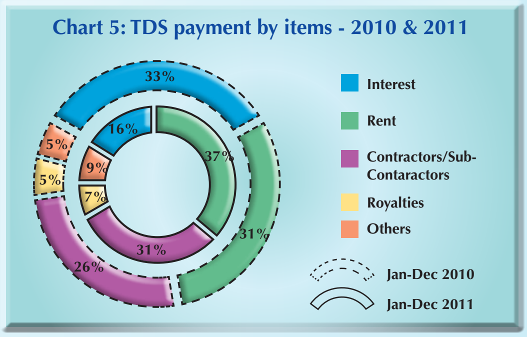


Chart 5: TDS payment by items - 2010 & 2011

5.3. INDIRECT TAXES

5.3.1. Value-Added Tax

Net VAT collections grew by 7.7% in 2011 to reach Rs 22,710 million but fell short of projections by Rs 90 million.

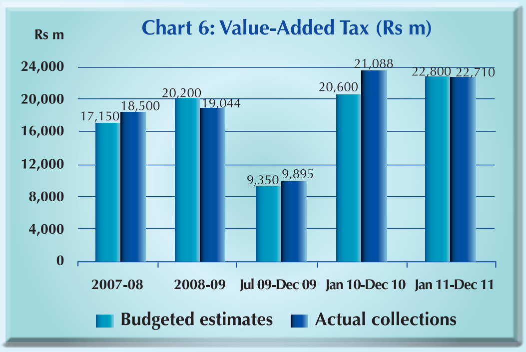
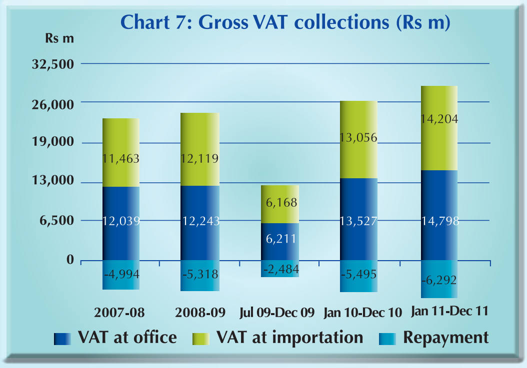


Chart 6: Value-Added Tax (Rs m)

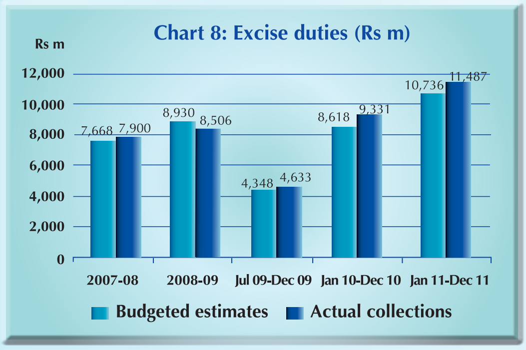
VAT at imports grew by 8.8% in 2011 as compared to 14% in 2010. The increase is attributable to a surge in the value of imports by the trading sector, including petroleum products. VAT collections on imports in almost all other sectors remained stable in

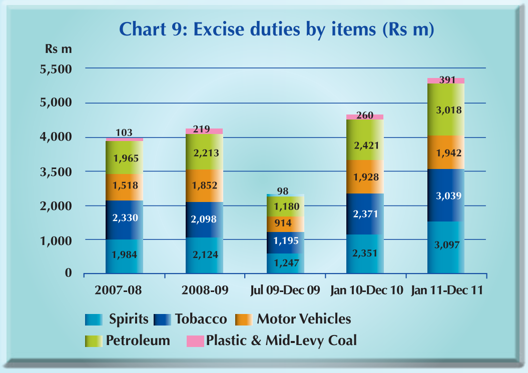


2011 as compared to 2010.

VAT at office grew by almost 10% in 2011, that is, 4% higher than in 2010. A sector-wise analysis of VAT at office collections reveals that the hotel sector grew by 22% in 2011 after falling consistently since 2008/09. There was also double-digit growth in some other key sectors such as trading, construction, real estate and financial intermediation.

5.3.2. Excise Duties





Excise duties registered an unprecedented increase of 23% in 2011 compared to 2010. Accordingly, excise duties collections were higher than projections by 7%. A detailed analysis of excise collections reveals the following:

- Collections under Spirits, Liquor and Alcoholic Beverages rose by 32% in 2011, primarily on account of two major tax policy changes:

  (a) In November 2010, excise duty on rum and liquor was increased between Rs 33 and Rs 37 a litre. The rate of excise duty on other alcoholic products was raised by 20%;

  (b) In the 2012 Budget speech, presented in November 2011, excise duty on

    (i) fruit wine and made wine was increased to Rs 25.20 and Rs 54 per litre; and

    (ii) other alcoholic drinks by 10%-30%. These measures were implemented with immediate effect.

- The 28% increase in excise duty collections on tobacco can also be attributable to successive increases in the rate of duty. The rate was increased by 25% and 15% respectively in November 2010 and 2011. Actual collections in 2011 were 9% above budgetary projections.

- Excise duty collections on motor vehicles increased by 1% in 2011 and were below projections by 6%.

- Excise duty collections from petroleum products were expected to increase by some 16% in 2011 taking into consideration the 10% increase in specific duty rates in November 2010 and the increase in mid-levy on petroleum products and LPG. However, actual collections rose by 25%.

- Excise duty receipts from plastics and mid-levy on coal rose by 50% in 2011, as projected. The surge is explained mainly by the doubling of excise duty rates on PET bottles, plastic bags and cans in November 2010 and the increase in mid-levy on coal to 30 cents per kilo as from January 2011.

5.3.3. Customs Duties

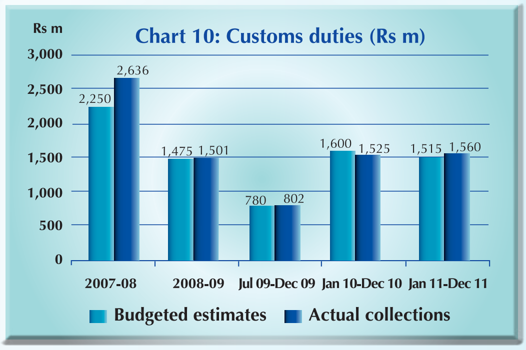


Chart 10: Customs duties (Rs m)

Customs duty collections increased by 2% in 2011 as compared to the preceding year and were 3% above projections. Customs duty collections in 2011 represented slightly less than 3% of total MRA collections.

5.3.4. Gambling Taxes

Gambling receipts are mainly derived from betting taxes on horse racing and football, and gambling taxes on casinos and gaming houses.

Projections under betting taxes took into consideration a rise in the rate of betting tax on horse racing and football matches from 8% to 10% and in the pool betting duty on foreign football matches from 10% to 12%. Actual collections from betting taxes increased by 19.5% but still fell short of projections by 8%.

As regards casinos and gaming houses, collections fell by 9% in 2011 compared to 2010. The budgetary estimates provided for a 8% increase in collections. Receipts under

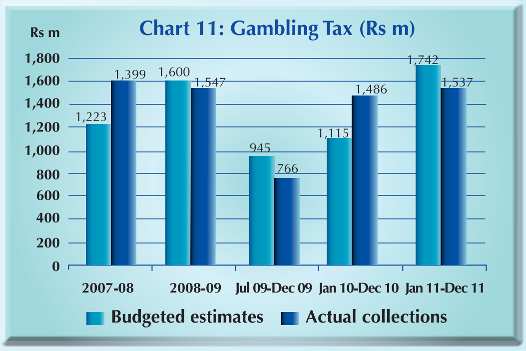


Chart 11: Gambling Tax (Rs m)

this item were affected by a major policy change effective from 1st October 2011, which provided for a reduction in gaming tax on casinos and gaming houses from 50% to 15% and on gaming machines from 50% to 35%.

5.3.5. Other fees and levies

Passenger fee collections were almost on target in 2011. The hike in collections is mainly attributable to the doubling of the passenger fee with effect from June 2011.

Collections under the special levy on banks in 2011 were almost equivalent to collections in the preceding year and exceeded projections by 28%. As regards the special levy on providers of fixed and mobile telephony services, actual collections exceeded projections by 25%.

Environment Protection fee collections were 4% above projections in 2011 but more than double the amount collected in 2010, as operators in the hotel sector reverted to payment of the EPF on a monthly basis, irrespective of their profitability status.

Table 3: Type of Fee/Levy and payments made (Rs m)

Fees/levies	Actual collections (Rs m)				
	2007-08	2008-09	Jul09-Dec09	Jan10-Dec10	Jan11-Dec11
Passenger Fee	542	572	243	555	793
Passenger Solidarity Fee	25	75	21	46	51
Special Levy on banks	67	333	366	455	448
Special Levy on Telecommunications	-	-	373	424	376
Corporate Social Responsibility Levy	-	-	-	149	116
Environment Protection Fee	209	159	35	142	302

With the e-Customs initiatives, our cost of doing business has shrunk down considerably and our dealings with Customs have never been so easy, free-flowing and transparent. Our consumption of paper has dropped by 75%.

Mr Afzal Delbar
President of Customs House Brokers' Association

6. Serving the people: Building relationships with taxpayers

SERVING THE PEOPLE: BUILDING RELATIONSHIPS WITH TAXPAYERS

The MRA is committed to providing a prompt, efficient and effective service to its stakeholders. In this regard, significant efforts have been made over the years to continually modernise its systems and processes. In line with its stated mission, the organisation also strives to achieve high levels of transparency, fairness and integrity in the delivery of taxpayers' services whilst introducing new ways of reducing taxpayers' compliance costs. Taxpayer facilitation at the MRA is centred around three main strategies: education, customer care and communication.

6.1. EDUCATION

The provision of quality taxpayer education is one of the main aims of the MRA. The educational programmes are geared at assisting those taxpayers who perceive the different laws and regulations as being too complex and may infringe certain provisions of the legislation. Educating the taxpayers and transforming them into an informed, updated community can only have positive results in the MRA's campaign to raise compliance level and reduce tax evasion. The following initiatives were taken in this regard.

6.1.1. Effective use of the printing media

Although the declared strategy of the MRA is to move towards paperless activities, it still has recourse to some printed media such as brochures, leaflets, pamphlets and guides to cover important aspects of taxation. These printed materials aim at educating and informing certain specific categories of taxpayers who may be less inclined to use digital information and those who may not have access to the internet.

Table 4: Number of publications issued / updated

Publications	Year 2011
Number of taxpayer information leaflets/tax bulletins issues, published & distributed	9
Number of press briefings issued	81
Newsletters/News bulletins issued	12

These printed forms and publications are also of great use to visiting taxpayers, foreign delegates and other stakeholders.

6.1.2. Empowering taxpayers through education

As their scales of operation expand over time, many taxpayers, especially small and medium enterprises (SMEs), and business professionals move into taxable bands – e.g., their turnover exceeds the Rs 2 million VAT registration threshold. However, through sheer ignorance or apprehension of managing a more complex system, they often fail to register for VAT.

In order to sensitise people about their fiscal obligations, the MRA resorted to awareness campaigns to encourage traders and professionals to register themselves. For instance, various VAT awareness-raising campaigns were organised around the island to highlight the advantages and incentives for taxpayers to register themselves.

Table 5 summarises the education campaigns conducted in 2011.

Table 5: Taxpayer education strategy

Strategy	Year 2011
Number of awareness-raising campaigns organised	33
Number of educational seminars conducted	28
Number of radio and TV interviews / interventions / awareness programmes	48
Recording details of taxpayers' visits & follow-up	ongoing

The educational sessions/seminars covered a wide range of topics and a diverse group of taxpayers. Some prominent ones conducted during the year included the following:

- Educational session for Entrepreneurs;
- Educational session at the SMEDA;
- Seminar on Capital Gains Tax;
- Seminar on Revenue Laws at the University of Mauritius;

- Management and Entrepreneurship Development Programme for Women Entrepreneurs;
- CSR – Educational Session for NGOs and Women Entrepreneurs;
- Educational session on Taxation and CSR for Directors of Co-operative Societies; and,
- Basic taxation for Small & Medium Enterprises at the SMEDA.

In 2011, the MRA also had the opportunity to receive its counterparts from other African revenue administrations for study tours of our system of revenue administration from Namibia, Tanzania, Uganda and Seychelles.

6.2. CUSTOMER CARE

The provision of better customer service to taxpayers has always remained high on the MRA's agenda. During 2011, several initiatives were taken to enhance the quality of customer care and hence bolster compliance level.

6.2.1. Serving taxpayers better

In order to ensure that our stakeholders benefit from a prompt and efficient service, MRA maintains a set of KPIs relating to service delivery. These KPIs are monitored on a monthly and annual basis and remedial action is taken expeditiously where actual performance is reported deficient.

Table 6: Selected KPI's on service delivery

Key Performance Indicators (KPIs)	Target set			Achievements		
Maximum time for issuing income tax refunds	40 days			95% effected within 40 days		
Time taken to effect VAT repayments in fast-track cases	7 days			7 days		
Time within which taxpayers' queries are answered on office visits (average serving time)	10 minutes			7 minutes		
Frequency of updating the MRA website	As and when needed			661 times in the year 2011		
Exports clearance time	Sea 8 mins Air 51 mins			Sea 7 mins Air 40 mins		
Average dwell-time for cargo	***Channels***	***Sea***	***Air***	***Channels***	***Sea***	***Air***
	Green	3 hrs	45 mins	Green	2 hrs	38 mins
	Yellow	6 hrs	77 mins	Yellow	4 hrs	47 mins
	Red	27 hrs	24 hrs	Red	26 hrs	15 hrs
Maximum time taken to issue tariff rulings	2.5 days			2 days		

6.2.2. Assisting taxpayers to meet their obligations

In 2011, the MRA pursued and increased the number of initiatives aimed at assisting taxpayers to meet their tax obligations. Some of these initiatives were as follows:

(a) Free Income Tax Assistance (FITA)

The FITA campaign 2011 was organised in 17 FITA centres (including one in Rodrigues) during the weekend of 26 and 27 March 2011. The objective of the FITA campaign was to help taxpayers who do not have access to the internet or who find it difficult to file an individual income tax return on their own. In its quest to provide a better service to taxpayers, the MRA further implemented a much appreciated time-saving initiative for taxpayers by receiving tax payments made by cash and cheque in all FITA centres.

During the FITA weekend, 106 MRA officers were mobilised to assist taxpayers in filing their returns and effecting tax payments. The FITA campaign was a resounding success for the MRA as around 7,320 taxpayers availed themselves of this service.

Assisting taxpayers in a FITA Centre

(b) Increasing use of electronic channels

With all the forms and paperwork necessary for the filing of returns, tax seasons may be among the most environmentally unfriendly part of the year for businesses. To tackle this issue and to support the government's *Maurice Ile Durable* venture, the MRA launched a vast campaign for the e-filing of individual returns and electronic payment of income tax through internet banking. The strategy paid off again this year with a 70% increase in individual returns received electronically. The performance of the e-filing strategy is shown in Table 7.

(c) MRA E-Filing Prize Draw

In its quest to encourage people to file their returns electronically, the MRA held, as in previous years, an E-filing Prize Draw. For the 2011 filing season, the lottery draw was held on 23 May 2011 at the MRA Headquarters in the presence of representatives of the Gambling Regulatory Authority. The Honourable Tassarajen Pillay Chedumbrum, Minister of Information and Communication Technology was the chief guest for that event and the draw for the first three prizes was effected by the Minister in the presence of the Chairperson, the Director-General and Mr Dan Faugoo, Executive Director of the National Computer Board.

E-filing draw at the MRA

The E-Filing prizes were as follows:-

- First prize - Rs 50,000
- Second Prize - Rs 25,000
- Third Prize - Rs 15,000
- 4th to 10th Prizes - Rs 10,000 to each winner
- 11th to 20th Prizes - Rs 5,000 to each winner.

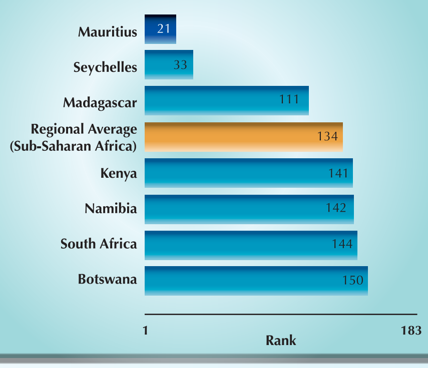
Table 7: Outcome of the e-filing strategy

Year	Number of E-Filers				% of total revenue
	Individuals	% increase	Companies	% increase	
2007/08	1,571	-	1,182	-	42%
2008/09	9,477	*503%*	3,493	*196%*	56%
Jul-Dec 2009	26,780	*183%*	5,702	*63%*	56%
2010	44,913	*68%*	13,630	*139%*	60%
2011	76,526	70%	17,087	25%	64%

6.2.3. Ease of doing business at Customs

With globalisation, it is imperative for cross-border trade to run smoothly with minimum hurdles and impediments. It has been proved that excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, thereby undermining a country's trade potential. According to the World Bank's Doing Business 2012 Report, exporters in developing countries gain more from a 10% drop in their trading costs than from a similar reduction in the tariffs applied to their products in global markets. The report further puts Mauritius at 21st out of 183 economies as far as ease of trading across borders is concerned.

Chart 12: How Mauritius and comparable economies rank on the ease of cross-border trading



Source: Doing Business database

This position is attributable to the continuous reforms which the country has embarked upon and to the corresponding modernisation measures and structures put in place by the MRA to enable the implementation of these reforms and initiatives to succeed. Some of the salient customs reforms undertaken to facilitate trade during 2011 are highlighted in the coming sections.

(a) E-Customs Project

The preparatory work behind that E-Customs Project was initiated during 2011. The E-Customs project has since gone live (1 January 2012). Customs declarations, along with their relevant accompanying documents, can now be scanned and sent electronically to MRA Customs.

Paperless Customs is a fundamental cultural change in the way business is now being conducted at Customs. To embark on that project and ensure a smooth changeover, awareness campaigns were organised with stakeholders during 2011.

The philosophy behind the project is to reduce traders' operational costs and cargo dwell-times while at the same time enhancing transparency and predictability for trade. Through its response messaging system, Customs can now respond electronically to declarants on the status of processing of declarations.

(b) Web-based Certificates of Origin

Having introduced the e-certificate of origin in prior years, the MRA Customs made a bigger leap forward in 2011 by moving all applications for these certificates onto a web-based platform. Exporters/declarants no longer have to lodge a hard copy of the application with the supporting documents to Customs. This novel process has helped stakeholders to further curb administrative costs and shorten cargo dwell-time.

(c) Customer Relations Manager – CRM

During November 2011, the MRA Customs launched the **Customer Relations Managers (CRM)** scheme with a view to strengthening the Customs to Business Partnership in keeping with the *Right First Time Philosophy* of Total Quality Management (TQM).

CRMs are experienced and seasoned customs officers who:-

- act as a single point of contact for selected economic operators (EOs);
- provide personalised services to EOs;

- assist EOs in their interactions with Customs and help resolve customs-related issues;
- update EOs on MRA Customs services and latest developments; and,
- advise EOs how to deal with Customs more effectively.

To kick start the scheme, some 20 high-worth economic operators were selected and one CRM was allocated to each of them. These operators have since benefited immensely in terms of receiving valuable advice, timely attendance to queries, and problem solving at source. All these have contributed in bringing down discrepancies, errors and omissions which in turn have lowered costs of doing business for these operators.

(d) Authorised Economic Operator (AEO) programme

Having conducted the preliminary work towards the setting up of the Authorised Economic Operator (AEO) programme over the past few years, the MRA Customs finally launched the programme on a pilot basis during December 2011. The AEO program, as prescribed by the WCO Framework of Standards, aims at facilitating legitimate trade while at the same time securing the international supply chain for economic operators who can demonstrate compliance with Customs legislation and security standards. Economic operators holding AEO status benefit from certain facilities at Customs on importation and exportation, including:

- simplified customs procedures
- fewer physical and document-based controls
- priority treatment of consignments, if selected for control
- choice of place of examination
- fast-track procedures for issuance of certificate of origin
- fast-track procedures for tariff rulings.

The AEO status is granted after rigorous checks and audits of economic operators by Customs, based on criteria such as customs compliance, satisfactory system of managing records, proven solvency, and safety and security standards. The AEO system will ensure that Mauritius is not just an efficient and connected port but also a safe and secure trading hub.

6.3. COMMUNICATION STRATEGY

Good and effective communication is the lifeblood of any successful organisation. It assumes even more fundamental importance in such a large revenue organisation as the MRA which collects almost 90% of the state's total tax revenues, overseas the total movement of goods (and raw materials) and travellers in and out the country and interacts with a combined total of more than 150,000 taxpayers, traders and businessmen during the year. The need, therefore, to have an effective communication strategy at the MRA can only be an understatement.

During 2011, the MRA used a wide spectrum of communication tools available to reach taxpayers, businesses and the public at large. The following sections highlight the tools used by the MRA to educate taxpayers.

6.3.1. Strengthening outreach through electronic media

(a) The MRA on Twitter

The MRA has joined the bandwagon of the latest social networking site to provide members of the public with relevant information through Twitter. The latest updates on new measures, changes to legislation, publications, latest initiatives and reminders of upcoming due dates can be seen by simply clicking on the link http://twitter.com/MRA_services.

(b) MRA website

The MRA website was redesigned in 2011 to provide visitors with quicker access to information, an improved search engine and a more user-friendly display. Access to information is now more efficient and prompt. The link to the new website is: **http://www.mra.mu.**

New MRA Website

(c) Intranets

The MRA intranets provide officers with wider access to information and knowledge for them to perform efficiently. Regular updates are made to the intranets to ensure that updated laws and regulations reach officers in a timely manner. For instance, 16 updates in laws & regulations were posted on the MRA's intranets during the year.

(d) Taxpayer Mailing Service

Since its introduction in April 2007, the Taxpayer Mailing Service has enabled taxpayers to receive information updates, leaflets, guides and publications free of charge. The number of subscribers to this service has exponentially increased from 215 subscribers initially in 2007 to 12,221 registered users in 2011.

(e) E-newsletter

Over the years, the E-newsletter has become an indispensable communication tool between the MRA and the public. Through its monthly issue, the E-newsletter provides users with entire coverage of activities, events, and the latest developments taking place at the MRA.

6.3.2. Enhancing relationships with stakeholders

The MRA acts on the principle that it is in the organisation's interest to be sensitive to the legitimate concerns of stakeholders and wider societal expectations. This requires consultations with all stakeholders before making strategic and operational decisions that can potentially affect the normal course of transacting business with the MRA, with spill the over effects on operational costs and time taken to complete a procedure.

Enhancing relationships with stakeholders was high on the MRA's agenda during 2011. Three standing committees were set up for taxation, customs & integrity management, to hold meetings with stakeholders:

(i) Customs Stakeholders Committee;

(ii) Meeting with Accountants; and,

(iii) Integrity Advisory Committee.

The main objectives of these meetings are to enable stakeholders to:

- table their concerns on any issue pertaining to tax, customs and integrity and to consider administrative settlement of grievances/complaints from the business and trade community;
- invite views and suggestions on MRA administration issues;
- minimise misunderstandings about MRA activities;
- discuss positions on the interpretation of tax and Customs laws;
- create awareness of MRA's enforcement programmes;
- provide information on major reforms, latest procedures and programmes; and,
- explain strategies used by the MRA to uphold high standards of integrity, and discuss possibilities for improving these standards.

6.3.3. Other communication strategy

(a) Breakfast meeting with the press

The MRA held a breakfast meeting with the press on 18 March 2011 at the Link Hotel, Ebene, where the Chairperson, the Director-General and members of the management team shared MRA strategies for the year. The meeting was also an opportune time for the MRA to make an exposé on all the mechanisms deployed to make the e-filing campaign a success. A live case of e-filing was demonstrated to show how easy and accurately the system works. A number of VAT issues and their implications for customers were also explained. Members of the press had the opportunity to ask questions and seek clarification on various tax and administrative matters.

(b) Seminar on Revenue Laws at the UOM

The Students at Work (SAW) club from the University of Mauritius in collaboration with the MRA organised a seminar on Revenue Laws on Friday 15 April 2011 at the University. The seminar was led by Mr M. Mosafeer, Director Large Taxpayer Department, and was attended by some fifty Law students who were able to learn more about the practical application of revenue legislation, the MRA's structure, provisos of income tax laws and the implications of tax treaties.

Seminar at the UOM

Capacity building of exporters through extensive MRA training sessions has been key in the close collaboration between MEXA and MRA, thus nurturing trust. Quick responsiveness has also promoted the easing of businesses. MEXA feels confident that both parties will continue to nurture the relationship.

Mrs Danielle Wong, C.S.K
Director MEXA

7. Enhancing internal efficiency: Our achievements

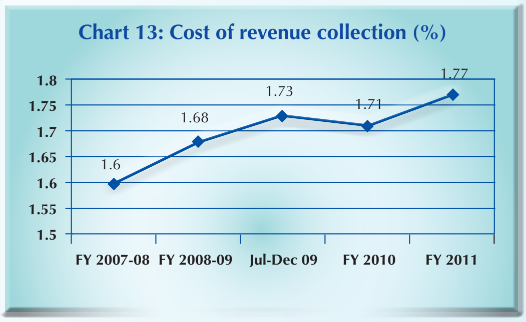
Enhancing internal efficiency: Our achievements

At the MRA, it is the firm belief of both management and every member of staff that an efficient and effective tax administration must continually reform, simplify and modernise its processes and procedures. It is through such efforts that the MRA can positively contribute to reducing the compliance obligations of taxpayers and effectively help to keep the costs of doing business within reasonable limits. As part of its strategy to enhance effective and efficient services to taxpayers, the MRA has invested in modern technology such as an Integrated Tax Administration Solution for all domestic taxes, high tech X-ray scanners at the port and airport and a Cargo Community System (CMS) for the electronic submission of advance information relating to cargo. Using modern technology has brought efficiency gains as can be seen from the positive results obtained under the following important key performance indicators:

Targets	Key Performance Indicators (KPIs)	Results
3 Days	Registration of taxpayers	3 Days
10 mins	Serving time of taxpayers calling at office	7 mins
40 Days	Maximum time for issuing income tax refunds	95% effected within 40 Days
7 Days	Issue of tax residence certificates	7 Days
Sea: 3 hrs Air: 45 mins	Average dwell time for cargo	Sea: 2 hrs Air: 38 mins
Sea: 8 mins Air: 51 mins	Exports clearance time	Sea: 7 mins Air: 40 mins
2.5 Days	Time to issue tariff ruling	2 Days

Enhancing internal efficiency: Our achievements

7.1. EFFICIENCY IN TAX COLLECTION



The cost of collecting revenue rose from 1.71% in 2010 to 1.77% in 2011, mainly on account of the part-payment of the salary increase which became effective as from July 2011. However, in spite of this increase, the target to contain the cost of revenue collections below 2% of revenue receipts was achieved in 2011.

7.2. TAXPAYER REGISTRATION

The MRA operates a single integrated taxpayer register which is regularly updated at its Registration Unit. On registration, a taxpayer is provided with a unique Tax Account Number (TAN) which is used for all tax purposes when communicating with the MRA. The number of taxpayers on the register as at 31 December 2011 is provided in Table 8.

Table 8: Taxpayer register

Details	Number on register as at 31 Dec 2010	Number on register as at 31 Dec 2011	% change
Income Tax			
Individuals	*151,123*	*159,247*	*5.4*
Companies	*56,061*	*60,737*	*8.3*
Societés	*4,747*	*4,897*	*3.2*
Successions	*1,979*	*2,011*	*1.6*
Total	**213,910**	**226,892**	**6.1**
Value Added Tax			
Quarterly	*11,794*	*13,285*	*12.6*
Monthly	*4,529*	*4,632*	*2.3*
Total VAT payers	**16,323**	**17,917**	**9.8**
No. of employers	24,723	27,807	12.5

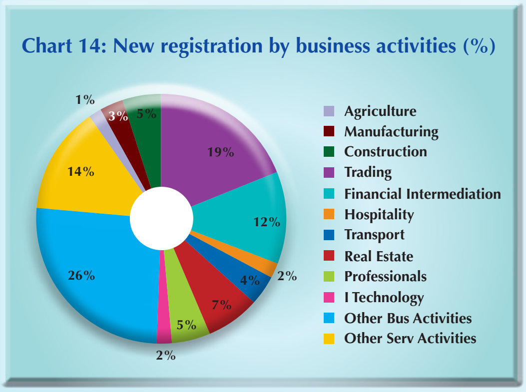
- A remarkable achievement in 2011 was the increase in quarterly VAT registration by 12.6%. This is mainly attributable to efforts made by the MRA to sensitise those in business about the consequences of failing to register for VAT purposes.

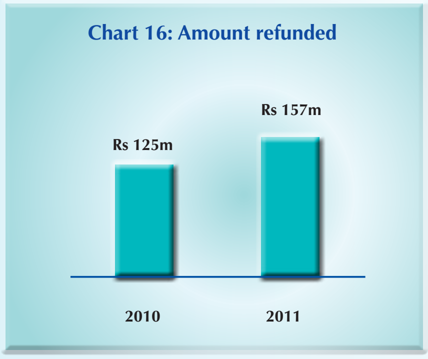
The MRA promoting VAT compliance

Table 9: Trends in new registered taxpayers

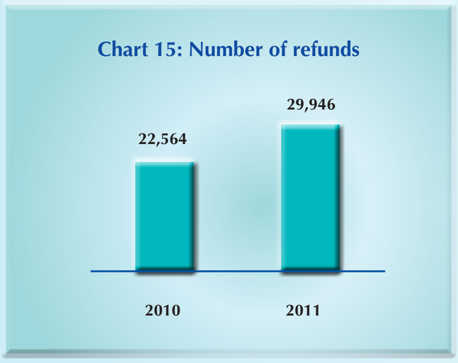
Details	Jan-Dec 10	Jan-Dec 11	% change
Income Tax			
Individuals	*8,237*	*10,077*	*22%*
Companies	*5,442*	*6,917*	*27%*
Societés	*201*	*157*	*-22%*
Successions	*47*	*35*	*-26%*
Total	**13,927**	**17,186**	**23%**
Value Added Tax	**2,074**	**2,003**	**-3%**

- A comparative analysis of new registrations reveals that the number of registered individuals and companies under income tax were substantially higher in 2011 than in 2010 by 22% and 27% respectively.





New corporate and self-employed taxpayers registered during 2011 were from diverse economic activities. As shown in Chart 14, more than 50% of the newly registered income taxpayers (companies & self-employed) in 2011 were from the hospitality, trading and other business activities.



7.3. REFUNDS AND REPAYMENTS

During the period January to December 2011, 29,946 refunds of income tax were processed by the MRA compared to 22,564 refunds in the previous year. The total amount refunded in 2011 was Rs 157 million, up by more than 25% from 2010. Out of the 29,946 refunds, 95% were made within 40 days, i.e. before the statutory limit of 3 months.

5,076 VAT repayments were processed in 2011 compared to 5,756 in 2010, i.e. a fall of 12%. The amount repaid stood at Rs 6,292 million in FY 2011 against Rs 5,495 million in FY 2010, representing an increase of 14.5%.

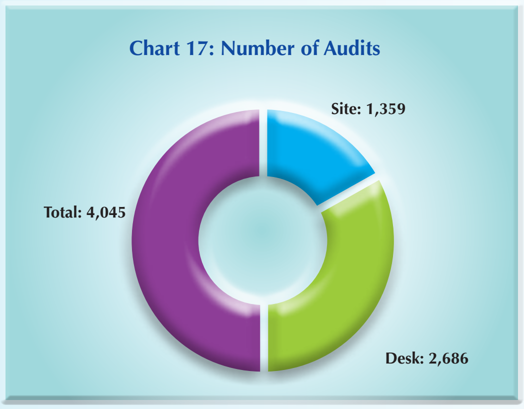
7.4. TAX AUDIT AND INVESTIGATION

While most taxpayers are compliant, there are some who choose not to pay their fair share of taxes. The MRA enforces compliance with tax laws through the conduct of tax audits and investigations. Case selection for audit/ investigations is carried out mainly through a risk-based parametric approach which makes optimum use of information from third parties. Box 1 overleaf gives an insight into the MRA's wide network of third party information. As a result of third-party information-matching, 2,373 new taxpayers were registered.

7.4.1. Audits and assessment

MRA officers may conduct a tax audit on MRA premises (desk audit) or at the premises of the taxpayer (site audit).

Chart 17 shows the number of desk and site audits completed during the period January to December 2011.



BOX 1: Main Sources of Third Party Information

Agencies	Types of information
Registrar General	Owners of bungalows
National Transport Authority	Motor Vehicles
Local Authorities	Building and land use permits
Ministry of Housing & Lands	Morcellement permits
Ministries	Tenders
Police Department	Number of driving tests
Government Lotteries/Lottotech	Commission paid to agents
Mauritius Meat Authority	Sales of animals to butchers
Sugar Insurance Fund Board	Cane cultivation
Agricultural Marketing Board	Vegetables supplied to traders
Architects Council	List of architects
Medical/Dental Council	Medical professionals in practice
Corporate bodies	Suppliers of goods and services

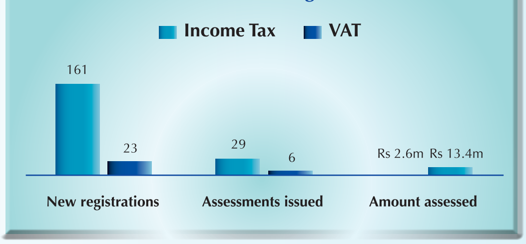
Table 10: Assessment by tax types, 2010 and 2011

Details	2010		2011	
	Number of assessments	Amount assessed (Rs m)	Number of assessments	Amount assessed (Rs m)
Corporate Tax	684	934	753	1,079
Individuals	1,489	198	2,276	150
Value Added Tax & Others	349	566	360	646
Total	**2,522**	**1,698**	**3,389**	**1,875**

In order to conduct an efficient and effective audit, MRA officers have appropriate powers of access to information held by the taxpayer and other parties so that taxpayers' liabilities reported in their returns can be properly verified or, in the absence of returns, be accurately established.

During the course of a tax audit, discrepancies may be identified between information reported in a taxpayer's returns and that gathered by the MRA. The discrepancies are then explained to the taxpayer and any undisclosed income or unauthorised deductions are then translated into a notice of assessment. In FY 2011, compliance departments raised 3,389 assessments totaling tax demands for Rs 1,875 million, as shown in Table 10.

Chart 18: MRA's Rodrigues Office



7.4.2. MRA office – Rodrigues

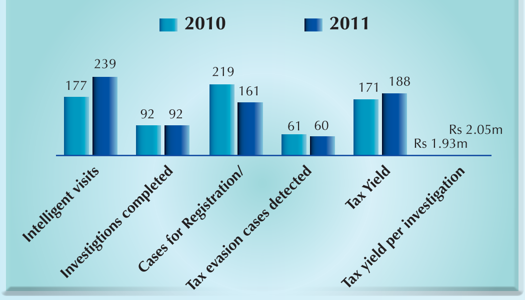
Since August 2010, the MRA has an office in Rodrigues situated in the heart of Port Mathurin. In order to ensure an efficient delivery of services, MRA staff in Rodrigues have been trained by their Mauritian counterparts. The opening of this office was a logical step in improving voluntary compliance in the island and Chart 18 shows the achievements during the first full year of operations in 2011.

MRA Rodrigues waiting hall

7.5. INVESTIGATIONS

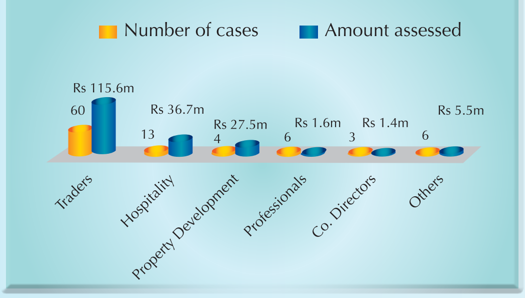
The Fiscal Investigations Department undertakes, *interalia,* in-depth inquiries to investigate/detect all cases where tax fraud is suspected. The Department has a dedicated Intelligence Unit that specialises in gathering intelligence. Officers from the FID have been empowered to visit business premises and examine records for the purpose of their enquiries. The key achievements of the Department in 2011 are given below.

Chart 19: Investigation achievement



The investigations undertaken during 2011 covered a wide sphere of economic activities as shown in Chart 20.

Chart 20: Investigation by business activities



7.5.1. Prosecution

Tax evasion is a serious offence and the revenue laws empower the MRA to prosecute taxpayers in cases where it is suspected that total income derived has been deliberately not disclosed or false information/tampered documents have been submitted with intent to defraud revenue. The MRA has enlisted the services of police officers in its Legal Services Department to carry out enquiries and conduct the prosecution function. Table 11 gives details of the number of cases lodged and convictions during 2010 and 2011.

Table 11: Convictions 2010 and 2011

Details	2010	2011
No. of cases lodged	79	73
No. of convictions of which	56	40
- *Customs offences*	*12*	*12*
- *Excise offences*	*23*	*8*
- *Tax cases*	*21*	*20*

Box 2 highlights the salient features of one case where a taxpayer was convicted for failure to comply with revenue laws.

BOX 2: Imprisonment for non-payment of fine

As highlighted in section 7.5.1, MRA is now having greater recourse to prosecution in order to deter non-payment of taxes. In a recent case, a taxpayer who failed to pay tax due was found guilty for the offence of failing to pay tax. He was sentenced by the District Court to pay a fine of Rs 3.4 million on account of the fine being still outstanding and sentenced to undergo 251 days' imprisonment in default of the fine remaining unsettled.

7.6. INTERNATIONAL TAXATION

7.6.1. Double Taxation Avoidance Agreements (DTAs)

During 2011, the MRA's International Taxation Unit continued to negotiate new DTAs and improve the terms of existing ones. Accordingly, in 2011:

- A DTA was signed with Zambia and another finalised with Ghana
- Negotiations were held with Vietnam, Portugal, Saudi Arabia, St Kitts and Tanzania for new DTAs
- Amendments were made to the DTAs with Sweden, Germany, the United Kingdom, Republic Seychelles and France

Thus, by the end of the year, Mauritius had 36 Double Taxation Avoidance Treaties in force as shown in Chart 21.

Chart 21: Mauritius: 36 tax treaties network with the rest of the world

AFRICA

Botswana	Seychelles
Lesotho	South Africa
Madagascar	Swaziland
Mozambique	Tunisia
Namibia	Uganda
Rwanda	Zimbabwe
Senegal	

ASIA

China	People's Republic of Bangladesh
India	Singapore
Malaysia	Sri Lanka
Nepal	Thailand
Pakistan	

EUROPE

Belgium	Italy
Croatia	Luxembourg
Cyprus	Sweden
France	United Kingdom
Germany	

MIDDEL EAST

Kuwait	United Arab Emirates
Oman	
State of Qatar	

CARRIBEAN

Barbados

7.6.2. Tax Information Exchange Agreements (TIEAs)

With globalisation, the opportunities for cross-border transactions are huge and the risk of international tax evasion is high. Most jurisdictions tax income on a worldwide basis and they are always in search of information on investments and income derived by their residents/nationals from overseas to ensure that they have been subject to tax. Consequently, exchange of information between tax authorities has become important. During 2011:

- Six TIEAs were signed with Denmark, Finland, the Faroe Islands, Greenland, Iceland and Norway
- Two were finalised with Guernsey and Greece ;and
- Six were under negotiations with Botswana, the Netherlands, St Lucia, Argentina, the Samoa Islands and Austria

7.7. OBJECTION AND APPEALS

Revenue Acts provide for a formal objection mechanism for taxpayers who disagree with a tax decision or a tax assessment. This is in line with the MRA's vision of fairness, equity and transparency in its dealings with taxpayers and in total recognition of a taxpayer's right to be heard and to appeal against any decision. A taxpayer who feels aggrieved with an assessment may lodge a written objection to the MRA within 28 days of the date of notice of assessment on an approved form and the MRA has four months to determine the objection from the date it is lodged. If a taxpayer is not satisfied with the determination of his objection, then he may make a written representation to the Assessment Review Committee. If he still feels aggrieved with the determination of the ARC, then he may appeal to the Supreme Court.

During 2011,

- The objection cases received by the MRA were determined within the statutory limit of 4 months
- Out of the 1,003 representations, only 12% were finalised by the ARC in 2011. Thus, the number of outstanding ARC cases grew further from 733 as at the end of 2010 to 882 at the end of 2011 for a total demand amounting to Rs 3.0 billion which,

Table 12: Objections and Appeals for the period January –December 2011

Details	Objections		Assessment Review Committee		Supreme Court	
	Number	Amount (Rs m)	Number	Amount (Rs m)	Number	Amount (Rs m)
Objections/appeals as at 1 Jan 2011	110	247.3	733	2,566.4	104	274.2
Cases lodged during the period	582	2,020.6	270	1,031.5	1	0.9
Less: Cases withdrawn	-	-	10	88.9	-	-
Cases struck out	-	-	5	5.3	-	-
Agreed/Allowed	-	-	-	-	-	-
Cases determined	540	1,506.3	106	562.9	10	29.8
Objections/appeals outstanding as at 31 Dec 2011	152	522.9	882	2,981.1	95	261.1

on determination, would represent substantial revenue to Government

- The total amount locked up at objection and appeal stages amounted to Rs 3,765 million

7.8. EFFICIENCY IN DEBT MANAGEMENT

7.8.1. Stock of collectible debt

Chart 22: Collectible Debt as at 31 December (Rs m)

As at the end of December 2011, stock of collectible debt amounted to Rs 2,794 million, i.e. an increase of 4.8% over 2010. However, collectible tax arrears as a percentage of tax revenues have fallen slightly from 5.4% to 5.3%.The trends in the composition of various types of taxes into active debt are shown in Chart 22.

7.8.2. Recovery action

Taxpayers should pay all taxes on or before the due date otherwise a penalty of 5% is applicable on the balance of tax plus interest of 1% charged each month or part of the month during which the tax remains unpaid after the due date. In addition, any default in the payment of tax is subject to recovery action as provided in revenue laws and taxpayers owing tax may even be subject to prosecution.

Table 13 highlights the debt recovery tools available to the MRA and recovery action undertaken during 2011.

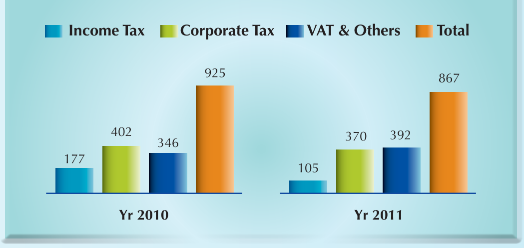
Table 13: Recovery actions

Details	Number	Amount (Rs m)
Final claims issued	2,269	1,597.6
Agreements	243	122.5
Attachment orders	2,222	562.8
Distress warrants	56	87.9
Objections to departure	58	207.8
Prosecutions	44	43.1
Prior notice contrainte	22	37.5
Contrainte	3	22.8

7.8.3. Arrears collection

In 2011, tax arrears collected through recovery efforts amounted to Rs 867 million, 6% less than debt collected in 2010. As Chart 23 shows, the reduction is mostly explained by lower collections registered under income and corporate taxes.

Chart 23: Trends in arrears collection by tax types (Rs m)

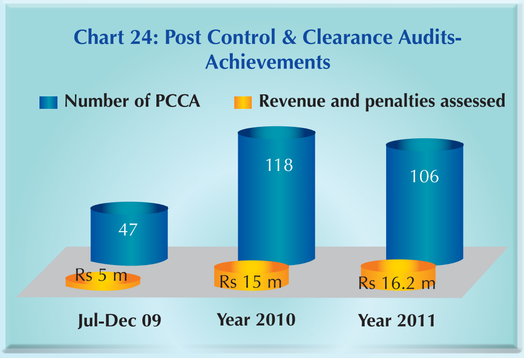


7.9. EFFICIENCY AT CUSTOMS

The Customs Department, which is an integral part of the Mauritius Revenue Authority, is committed to protecting the community from potential risks arising from international trade and travel, while minimising disruption to the legitimate movement of people and goods across borders. To carry out this mission, the Department directed its efforts during 2011 to the implementation of several risk management tools to provide quantifiable improvements in the effectiveness and efficiency of Customs administration.

7.9.1. Post Clearance and Control Audit (PCCA)

Post Clearance and Control Audit is performed by Customs officers subsequent to the release of cargo from Customs custody. It is an effective tool for optimising Customs control and expediting clearance of goods. Importers are selected for audit using a risk-assessment mechanism, which is based on feedback from other units within the MRA, public complaints, intelligence work etc. The performance for the period January to December 2011 is shown in chart 24.



7.9.2. Container scanning

As one of the State's border protectors, the MRA continued to make maximum use of high-tech equipment in 2011 to trace illegal and life-threatening goods in line with the security criteria of the WCO Framework of Standards. The sophisticated scanning plants located at the New Container Terminal (Port) and the PATS Cargo Terminal (Airport) helped Customs in detecting undeclared, restricted and prohibited goods. The scanners were also used in profiling cargo that needed examination thus helping to reduce the dwell time for cargo by enabling the clearance of legitimate imports and exports.

The efficiency of the X-ray scanners is not only judged from the number of offences detected and amount of fines collected but also in terms of the efficiency gains from the timely clearance of thousands of containers that would otherwise have required time-consuming physical examination by officers.

7.9.3. Drugs offences and other seizures

The MRA, in addition to its revenue raising and trade facilitation activities, also assists

Table 14: Container scanning in 2011

Details	Port	Airport	Total
No. of containers scanned	40,841	14,544	55,385
No. of suspect containers	232	1,267	1,499
No. of offences detected	97	60	157
Duties and taxes collected as a result of offences detected	Rs 193,573	Rs 247,636	Rs 441,209


Customs Preventive Officer at work

in maintaining public health through the detection of the import of dangerous drugs, narcotics and other prohibited products.

Table 15: Narcotics seizures

Details	Weight/Qty	Value (Rs)
Heroin	2,322g	34,830,000
Hashish	10.607g	26,518
Cannabis	25.27g	11,372
Subutex	26,829 tabs	31,700,500
Cannabis	8 seeds	1,200
Psychotropic substances	898 tabs	8,981
Total		**66,578,571**

- The total value of narcotics seizures increased significantly from Rs 36.76 million in 2010 to Rs 66.58 million in the year under review, i.e. an increase of 81%
- Seizures of heroin and subutex in 2011 accounted for nearly 100% of the value of total narcotics seized

During 2011, MRA Customs also made other seizures, a breakdown of which is given in Table 16.

Table 16: Other seizures

Details	Quantity	Value (Rs)
General Goods	105,380kg	11,395,810
IPR seizures	41 cases	878,290
Other - CFU/ PSEU/ASEU	178 cases	6,925,875

7.9.4. Combating customs infringements through partnership

In February 2011, the MRA and the Mauritius Ports Authority (MPA) signed a Memorandum of Understanding (MOU). The MOU aims at strengthening future co-operation between the two organisations in order to facilitate trade and combat all types of customs infringements. Amongst the major points agreed upon by both parties, is the imperative for closer cooperation in securing the trade supply chain from terrorist threats, transnational organised crime and other related offences.

Signing ceremony of MOU between the MRA and the MPA

8. Our people: Committed to staff development

Our people: Committed to staff development

We live in the digital era. As a forward-looking organisation, the MRA has constantly devoted an increasing portion of its capital expenditure to ICT infrastructure enhancement thereby meeting one of the very important pre-requisites for a modern revenue organisation.

The MRA still believes, however, that it is people that run systems and that the best ICT infrastructures with the most sophisticated software are simply dumb machines without an intelligent, hardworking and highly motivated personnel. Continuous efforts were, thus, devoted to staff planning, taking on board not only the organisation's revenue and service delivery objectives but equally a number of important HR considerations such as a good working environment, career development and training as well as leisure and welfare.

During 2011, therefore, one of the MRA's priorities was the continued effort to build a workforce of competent and committed people.

8.1. HUMAN RESOURCES PROFILE

The profile of the MRA workforce is further detailed in the forthcoming sections.

8.1.1. Establishment

As at 31 December 2011, the MRA had an establishment of 1,183 staff in post. This represents 91% of the critical requirements of 1,306 posts.

Grade 1 (Support Officer 1) to Grade 5 (Team Leader) are on permanent and pensionable posts, whereas Grade 6 (Assistant Director/Section Head) and above are on fixed-term renewable contracts.

Table 17: Human resource structure as at December 2011

Grade	Job Title	Number of employees In post as at December 2011
-	Director-General	1
7	Director	9
6	Assistant Director/Section Head	29
5	Team Leader	101
4	Technical Officer	247
3	Officer/Custom Officer 2	338
2	Custom Officer 1/Support Officer 2	331
1	Support Officer 1	127
Total		**1,183**

8.1.2. Age & gender profile

The workforce profile segmented by age and gender is provided in Table 18.

Table 18: Workforce profile by age & gender as at December 2011

Age group	Male	Female	Total
Below 25	9	6	15
25 to below 35	190	99	289
35 to below 45	229	152	381
45 to below 55	238	48	286
55 and over	187	25	212
Total	**853**	**330**	**1,183**

Most of the staff members serving in the various departments/sections were in the age group of 35 to below 45 years. The ratio of female to male officers was 1:2.58.

8.2. RECRUITMENT

The recruitment of key personnel in scarce areas is an essential element of the MRA's human resource strategy. New recruits bring in new experience and ideas that can only benefit the organisation over the short and medium term. 56 posts were filled as follows:

- 17 people (external) were offered employment at the MRA;
- 39 MRA officers were appointed to higher positions.

The various posts filled during the year were:

- Section Head , Customs
- Team Leader , Customs
- Team Leader, Compliance Department
- Technical Officer, Compliance Department
- Technical Officer, Internal Affairs
- Technical Finance Officer
- Officer, Compliance Department
- Officer, Internal Audit
- Officer, Internal Affairs
- Health and Safety Officer
- Assistant System Analyst
- Assistant Network System Administrator
- Support Officer 1 (Technical)
- Receptionist
- Driver.

8.3. STAFF DEVELOPMENT AND KNOWLEDGE MANAGEMENT

As in previous years, the MRA invested significantly in staff development in order to continuously enhance knowledge and competencies for improved work performance.

During 2011, MRA staff benefited from 212 training and development programmes, details of which are listed below:

Table 19: Training and development programmes

Training types	Number
Local Training	**92**
In-house	*49*
External	*43*
Overseas	**120**
Workshops	*85*
Meetings / missions	*35*
Total	**212**

Our people: Committed to staff development

An amount of around Rs 8.4 million was spent on training/seminars/conferences from January to December 2011, with some 5,710 man days devoted to training and development.

Major training courses/workshops/ conferences organised by the MRA during the year, with the assistance of international organisations and external resource persons, included:

(i) WCO-ESA Regional Meeting from 16 to 20 May 2011;
(ii) Hosting of 1st ATAF General Assembly from 25 to 27 July 2011;
(iii) Valuation Refresher Workshop on 5 October 2011;
(iv) Presentation on Leadership, Self Leadership and Self Leadership Management on 28 October 2011;
(v) Updates on International Financial Reporting Standards from 12 to 13 December 2011;
(vi) Seminar on Organisation and Management of Tax Administrations from 29 August to 2 September 2011;
(vii) Workshop on Interviewing Techniques and Skills;
(viii) Customer Care;
(ix) Physical Training for Customs Officers;
(x) Training on Ethics and Integrity Management; and,
(xi) Workshop on Conflict Management and Mediation Techniques.

8.4. MODERNISING HR PROCESSES

2011 was also marked by the successful implementation of an **Electronic Attendance System (EAS)** at the Custom House in Mer Rouge. This system has been operational for MRA officers working at MRA Headquarters since 2009. The Human Resources and Training Department is now in a position to monitor electronically the attendance of MRA officers both at Ehram Court and Custom House. Electronic attendance is a pre-requisite for the operation of the flexitime attendance scheme which became fully operational in 2011.

8.5. MEDICAL & GROUP PERSONAL ACCIDENT INSURANCE SCHEMES

In 2011, the MRA entered into an agreement with British American Insurance Co (Mtius) Ltd for the operation of a medical scheme for its staff. Under the terms of the new scheme, the MRA contributes 70% of the premium payable and the remaining 30% is paid by the officer joining the scheme. The total membership, as at December 2011, stood at 1,616 inclusive of staff spouses (280) and children (303).

The Group Personal Accident Insurance Scheme was also renewed with Swan Insurance Co. Ltd to provide insurance coverage in case of accidents, during occupational and non-occupational hours, and both locally and worldwide.

8.6. CORPORATE SOCIAL RESPONSIBILITY

As part of its social responsibility, the MRA has been involved in the following projects/ activities:

- Participation in the National Empowerment Foundation Programme by offering training opportunities to 29 unemployed degree/diploma holders;
- Collaborating with tertiary institutions (UOM, UTM, Swami Dayanand Institute of Management etc) for training placement of students; and,
- Enlistment of 3 batches of Lower Sixth students (total 54) for work placement at the MRA in collaboration with the HRDC.

8.7. PERFORMANCE APPRAISAL

A performance appraisal exercise is conducted twice during the year. An interim performance review is conducted in July in respect of performance for the first six months of the year. The annual performance review is conducted in January every year in respect of performance during the preceding 12 months.

The performance appraisal system determines payment of annual increments to MRA staff. It is also used in rewarding excellent performance, through the award of a performance bonus. In 2011, 39 staff members were paid a performance bonus equivalent to 50% of their monthly salary.

8.8. EMPLOYMENT RELATIONS

To create a sound working environment for staff members, a monthly meeting is held with the Mauritius Revenue Authority Staff Association (MRASA) to review the situation of staff at the MRA.

Moreover, the services of Mr B Appanah of BCA Consulting was enlisted to carry out a salary review exercise at the MRA. His terms of reference & scope of services were to:

- review the pay structure of the different grades at the MRA, considering the market competitiveness and other factors, as may be appropriate ;
- design and produce the revised salary scales and conversion tables;
- assess the financial implications of the proposed salary scales & new salaries to be offered; and,
- make such recommendations, as may be appropriate, to the Director-General.

As per the recommendations of the consultant, a new salary structure was approved by the MRA Board in December 2011. The salary increase, as proposed, took effect as from July 2011. It provided, *interalia*, for an average increase in salary of around 21% for the various grades of officers.

8.9. WELFARE ACTIVITIES

The MRA strives to provide a conducive work-leisure balance that helps staff to balance their work and personal and family needs. In this respect, the MRA is affiliated with the *Fédération Mauricienne des Sports Corporatifs* (FMSC) which enables various MRA teams to participate in sports events. In addition, during 2011, a wide range of recreational, social and sporting activities were organised to promote staff well-being, healthy lifestyle and camaraderie. Table 20 summarises some major sports events carried out during 2011.

Winners of the Domino tournament

Table 20: Sport Events

Events	Date held	No. of Participants
Football	16 April & 9 May 2011	11
Volleyball	29 April 2011	12
Football	18 Jun 2011	10
Badminton	1 & 2 July 2011	18
Beach soccer	27 & 28 August 2011	10
Billiards	9, 10 and 11 Sept 2011	6

The MRA won 3 bronze, 1 gold and 1 silver medals and 2 trophies following its participation in the above sporting events.

8.10. AWARDS

During 2011, the MRA was awarded two excellence awards:

(a) ***ICT Award 2011 organised by the Ministry of Information and Communication Technology.***

The MRA was awarded the Best Public Sector Organisation Award for adopting ICT to significantly enhance service delivery to the public at large.

Public Sector ICT Excellence Award 2011

(b) ***HR Excellence Award organised by the Human Resource Development Council (HRDC).***

The MRA was nominated in all seven fields for HR Excellence and was awarded the Special Jury HR Excellence Award and the Award for Commitment to Strategic Human Resources Management.

Special Jury HR Excellence Award

The quarterly MRA-Tax Practitioner Forum is a definite step forward in enhancing further our working relationships. It should minimise litigation in the long run.

Mr Ryaad Owodally, Partner, Ernst & Young

9. Looking at the future

Planning without action is futile, action without planning is fatal.

Anonymous

Proper strategic planning can propel an organisation forward while a lack thereof can doom an organisation to failure. The MRA fully recognises the importance of preparing a clear, concise and realistic plan which can act as a road map to success. In this respect, the MRA's first Strategic Plan was prepared in 2008. In January 2011, the MRA launched its second Corporate Plan covering the period 2011-13.

The MRA also prepares an annual plan, in accordance with its three-year Strategic Plan, for each department/division at the start of the calendar year, setting out the objectives, initiatives, key performance indicators and targets for the year. These annual plans are monitored on a monthly basis and serve as a basis for the MRA's annual plan.

During 2012, MRA faces three main challenges: achieving the revenue targets set out in the 2012 Performance-Based Budget (PBB), containing expenditure within the limits set out in that Budget and pursuing the implementation of the 2011-13 Corporate Plan.

9.1. ACHIEVING 2012 REVENUE TARGETS

The MRA is expected to collect some Rs 58 billion under various revenue heads as set out in Table 21.

Table 21: Budgeted collections for 2012 (Rs m)

Type of revenue	Actual collections 2011	Budgeted estimates 2012	Increase/ decrease over actual collections
Corporate Tax	7,762	8,810	13.5%
Personal Income Tax	4,920	5,679	15.4%
Tax Deducted at Source	860	820	-4.7%
Value-Added Tax	22,710	24,778	9.1%
Customs Duties	1,560	1,525	-2.2%
Excise Duties	11,487	12,476	8.6%
Taxes on Gambling	1,537	1,380	-10.2%
Licences	28	30	7.1%
Customs & Excise fees & fines	15	44	193.3%
Environment Protection Fees	302	170	-43.7%
Passenger Fee	793	1,100	38.7%
Special Levy on Banks	448	525	17.2%
Special Levy on Telecommunications	376	375	-0.3%
Corporate Social Responsibility	116	150	29.3%
Advertising Structure Fee	-	71	-
Levy on Messaging Services	-	124	-
Miscellaneous	96	-	-
Total	**53,010**	**58,057**	**9.5%**

In 2012, the target is to collect an additional 9.5% in terms of revenue when compared to 2011 collections. Moreover, during the year, the MRA will be collecting two additional taxes: the advertising structure fee (bill board tax) and the levy on messaging services to the tune of Rs 71 million and Rs 124 million respectively. It will also have to cater for the collection of NPF contributions and potentially municipal taxes. It should be noted that there is no targeted collections set out for these contributions/taxes and the funds collected will be remitted to the NPF and the concerned municipalities.

9.2. CONTAINING EXPENDITURE WITHIN SET LIMITS IN 2012

In order to ensure that expenditure does not exceed the target set by the Government as per the 2012 PBB, a strict monthly budgetary control of all items of expenditure is undertaken by the MRA's Finance & Administration Department. Corrective measures are taken whenever there seems to be a tendency for actual expenditure to be higher than planned expenditure. Accordingly, a report on the amount spent on major expenditure items, both capital and recurrent items, is submitted to Management on a monthly basis.

Section 6A(2)(b) of the Statutory Bodies (Accounts and Audit) Act requires statutory bodies to include in their Annual Report estimates of income and expenditure in accordance with programme-based budgeting. Accordingly, MRA's income and expenditure have been presented in 3 sections:

SECTION A

Income for 2012 is estimated at Rs 996.5 million comprising a revenue grant (Rs 929.5 million), a capital grant (Rs 56 million), interest (Rs 1 million), a refund from NEF (Rs 1 m) and sale of excise stamps (Rs 9 million).

As regards expenditure, the following table gives an estimate of expenditure on different programmes/sub-programmes.

Table 22: Summary of financial resources by programmes (Rs million)

Code	Programmes and sub-programmes	2011 estimates	2011 revised estimates	2012 estimates	2013 planned	2014 planned
XX1	Policy and strategy for revenue administration	52	50	52	54	55
XX2	Making tax administration more efficient and effective	418	443	487	487	542
XX3	Border protection and trade facilitation	449	415	447	466	493
Total		919	907	986	1,007	1,091

SECTION B – FINANCIAL RESOURCES

Section B provides a detailed version of expenditure by economic categories and under various programmes.

Table 23: Summary by economic categories (Rs million)

Code	Economic categories	2011 estimates	2011 revised estimates	2012 estimates	2013 planned	2014 planned
21	Compensation of employees	721	716	767	789	814
22	Goods and services	153	148	163	165	170
31	Acquisition of non-financial assets	45	43	56	53	107
	Total	**919**	**907**	**986**	**1,007**	**1,091**

Table 24: Summary for 2012 (Rs million)

Code	Programme	Compensation of employees [code 21]	Goods and services [code 22]	Subsidies/ grants [codes 25-28]	Acquisition of assets [codes 31- 32]
XX1	Policy and strategy for revenue administration	43	9	-	-
XX2	Making tax administration more efficient and effective	343	94	-	50
XX3	Border protection and trade facilitation	381	59	-	7
	Total	**767**	**163**	**0**	**56**

Table 25: Programme XX1: Policy and strategy for revenue administration (Rs 000's)

Item No.	Details	2011 estimates	2011 revised estimates	2012 estimates	2013 planned	2014 planned
21	**Compensation of employees**	**42,450**	**40,500**	**42,500**	**44,100**	**45,700**
21110	Personal emoluments	33,650	32,500	34,200	35,500	36,800
21111	Other staff costs	8,800	8,000	8,300	8,600	8,900
22	**Goods and services**	**9,500**	**9,180**	**9,360**	**9,500**	**9,560**
22010	Cost of utilities	1,410	1,700	1,700	1,740	1,800
22020	Fuel and oil	0	0	0	0	0
22030	Rent	2,760	2,760	2,900	3,000	3,000
22050	Office expenses	234	225	225	225	225
22060	Maintenance	185	185	185	185	185
22070	Cleaning services	131	150	150	150	150
22100	Publications and stationery	1,120	800	800	800	800
22120	Fees	3,400	3,100	3,100	3,100	3,100
22900	Other goods and services	260	260	300	300	300
31	**Acquisition of non-financial assets**	**0**	**0**	**0**	**0**	**0**
	Total	**51,950**	**49,680**	**51,860**	**53,600**	**55,260**

Item No.	Details	2011 estimates	2011 revised estimates	2012 estimates	2013 planned	2014 planned
Table 26: Programme XX2: Making tax administration more efficient and effective (Rs million)						
21	**Compensation of employees**	**296**	**311**	**343**	**351**	**362**
21110	Personal emoluments	244	258	287	293	303
21111	Other staff costs	51	53	56	58	58
22	**Goods and services**	**84**	**89**	**94**	**97**	**100**
22010	Cost of utilities	11	13	13	14	14
22020	Fuel and oil	0	0	0	0	0
22030	Rent	19	21	22	23	23
22050	Office expenses	10	9	9	9	10
22060	Maintenance	18	18	18	19	19
22070	Cleaning services	1	1	1	1	1
22100	Publications and stationery	6	8	9	9	10
22120	Fees	15	14	16	16	17
22900	Other goods and services	4	4	6	6	6
31	**Acquisition of non-financial assets**	**38**	**43**	**50**	**40**	**81**
Total		**418**	**443**	**487**	**487**	**542**

Item No.	Details	2011 estimates	2011 revised estimates	2012 estimates	2013 planned	2014 planned
Table 27: Programme XX3 : Border protection and trade facilitation (Rs 000's)						
21	**Compensation of employees**	**382,870**	**364,400**	**381,300**	**394,200**	**406,800**
21110	Personal emoluments	332,870	316,600	332,000	344,000	356,000
21111	Other staff costs	50,000	47,800	49,300	50,200	50,800
22	**Goods and services**	**59,100**	**50,415**	**59,315**	**58,345**	**59,965**
22010	Cost of utilities	15,460	13,400	13,400	13,630	14,100
22020	Fuel and oil	4,500	4,500	4,500	4,500	4,500
22030	Rent	10,260	9,000	9,100	9,100	9,100
22050	Office expenses	5,174	4,700	4,850	4,850	5,200
22060	Maintenance	4,565	4,165	7,265	5,265	5,265
22070	Cleaning services	1,961	2,300	2,300	2,300	2,300
22100	Publications and stationery	10,530	5,800	6,300	6,800	7,300
22120	Fees	670	670	700	700	700
22900	Other goods and services	5,980	5,880	10,900	11,200	11,500
31	**Acquisition of non-financial assets**	**7,500**	**0**	**6,500**	**13,500**	**26,500**
Total		**449,470**	**414,815**	**447,115**	**466,045**	**493,265**

Item No.	Details	2011 estimates	2011 revised estimates	2012 estimates	2013 planned	2014 planned
21	**Compensation of employees**	**721**	**716**	**767**	**789**	**814**
21110	Personal emoluments	611	607	653	673	696
21111	Other staff costs	110	109	114	116	118
22	**Goods and services**	**153**	**148**	**163**	**165**	**170**
22010	Cost of utilities	28	29	29	29	30
22020	Fuel and oil	5	5	5	5	5
22030	Rent	33	33	34	35	35
22050	Office expenses	15	14	14	14	15
22060	Maintenance	23	22	26	24	25
22070	Cleaning services	3	4	4	4	4
22100	Publications and stationery	18	15	16	17	18
22120	Fees	19	18	19	20	21
22900	Other goods and services	10	10	17	17	18
31	**Acquisition of non-financial assets**	**45**	**43**	**56**	**53**	**107**
	Total	**919**	**907**	**986**	**1,007**	**1,091**

Table 28: All programmes (Rs million)

SECTION C

Section C relates to capital estimates for projects to be undertaken by the Information Systems, Finance & Administration and the Customs departments.

Table 29: Capital estimates (Rs million)

Description	Project value	Cumm exp @ 31 Dec 2011	Estimates 2012	Projections			
				2013	2014	2015	2016
INFORMATION SYSTEM DEPARTMENT							
ITAS	92.5	79.3	12.0				
Maintenance & acquisition of ICT equipment & software	68.6	19.6	8.0	10.0	10.0	10.0	10.0
Electronic document and record management system	3.0						
Business continuity & disaster recovery	34.0	23.0	11.0				
Enhancement of the ORACLE finance system	4.0			2.0	2.0		
Electronic payment solution	8.0			3.0	3.0	2.0	
Network and security enhancement - Ehram court	15.0			6.0	3.0	3.0	3.0
Revamping of MRA website	2.0		1.0	1.0			
Extending storage infrastructure	12.0			3.0	3.0	3.0	3.0
Implementation of bar coding system for transactions and fixed assets	2.0			2.0			

Table 29: Capital estimates (Rs million)								
Description	**Project value**	**Cumm exp @ 31 Dec 2011**	**Estimates 2012**	**Projections**				
				2013	**2014**	**2015**	**2016**	
Data capture - scanning solution	3.0			3.0				
Acquisition of SUN M5000 server for TPOS	9.5		9.5					
Roll-out of paperless office initiative	6.0			1.5	1.5	1.5	1.5	
Sub-total - Information system department	**259.6**	**121.9**	**41.5**	**31.5**	**22.5**	**19.5**	**17.5**	
FINANCE & ADMINISTRATION DEPARTMENT								
Purchase of vehicles	44.6	21.6	3.0	5.0	5.0	5.0	5.0	
Acquisition of furniture & other equipment	32.4	15.3	5.0	3.0	3.0	3.0	3.0	
CCTV camera	5.0	0.1						
Wire netting mesh New Customs House	1.0							
Replacement of existing scanner	50.0				50.0			
Sub-total - Finance & administration department	**132.2**	**37.1**	**8.0**	**8.0**	**58.0**	**8.0**	**8.0**	
CUSTOMS								
Low - bed scanner at MCT examination bay	3.7							
Cargo community system	2.0							
National customs enforcement network	0.5							
Enhancement of security infrastructure at New Customs House	3.0		1.0	1.0	1.0			
Installation of weighbridge in port area	2.5							
Acquisition of drug & chemical detection devices	6.0		2.5	3.5				
Scanner for new cruise terminal at les salines	4.0				4.0			
Clustering of CMS II	30.0				15.0	15.0		
Single window - trade facilitation portal	20.0			5.0	3.5	3.5	3.0	
CMS II application enhancement and upgrade	10.0		2.0	2.0	2.0	2.0	2.0	
Upgrade it infrastructure for scanning system	5.0		1.0	1.0	1.0	1.0	1.0	
Imaging machine (body scanner)	6.0							
Drug detection dogs (passive dogs)	1.0			1.0				
Sub-total - Customs	**93.7**		**6.5**	**13.5**	**26.5**	**21.5**	**6.0**	
TOTAL	**485.5**	**158.9**	**56.0**	**53.0**	**107.0**	**49.0**	**31.5**	

9.3. STRATEGIC PLANNING 2012-14

The MRA's Corporate Plan 2011-13 has already laid down the strategic foundation for the MRA to progress over the short term. The Plan also aimed at communicating to stakeholders the MRA's future strategies and initiatives. Over time, there can be minor alterations to the three-year Strategic Plan as certain projects are altered and other new projects are considered for implementation.

The following report highlights the MRA's five main goals or strategic objectives and the initiatives that will be taken to achieve them. In line with Performance Based Budget, a target has been set to monitor achievement of each initiative.

Goal 1: Promoting Voluntary Compliance

The first and foremost goal of a revenue authority is to promote voluntary compliance amongst taxpayers. The MRA's aim is to achieve this goal through a series of initiatives such as registering new taxpayers, strengthening tax audit and conducting in-depth fiscal investigations. In order to track progress achieved in the implementation of these initiatives, the MRA's three-year Plan provides for specific key performance indicators that will be used to track performance achieved against the targets set in Table 30.

Table 30: Promoting voluntary compliance – selected strategies, KPIs and targets

Strategies	Measures	Targets		
		2012	2013	2014
Analysing revenue	Actual collections as a % of projected collections not below percent indicated	95%	95%	95%
Registering new taxpayers, tracking down non-registered persons and updating the register	No. of taxpayers registered as a result of third party matching of information	2,000	3,000	3,500
	No. of visits for widening of tax base	100	100	120
Strengthening auditing system	% of cases selected using risk management tools to total cases selected for audit examination for Income Tax, VAT	MSTD 50% LTD 50%	MSTD 60% LTD 50%	MSTD 70% LTD 50%
	Total audits effected			
	-LTD	375	415	450
	-MSTD	5,000	5,500	6,000
	No. of post-clearance control audits (PCCAs) in Customs	125	135	135
	No of audits of excise operators	50	60	70
	Creation of a High Net-Worth Unit	Dec	-	-
Combating tax evasion through in depth investigations	No. of operators visited by flying squad	40	60	75
	No. of investigations completed	95	95	100
	Demand created per fiscal investigation	Rs 1.5m	Rs 1.7m	Rs 1.7m
Strengthening partnership with tax practitioners	No. of tax agents/practitioners registered	50	100	100
Implementing a new Debt Management Strategy	% of total amount of old collectible debt collected to total collectible debt at the start of the year	30%	30%	35%
	% collections out of debt raised during the year	25%	30%	30%

Goal 2: Providing quality services

One of the MRA's core values is to provide a prompt, efficient, effective and quality service to taxpayers, stakeholders and the public at large in an effort to exceed their expectations. MRA's strategies to provide quality service to its stakeholders revolve around ensuring the speedy processing of claims, education and outreach initiatives, using IT to reduce compliance costs and developing a customer-feedback strategy. Table 31 highlights the initiatives that will be carried out in the next three years to implement these strategies.

Table 31: Providing quality services – selected strategies, KPIs and targets

Strategies	Measures	Targets		
		2012	2013	2014
Speedy processing of taxpayer claims	Maximum no. of days for issuing Income Tax refunds	30 days	30 days	30 days
	Maximum no. of days for issuing VAT repayments	7 days for fast track cases	7 days for fast track cases	7 days for fast track cases
Education & outreach initiatives and facilitating compliance	SOPs maintained, simplified & updated	125	130	130
	No. of educational seminars conducted	30	30	35
Using IT to reduce cost of compliance	Percentage of returns filed electronically to total no. of returns	LTD:100%	100%	100%
		MSTD: Companies above Rs10 m-90%	92%	95%
		MSTD: Companies below Rs 10 m – 60%	65%	70%
		MSTD: Individuals – 75%	80%	85%
	No. of e-payment users at Customs	525	535	550
Developing a customer-feedback strategy	Customs Stakeholders' Satisfaction Surveys	1	-	-

Goal 3: Developing people, processes and technology

Its people are the MRA's key asset. The MRA relies heavily on existing processes and technology to provide an efficient service to stakeholders. It is therefore commited to continuously developing its people, processes and technologies through training, implementation of ISO 9001:2008 and acquisition of the latest technologies.

Goal 4: Facilitating trade and ensuring border protection

The Customs Department within the MRA has two fundamental functions, facilitating trade through simplification and harmonisation of customs procedures and protecting society against narcotics and other illicit products. Table 33 highlights the projects/initiatives that will enable the MRA to improve the quality of service to importers and exporters whilst at the same time reinforcing control and security mechanisms.

Table 32: Developing people, processes and technology - selected strategies, KPIs and targets

Strategies	Measures	Targets		
		2012	2013	2014
Developing a learning organisation	No. of internal training programmes conducted based on staff needs	50	55	60
	No. of staff rotated to ensure internal mobility and multi-skilling	100	200	220
	Setting up a full-fledged training academy	December	-	-
Optimising resources, modernising business processes & promoting environmentally friendly practices	Implementing ISO 9001:2008	Completed	-	-
	Implementing a Business Continuity and Disaster Recovery Plan	Warm DR Site – December	Hot DR Site – December	-
Modernising IT	Making ITAS fully operational	100%	-	-
	Implementation of Record Management System	To be operational in July	-	-

Table 33: Facilitating trade and ensuring border protection - selected strategies, KPIs and targets

Strategies	Measures	Targets		
		2012	2013	2014
Intensifying the simplification of procedures	% of declarations subjected to physical examination	12%	10%	10%
	Simplification of procedures for cargo clearance at airport	Simplified declaration for transit goods	Centralisation of compliance operations	-
	Setting up of a full-fledged Risk Management Section (RMS)	Procurement of Risk Management Software	Capacity building for RMS officers	-
	Introduction of web-based Customs declarations	-	To be completed	-
Reducing border waiting time for cargo & people	Dwell-time for cargo	Green – 30 mins Yellow – 2.5 hrs Red – 22 hrs	Green – 30 mins Yellow – 2.5 hrs Red – 22 hrs	Green – 30 mins Yellow – 2.5 hrs Red – 22 hrs
	Export Clearance Time	Sea - 8 mins Air – 30 mins	Sea – 8 mins Air – 25 mins	Sea – 8 mins Air – 25 mins
	Increasing the no of consignments cleared using X-Ray scanning	48,000	50,000	50,000
	Single Window	Pre-implementation ground work completed	1st phase to be implemented	-
Reinforcing control & security mechanisms	Implementing the AEO programme	5	5	5
	Cargo Community System	Sea Import Module to be completed	Air module implementation	-
	Combatting drug trafficking	Setting up of a Drug Interdiction Section	-	-

Goal 5: Strengthening corporate governance and improving corporate image

In the next three years, the MRA will continue to revisit its corporate governance structures to ensure that they comply with the Code of Corporate Governance of Mauritius and help to improve the corporate image of the organisation. Our key Divisions, namely, Internal Affairs and Internal Audit will conduct training on integrity, ethics etc, conduct system and transaction audits to improve quality and assurance, and process and verify declarations of assets to checkmate potential cases of breaches of staff integrity.

Table 34: Corporate governance and improving corporate image - selected strategies, KPIs and targets

Strategies	Measures	Targets		
		2012	2013	2014
Ensuring information sharing and networking	Preparation of Annual Report	1	1	1
Maintaining quality & assurance	No. of system audits throughout the MRA	8	8	6
	Transaction audits in main areas	15	15	18
	Training on internal controls for MRA staff at the level of team leaders & technical officers	Dec	-	-
Maintaining integrity and corporate image within the organisation	Process & verify DOAs	90	100	125
	Investigation based on processing of DOAs	40	25	25
	No. of full-fledged investigations	25	50	50
	Conducting integrity workshops	1	1	1
	Publishing an approved Integrity Policy Statement	Dec	-	-

10. Calendar of events

Calendar of events

January 2011

Launching of the MRA Corporate Plan 2011 - 2013

The MRA's second Corporate Plan, for the period 2011 to 2013, was launched on 19 January at La Cannelle, Domaines Les Pailles.

International Customs Day

International Customs Day was celebrated on 26 January. The theme for the celebration as proposed by the World Customs Organisation was "Knowledge, a catalyst for Customs Excellence".

February 2011

Custom House inaugurated

The Custom House was inaugurated by the Prime Minister, Dr the Honourable Navinchandra Ramgoolam, GCSK, FRCP on Wednesday 23 February at Mer Rouge.

MOU signed between the MRA and the MPA

The Mauritius Ports Authority and the Mauritius Revenue Authority signed a Memorandum of Understanding on 7 February at the Headquarters of the MRA, Ehram Court, Port Louis.

March 2011

FITA Campaign

The FITA campaign was organised in 16 centres around Mauritius during the weekend of 26 and 27 March 2011.

Breakfast with the press

The MRA met the press at the Link Hotel Ebene on Friday 18 March to share the MRA strategies. Members of the press had the opportunity to ask questions and seek clarification on specific issues.

April 2011

DTAA between Mauritius and Portugal

The first round of negotiations for the conclusion of a convention between Mauritius and Portugal for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income was held at the MRA Headquarters from 30 March to 1 April.

Seminar on revenue laws

The Students at Work Club of the University of Mauritius, in collaboration with the MRA, organised a seminar on Revenue Laws on Friday 15 April at the seat of the University of Mauritius. Mr M. Mosafeer represented the MRA at the seminar.

CALENDAR OF EVENTS

May 2011

WCO ESA Governing Council Meeting

The MRA hosted the 16th WCO ESA Governing Council meeting held on 19 & 20 May at Le Meridien Hotel, Pointes aux Piments. The WCO ESA Governing Council is made up of the Heads of Customs administrations of the 22 countries in Eastern and Southern Africa. Mauritius was elected as Vice- Chair.

E-filing draw

The MRA lottery draw for the e-filing season 2011 was held on 23 May at MRA Headquarters in the presence of members of the Gambling Regulatory Authority. The Honourable Tassarajen Pillay Chedumbrum, Minister of Information, Communication and Technology was the chief guest and drew the first three prize winners.

June 2011

IMF Technical Assistance Mission in Revenue Administration

The Fiscal Affairs Department of the IMF sent a delegation for a Revenue Administration Mission to Mauritius from 20 June to 1 July. The delegation was headed by Mr. Andrew Masters, Senior Economist and accompanied by Messrs Berlin Msika and Stephen Mendes.

Study Tour from the Seychelles

A group of six senior officers from the Seychelles Revenue Commission were on a study tour at the MRA from 13 June to 24 June.

July 2011

Blood donation

On 1 July, to celebrate its 5th anniversary, the MRA organised a Blood Donation campaign in collaboration with the National Blood Transfusion Service, Ministry of Health and Quality of Life, at its Head office in Port Louis, the Custom House, PATS and at the airport.

ATAF 2011

The 1st African Tax Administration Forum General Assembly was held from 25 to 27 July at the Intercontinental Hotel in Balaclava. The event was hosted by the MRA and the chief guest was Dr. The Honourable Vasant Kumar Bunwaree, Minister-in-charge of Finance and Economic Development.

August 2011

Tanzanian Delegation - Study Tour

A delegation of four officers from the Tanzania Revenue Authority made a study tour to the MRA from 8 to 12 August.

ATAF Technical Event

The MRA hosted a workshop in collaboration with the African Tax Administration Forum, the Organisation for Economic Cooperation and Development and the International Monetary Fund at Le Méridien Hotel, Balaclava from 29 August to 2 September.

CALENDAR OF EVENTS

September 2011

Corporate Social Responsibility

In appreciation of the MRA's support in promoting blood donation activities, the Blood Donors Association (Mauritius) presented an award to the MRA on Friday 30 September at the Rajiv Gandhi Science Centre.

MRA Annual Mass 2011

The annual St Mathews Day mass was held on 20 September at St Antoine's Chapel, Port Louis. St Mathews is the patron saint of tax collectors.

October 2011

Welfare Activities

To promote welfare activities for the benefit of MRA staff, 2 sports events were organised in October, namely a 7- aside Football Festival, and a Volley Ball Premier League.

MRA Annual Prayer

The MRA Annual Prayer was held on Thursday 13 October at the Hindu Maha Jana Sangham Shri Kannanur Mariamen Kovil, Trou Fan Faron, Port Louis. The MRA Annual Prayer was attended by MRA management team and staff and other devotees. As usual, *mahaprasad* (free food) was served after the ceremony.

November 2011

MOU between SIL and MRA

An MOU was signed between the MRA and State Informatics Ltd on the 30 November to explore new avenues of collaboration and to provide new opportunities by taking advantages of the technical expertise and domain knowledge of both organisations.

Foot screening

A foot screening sensitisation programme was organised for the benefit of MRA staff. The aim of the programme was to educate employees about how to identify and avoid foot problems.

December 2011

Custom House canteen

A staff canteen was officially launched by the DG on 3 December on level 6 of the Custom House.

End-of-year Get-Together

The MRA end-of-year Get-Together was held at Casela Nature Park, in the last week of December.

11. Tax changes & The Finance Act 2011

INCOME TAX AND VAT

- Income exemption threshold increased by Rs 15,000 for each of the 6 categories with effect from 1 January 2012
- Solidarity Income Tax abolished with effect from 1 January 2012
- Tax on gains from sale of immovable property abolished as from 5 November 2011
- 10 cents levy on each SMS, MMS and ZMS introduced as from 15 January 2012
- Solidarity levy on telecommunication companies extended to year of assessment commencing 1 January 2013
- Tax Deduction at Source (TDS) extended to services provided by doctors, dentists and legal professionals
- TDS in respect of contractors and sub-contractors extended to cover mechanical and electrical works
- TDS applicable on payments in respect of rental or other consideration for board and lodging made to the owner of an immovable property or his agent, other than a hotel by
  - (i) a tour operator or travel agent other than an individual
  - (ii) an IRS Company or RES Company or a provider of property management services
  - (iii) any other agent, other than an individual, carrying on the business of providing services in respect of letting of properties
- TDS extended to cover payments made to non-residents for services performed in Mauritius
- TDS applicable on interest, other than interest falling under Sub-part B of Part II of the Second Schedule payable by any person, other than an individual, to a non-resident
- TDS applicable on payments made by a ministry, government department, local authority, the Rodrigues Regional Assembly and a statutory body in respect of procurement of goods and of services as follows:
  - (i) for the procurement of goods and services under a single contract, where the payment exceeds Rs 300,000;
  - (ii) for the procurement of goods under a contract, where the payment exceeds Rs 100,000;
  - (iii) for the procurement of services under a contract, where the payment exceeds Rs 30,000
- Full tax exemption granted to Freeport operators
- Social housing project constructed by a housing development trust exempted from VAT
- Construction of semi-industrial fishing vessels during the period 1 Jan to 31 Dec 2012 zero rated for VAT purposes
- Cosmetic surgery, life jackets and anti-smoking chewing gum and patches exempted from VAT
- Operation of VAT Refund Scheme for the agro-industrial and fisheries sector for refunding VAT paid on equipment purchased in 2012
- Introduction of the following incentive schemes:
  - (a) Voluntary Disclosure of Income Arrangement (VDIA) operational for a period of six months commencing from 1 January 2012
  - (b) VAT Registration Incentive Scheme (VRIS) to provide an incentive to persons who have failed to register for VAT to regularise their situation
  - (c) Tax Arrears Settlement Scheme (TASS) operational during the period January to June 2012 for recovery of outstanding arrears prior to 1 July 2006
  - (d) Expeditious Dispute Resolution of Tax Scheme (EDRTS) to allow any person who was unable to dispute the tax claimed in

an assessment issued prior to 1 January 2011 to apply for a review of assessment subject to certain conditions

- New taxation regime for fringe benefits as specified in the Ninth Schedule of the Income Tax Regulations 1996
- Self-employed taxpayers with annual turnover of less than Rs 2 million no longer required to file CPS statements of income
- CPS statements of income not required to be submitted where tax payable is less than Rs 500
- Companies with turnover of less than Rs 2 million no longer required to file quarterly APS statements
- CSR calculated on chargeable income instead of book profit
- The double deduction for overseas marketing and promotional expenses granted to company in the tourism sector or engaged in export activities abolished as from 1 January 2012
- Banks allowed to deduct as bad debts irrecoverable loans due by SMEs
- Global business companies:
  (a) allowed to pay income tax in Singapore dollars, South African rands, Swiss francs and any other approved convertible foreign currency
  (b) required to submit income tax returns electronically
  (c) authorised to compute tax of each cell separately where company is structured as protected cell company
- Employers having 25 or more employees required to submit PAYE returns electronically
- Taxpayers having gross income exceeding Rs 2 million required to submit returns electronically
- Annual payment of NPF contributions in respect of private household employees can be made through income tax returns
- Insurance agents and brokers removed from list of persons required to compulsorily register for VAT
- Issue of VAT invoice by registered person irrespective of whether the buyer is a VAT registered person or not
- Introduction of penalty provisions on employers and payers under TDS not submitting Returns of Employees and Statements of Tax Deduction at Source within the prescribed time
- Executive director in a private company accountable and liable for non-payment of VAT, as in the case of income tax
- MRA empowered to raise assessments on payer or employer for non-remittance of PAYE/TDS collected
- VAT-registered persons submitting returns electronically to provide summary of supplies made by them to any person, other than a final consumer

CUSTOMS & EXCISE

- The definitions of "**Duty Free Shop**" and "**Deferred Duty and Tax Scheme**" were amended to allow for the sale of goods free of duty, excise duty or taxes to:
  (i) passengers arriving from or leaving for a foreign port or airport;
  (ii) another duty free shop;
  (iii) a shop approved under the Deferred Duty and Tax Scheme;
  (iv) a master or member of a crew leaving for a foreign port or an airport.

- The provision for **Relief Consignment**, as provided under the RKC, to allow rapid clearance of relief consignments in cases of disaster or other natural calamities.

- **Paperless Customs** – with a view to further simplifying Customs procedures, the Customs Act 1988, was amended whereby hard copies of declarations and attached documents need not be submitted to Customs but kept by importer or exporter. Instead, they should be scanned and sent electronically for Customs procedures.

- The condition for **Temporary Admission of goods** amended to cater for projects which stretch beyond a year but not exceeding 3 years.

- The conditions for **Warehoused goods to be re-warehoused** amended from 12 months to 24 months.

- **Ship Stores** – The master or agent of any aircraft or ship can now apply to take stores out not only from any bonded warehouse but also from the Freeport Zone, free of duty and taxes.

- In the Excise Act 1994, the provision and condition for the **CO2 levy/ *rebate*** specified and the effective date of implementation as specified 31 July 2011.

- By way of **special resolution** the following changes were brought in, effective as from 5 November 2011:
  - (i) Increase in Specific Excise Duty rates on **Spirits, Liquor and Alcoholic Beverages** (SLABs) and **Tobacco Products**;
  - (ii) **10 percent customs duty on refrigerated vehicles** removed for the benefit of fishermen, producers of other foodstuff and consumers;
  - (iii) Abolition of the 30 percent customs duty on tyres for all types of vehicles;
  - (iv) Abolition of all specific duties on shoes and other footwear;
  - (v) Abolition of the 15 percent duty on perfumes, cosmetics, shavers, hair-removing appliances, hair clippers, shampoo and other hair preparations;
  - (vi) Abolition of the 15 percent excise duty on mopeds as well as the 30 percent duty on motor cycles of less than 125 cc;
  - (vii) Excise duty on powerful motorcycles of more than 450 cc were raised from 45 percent to 100 percent;
  - (viii) Introduction of an excise duty of 50 percent on outboard motors exceeding 140 horsepower.

    (Note: 140 horsepower has been revised to 150 horsepower by administrative measure (MOFED) pending amendments to the Schedule to the Excise Act.

    Excise duty of 50% of the value of outboard motors has been introduced on outboard motors of a capacity exceeding 150 horsepower fitted on boats.
  - (ix) Any private hospital holding a licence under the Private Health Institutions Act, Excise Exemptions granted on not more than 5 paramedic motorcycles, fitted with sirens and equipped to carry emergency care equipment, at any one time, every 5 years;
  - (x) The 80% duty concession granted to tour operators and car-hire companies on purchase of limousine-type motor cars removed. However, a moratorium period up to 5 April 2012 is applicable; and,
  - (xi) Definitions for **Fortified Admixed Wine**; **Fortified Island Wine** and **Fortified Made-Wine**introduced.

- Permits for the importation of fish abolished by amending the Fisheries and Marine Resources Act. A processing fee will be collected by the MRA.

12. MRA Financial Statements

BOARD'S REPORT

The Board of the Mauritius Revenue Authority presents the audited financial statements of the Mauritius Revenue Authority for the year ended 31 December 2011.

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

It is the responsibility of the MRA to prepare and submit an annual report which includes the financial statements to the MRA Board for approval. After approval by the MRA Board, the Chief Executive Officer shall, not later than 30th April after the end of every financial year, submit the annual report to the auditor. On receipt of the annual report including the audited financial statements and the audit report, the MRA Board shall, not later than one month from the date of receipt, furnish to the Minister such reports and financial statements.

The audited statements and audit opinion are appended to this report.

While approving the 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 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.

MRA is responsible for keeping proper accounting records for the purpose of recording all the transactions relating to its undertakings, funds, activities and property and hence for taking responsible steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the MRA Board

V. Hassamal
Chairperson

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Mauritius Revenue Authority which comprise the statement of financial position as of 31 December 2011, the statement of financial performance and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Au audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Mauritius Revenue Authority as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Report on Other Legal and Regulatory Requirements

Management's Responsibility

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the laws and authorities which govern them.

Auditor's Responsibility

In addition to the responsibility to express an opinion on the financial statements described above, my responsibility includes expressing an opinion on whether the activities, financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the laws and authorities which govern them.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

Statutory Bodies (Accounts and Audit) Act

In my opinion, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the Statutory Bodies (Accounts and Audit) Act.

The Financial Reporting Act

The Board is responsible for preparing the Corporate Governance Report and making the disclosures required by Section 8.4 of the Code of Corporate Governance of Mauritius ("Code"). My responsibility is to report on these disclosures.

In my opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the "Code".

Public Procurement Act

The Mauritius Revenue Authority is responsible for the planning and conduct of its procurement. It is also responsible for defining and choosing the appropriate method of procurement and contract type in accordance with the provisions of the Act and the relevant Regulations. My responsibility is to report on whether the provisions of part V of the Act regarding the Bidding Process have been complied with.

In my opinion, the provisions of Part V of the Act have been complied with as far as it appears from my examinations of the relevant records.

(Dr R. JUGURNATH)
Director of Audit

National Audit Office
Level 14,
Air Mauritius Centre
PORT LOUIS

23 August 2012

STATEMENT OF FINANCIAL POSITION AT

	Notes	31 December 2011 Rs	31 December 2010 Rs As Restated
ASSETS			
Current Assets			
Cash and Cash Equivalents	7	138,675,552	75,360,530
Receivables	8	9,690,273	8,239,462
Inventories	9	6,783,295	8,181,535
Prepayments	8	9,319,373	3,210,311
		164,468,493	94,991,838
Non-Current Assets			
Property, Plant and Equipment	5	99,327,499	114,910,630
Intangible Assets	6	49,014,300	56,138,933
		148,341,799	171,049,563
TOTAL ASSETS		**312,810,292**	**266,041,401**
LIABILITIES			
Current Liabilities			
Payables	10	54,503,286	19,006,476
Deferred Income	11	62,000,000	62,000,000
		116,503,286	81,006,476
Non-Current Liabilities			
Deferred Income	11	100,597,282	121,115,823
Retirement Benefit Obligations	18	28,726,317	3,635,873
		129,323,599	124,751,696
TOTAL LIABILITIES		**245,826,885**	**205,758,172**
NET ASSETS		**66,983,407**	**60,283,229**
NET ASSETS/ EQUITY			
Revolving Fund	12	50,715,612	37,590,743
Revaluation Surplus	22	6,188,800	8,200,000
Accumulated Surplus		10,078,995	14,492,486
TOTAL NET ASSETS/ EQUITY		**66,983,407**	**60,283,229**

Approved by the Board on 1st August, 2012

Chairman **Director-General**

The Notes on pages 107 to 119 form part of the financial statements.

STATEMENT OF FINANCIAL PERFORMANCE FOR

	Notes	12 Months Ended 31 December 2011 Rs	18 Months Ended 31 December 2010 Rs As Restated
Revenue			
Grant From Government	13	934,800,000	1,272,900,000
Other Income	14	65,494,599	95,367,120
		1,000,294,599	**1,368,267,120**
Expenditure			
Administrative Expenses	15	1,004,707,713	1,381,564,298
Finance Cost	16	80,332	142,845
		1,004,788,045	**1,381,707,143**
		(4,493,446)	**(13,440,023)**
Gain on Disposal		79,955	1,431,045
Net Income - Excise Stamps	12	13,124,869	16,017,218
Surplus for the period		**8,711,378**	**4,008,240**

STATEMENT OF CHANGES IN NET ASSETS/ EQUITY

	Revolving Fund Rs	Revaluation Surplus Rs	Accumulated Surplus Rs	Total Rs
Balance at 1 July 2009	21,573,525	-	26,816,154	48,389,679
Change in net assets/ equity for the period				
Gain on revaluation of assets	-	8,200,000	-	8,200,000
Net Surplus/(Deficit) for the period	16,017,218	-	(14,648,858)	1,368,360
Total recognized revenue and expense for the period	**16,017,218**	**8,200,000**	**(14,648,858)**	**9,568,360**
Balance at 31 December 2010	37,590,743	8,200,000	12,167,296	57,958,039
Balance at 1 January 2011	37,590,743	8,200,000	12,167,296	57,958,039
Prior year adjustment **(Note 19)**	-	-	2,639,880	2,639,880
Transfer to deposits **(Note 23)**	-	-	(314,690)	(314,690)
Balance at 1 January 2011, as restated	37,590,743	8,200,000	14,492,486	60,283,229
Change in net assets/ equity for the period				
Transfer to other income	-	(2,011,200)	-	(2,011,200)
Net Surplus/(Deficit) for the year	13,124,869	-	(4,413,491)	8,711,378
Total recognized revenue and expense for the period	**13,124,869**	**(2,011,200)**	**(4,413,491)**	**6,700,178**
Balance at 31 December 2011	**50,715,612**	**6,188,800**	**10,078,995**	**66,983,407**

CASH FLOW STATEMENT FOR

	12 Months Ended 31 December 2011 Rs	18 Months Ended 31 December 2010 Rs
		As Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus	**8,711,378**	**4,008,240**
Adjustments for :		
Depreciation and Amortization	61,214,380	83,928,823
Transfer from Deferred Income	(59,667,180)	(89,962,375)
Transfer from Revaluation Reserve	(2,011,200)	-
Provision for Retirement Benefit Obligations	25,090,444	21,683,061
Gain on Disposal	(79,955)	(1,431,045)
Liquidated Damages	(414,251)	-
Interest Income	(3,619,100)	(5,358,718)
Decrease/ (Increase) in Inventories	1,398,240	(4,969,504)
(Increase)/Decrease in Receivables	(7,559,873)	2,121,309
Increase / (Decrease) in Payables	30,217,684	(22,300,353)
Net Cash Flows from Operating Activities	**53,280,567**	**(12,280,562)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment **(Note b)**	(33,277,239)	(44,849,930)
Proceeds from Sale of Property, Plant and Equipment	543,955	2,176,068
Interest Received	3,619,100	5,358,718
Net Cash Flows from Investing Activities	**(29,114,184)**	**(37,315,144)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Government Grant Received	39,148,639	66,041,734
Net Cash Flows from Financing Activities	**39,148,639**	**66,041,734**
Net Increase in Cash & Cash Equivalents	**63,315,022**	**16,446,028**
Cash & Cash Equivalents at Start (Note a)	**75,360,530**	**58,914,502**
Cash & Cash Equivalents at End (Note a)	**138,675,552**	**75,360,530**

Notes to the Cash flow Statement:

(a) Cash and Cash Equivalent

Cash and cash equivalents consist of cash in hand and balance with bank and comprise the following statement of financial position amounts.

	2011 Rs	2010 Rs
Cash at bank	138,075,900	75,299,117
Cash in hand	599,652	61,413
	138,675,552	75,360,530

(b) Property, Plant and Equipment

Property, plant and equipment are acquired by means of capital grants from the Government. During the year, the aggregate cost of acquisitions was Rs 38,970,616 and cash payments effected were Rs 33,277,239.

STATEMENT OF COMPARISON OF BUDGET FOR THE YEAR ENDED 31 DECEMBER 2011

RECURRENT BUDGET

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amount	Difference: Final Budget and Actual
	Rs	Rs	Rs	Rs
Revenue	884,000,000	953,200,000	951,741,087	(1,458,913)
EXPENDITURE				
Staff Costs	721,000,000	790,200,000	798,453,103	(8,253,103)
Training of Staff	8,000,000	6,700,000	5,795,626	904,374
Board Members Fees and Expenses	2,400,000	2,100,000	1,968,622	131,378
Missions /Training Abroad	2,000,000	2,800,000	2,662,643	137,357
Professional Fees	7,000,000	7,900,000	7,737,431	162,569
Office Expenses & Services	25,000,000	24,800,000	24,563,580	236,420
Rent	32,500,000	32,500,000	31,246,233	1,253,767
Cost of Utilities	28,000,000	28,500,000	27,095,056	1,404,944
Motor Vehicles Expenses	10,000,000	10,000,000	9,925,183	74,817
Advertising and Publications	4,800,000	4,000,000	3,818,228	181,772
Materials, Supplies and Consumables	13,500,000	12,800,000	12,280,888	519,112
IT Expenses	12,000,000	16,800,000	15,115,733	1,684,267
Uniform	5,000,000	500,000	104,490	395,510
Contributions /Subscriptions to Other Organizations	2,500,000	3,300,000	2,604,003	695,997
Other Operating Expenses	300,000	300,000	202,846	97,154
Total Expenses	**874,000,000**	**943,200,000**	**943,573,665**	**(373,665)**
Budgeted / Actual Surplus	**10,000,000**	**10,000,000**	**8,167,422**	**(1,832,578)**

CAPITAL BUDGET

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amount	Difference: Final Budget and Actual
	Rs	Rs	Rs	Rs
Capital Expenditure	45,000,000	45,000,000	38,970,616	6,029,384

NOTES TO ACCOUNTS - YEAR ENDED 31 DECEMBER 2011

1. Principal Activities

The Mauritius Revenue Authority (MRA), a body corporate, was established on 20th October 2004 to serve the purpose described in The Mauritius Revenue Authority Act 2004. It is operational since 1st July 2006, acting as agent of the State for the collection of revenue under the revenue laws and for matters incidental thereto.

Reporting Period

The financial statements for the current period have been prepared for the 12 months ended 31 December 2011 with comparative information for the 18 months ended 31 December 2010. Hence the amounts presented in the financial statements may not be entirely comparable.

2. Adoption of New and Revised International Accounting Standards

2.1 Standards Adopted in the Current Period

The Authority has adopted the International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB) as from the year 2011 in line with amendments made in the Statutory Bodies (Accounts and Audit) Act. The financial statements of the current and previous reporting periods are not entirely comparable as the previous financial statements were prepared in compliance with International Financial Reporting Standards/ International Accounting Standards.

2.2 Standards Issued but not yet Effective

At the date of authorization of the financial statements, the following standards/ amendments were in issue but not yet effective:

- Improvements to IPSAS 1: Presentation of financial statements
- Amendment to IPSAS 23: Revenue from non-exchange transactions
- IPSAS 28: Financial Instruments: Presentation
- IPSAS 30: Financial Instruments: Disclosures
- IPSAS 29: Financial Instruments: Recognition and measurement
- IPSAS 32: Service Concessions Arrangement: Grantor

The above standards/ amendments apply to financial statements beginning on 1 January 2013 except IPSAS 32 which is effective as from 1 January 2014. Adoption of the standards/amendments which are relevant to MRA's operations will require additional disclosures and affect presentation.

3. Accounting Policies

The principal accounting policies adopted by the Authority are as follows:

(a) Basis of Preparation

The financial statements comply with International Public Sector Accounting Standards (IPSASs) for the accrual basis of accounting. The measurement base applied is historical cost adjusted for revaluation of assets.

The financial statements have been prepared on a going concern basis.

NOTES TO ACCOUNTS - YEAR ENDED 31 DECEMBER 2011

(b) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and depreciation is calculated to write off the cost of the tangible fixed assets on a straight line basis over their expected useful lives. Depreciation is charged on a pro-rata basis in the year of acquisition and none in the year of disposal.

The annual rates of depreciation are as follows:

Computer Equipment	20%
Furniture & Fittings	10%
Scanners	12.50%
Vehicles	20%
Equipment	20% & 25%

Capital Expenditure costing less than Rs 5000 is expensed to the statement of financial performance.

(c) Intangible Assets

Intangible assets are carried at cost less accumulated amortization and impairment losses .Computer software costs are recognized as intangible assets and amortized using the straight-line method over their useful lives, not exceeding a period of 5 years.

(d) Revaluation of Property, Plant and Equipment

Property, plant and equipment are revalued by internal or external valuers every 3 to 5 years. Increase in carrying amount of a class of assets is credited directly to revaluation surplus. However, the increase is recognized in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognized in surplus or deficit.

If the carrying amount of a class of assets is decreased, the decrease is recognized in surplus or deficit. However the decrease is directly debited to revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that class of assets.

In line with the policy of deferred income, an amount equivalent to the depreciation charge is transferred to other income in the Statement of Financial Performance.

(e) Inventories

Inventories consist of consumables and are valued at cost. Cost comprises the purchase price, duties and taxes and is determined by the first-in, first-out (FIFO) method.

(f) Accounts Receivable

Accounts receivable are stated at original invoice amount less an estimate for doubtful receivables based on a review of all outstanding amounts at year end.

(g) Cash and Cash equivalents

Cash and cash equivalents comprise cash at bank and cash in hand.

NOTES TO ACCOUNTS - YEAR ENDED 31 DECEMBER 2011

(h) Accounts Payable

Accounts payable are stated at their fair value.

(i) Revenue recognition

Taxes

MRA is an agent of the Government for collection of revenue under the Revenue Laws. The revenue collected on behalf of the Government is not reported in the financial statements.

Revenue Grant and other Income

Revenue grant and other income are earned from non-exchange transactions and are recognized on an accrual basis.

(j) Government Grant

Revenue Grant

Grant received from Government to meet recurrent expenditure is treated as revenue grant.

Deferred Income

Grants received from Government for capital expenditure are treated as deferred income. An amount equal to depreciation and amortization charge for the year is transferred to other income in the statement of financial performance and the amount of deferred income to be amortized in the next 12 months is recognized as a current liability.

(k) Excise Stamps

The cost of excise stamps, proceeds of sale and any grants received are accounted for through a Revolving Fund.

(l) Employee Benefits

(i) Retirement Benefits under Defined Benefit Pension Plan

The MRA Staff Pension Fund is a defined benefit plan and its assets are managed by the SICOM Ltd. The cost of providing the benefit is determined in accordance with actuarial review.

The present value of defined benefit obligations is recognized in the statement of financial position as a non-current liability or non-current asset after adjusting for fair value of plan assets, any unrecognized actuarial gains and losses and any unrecognized past service cost.

The current service cost and any unrecognized past service cost are included as an expense together with the associated interest cost, net of expected return on plan assets.

A portion of the actuarial gains and losses will be recognized as income or expense if the net cumulative unrecognized actuarial gains or losses at the end of the previous accounting period exceeded the greater of:

- 10% of the present value of the defined benefit obligation at that date: and
- 10% of the fair value of plan assets at that date.

The excess determined is spread over the expected average remaining working lives of employees in the plan, which was determined as 22 years as at 31 December 2011.

(ii) State plan

For those employees holding a permanent and pensionable post, MRA contributes to the Family Protection Scheme managed by SICOM Ltd and the Civil Service FPS Board. It also contributes to National Pension Scheme for those working on contract basis. The contributions are expensed to the statement of financial performance in the period in which they fall due.

(m) Impairment

At each reporting date, the Authority reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of financial performance, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the statement of financial performance, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4. Accounting Judgements and key Sources of Estimation Uncertainty

The preparation of financial statements in accordance with IPSASs requires the Authority's management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

NOTES TO ACCOUNTS - YEAR ENDED 31 DECEMBER 2011

5. Property, Plant & Equipment

	Computer Equipment Rs	Furniture & Fittings Rs	Motor vehicles Rs	Equipment Rs	Total Rs
COST / VALUATION					
AT 1 JANUARY 2011	72,910,664	32,269,139	22,043,348	181,602,952	308,826,103
ADJUSTMENT	-	-	(625,000)	-	(625,000)
ADDITIONS	16,055,071	1,589,575	4,940,117	7,641,325	30,226,088
DISPOSALS	-	-	(464,000)	-	(464,000)
AT 31 DECEMBER 2011	**88,965,735**	**33,858,714**	**25,894,465**	**189,244,277**	**337,963,191**
DEPRECIATION					
AT 1 JANUARY 2011	40,103,799	13,493,072	4,697,506	135,621,096	193,915,473
ADJUSTMENT	-	-	(625,000)	-	(625,000)
CHARGE FOR THE PERIOD	13,264,954	3,238,655	4,547,270	24,294,340	45,345,219
DISPOSALS	-	-	-	-	-
AT 31 DECEMBER 2011	**53,368,753**	**16,731,727**	**8,619,776**	**159,915,436**	**238,635,692**
NET BOOK VALUE					
AT 31 DECEMBER 2011	**35,596,982**	**17,126,987**	**17,274,689**	**29,328,841**	**99,327,499**
AT 31 DECEMBER 2010	**32,806,865**	**18,776,067**	**17,345,842**	**45,981,856**	**114,910,630**

NOTES TO ACCOUNTS - YEAR ENDED 31 DECEMBER 2011

6. Intangible Assets

	Computer Software Rs
COST	
AT 1 JANUARY 2011	85,514,489
ADDITIONS	8,744,528
AT 31 DECEMBER 2011	**94,259,017**
AMORTIZATION	
AT 1 JANUARY 2011	29,375,556
CHARGE FOR THE YEAR	15,869,161
AT 31 DECEMBER 2011	**45,244,717**
NET BOOK VALUE	
AT 31 DECEMBER 2011	**49,014,300**
AT 31 DECEMBER 2010	**56,138,933**

	31 December 2011 Rs	31 December 2010 Rs
7. Cash and Cash Equivalents		
Cash at Bank	138,075,900	75,299,117
Cash in Hand	599,652	61,413
Total	**138,675,552**	**75,360,530**
8 . Receivables and Prepayments		
Receivables	1,690,273	239,462
Deposit	8,000,000	8,000,000
	9,690,273	**8,239,462**
Prepayments	9,319,373	3,210,311
Total	**19,009,646**	**11,449,773**

NOTES TO ACCOUNTS - YEAR ENDED 31 DECEMBER 2011

	31 December 2011 Rs	31 December 2010 Rs
9. Inventories		
Stationery	5,158,361	4,172,743
Excise Stamps	1,059,552	3,177,721
Spare parts	565,382	831,071
Total	**6,783,295**	**8,181,535**
10. Payables		
Trade Payables	15,645,784	11,534,202
Other Payables	38,849,524	7,432,274
Deposits	7,978	40,000
Total	**54,503,286**	**19,006,476**
11. Deferred Income		
At 1 January	183,115,823	207,036,464
Grant received during the period	39,148,639	66,041,734
	222,264,462	273,078,198
Transfer to other income	(59,667,180)	(89,962,375)
	162,597,282	183,115,823
Amount to be amortized within one year recognized as Current Liability	(62,000,000)	(62,000,000)
At 31 December	**100,597,282**	**121,115,823**
12. Revolving Fund - Excise Stamps		
Sales	17,830,000	23,963,875
Cost of Sales	(6,363,169)	(9,966,064)
	11,466,831	13,997,811
Penalty	-	140,308
Interest Net of Bank Charges	1,658,038	1,879,099
Net Income	**13,124,869**	**16,017,218**
Balance 1 January	37,590,743	21,573,525
Balance 31 December	**50,715,612**	**37,590,743**
13. Grant From Government		
Grant From Government	**934,800,000**	**1,272,900,000**
14. Other Income		
Transfer from deferred income and revaluation reserve	61,678,380	89,962,375
Sundry Income	1,845,003	1,928,448
Interest Receivable	1,971,216	3,476,297
Total	**65,494,599**	**95,367,120**

NOTES TO ACCOUNTS - YEAR ENDED 31 DECEMBER 2011

	31 December 2011 Rs	31 December 2010 Rs
15. Administrative Expenses		
Staff Costs	773,362,659	1,051,011,182
Provision-Retirement Benefit Obligations	25,090,444	21,683,061
Training of Staff	5,795,626	12,228,105
Board Members Fees and Expenses	1,968,622	2,995,126
Missions /Training Abroad	2,662,643	4,329,966
Professional Fees	7,737,431	7,357,622
Office Expenses & Services	24,563,580	36,619,423
Rent	31,246,233	56,026,738
Utilities	27,095,056	39,549,547
Motor Vehicle Expenses	9,925,183	14,226,979
Advertising and Publications	3,818,228	6,374,092
Materials, Supplies and Consumables	12,280,888	20,097,017
IT Expenses	15,115,733	16,437,130
Uniform	104,490	4,074,217
Contributions /Subscriptions to Other Organizations	2,604,003	4,385,069
Other Operating Expenses	122,514	240,201
	943,493,333	**1,297,635,475**
Depreciation and Amortization	61,214,380	83,928,823
	1,004,707,713	**1,381,564,298**

16. Finance Cost

Bank Charges	80,332	142,845

NOTES TO ACCOUNTS - YEAR ENDED 31 DECEMBER 2011

17. Related Party Transactions

The Authority regards the Government of Mauritius as its controlling party and discloses the following for the period under review in accordance with IPSAS 20 (Related Party Disclosures).

	31 December 2011 Rs	31 December 2010 Rs
(i) Grants from Government		
Capital Grant		
Balance 1 January	183,115,823	207,036,464
Received during the period	39,148,639	66,041,734
Deferred during the period	(59,667,180)	(89,962,375)
Balance 31 December	162,597,282	183,115,823
Revenue Grant		
Received during the period	934,800,000	1,272,900,000
(ii) Compensation to Key Management Personnel		
Short term benefits		
Fees to Board Members	1,920,000	1,920,000
Management Personnel Compensation	30,444,085	54,831,947
Post-employment benefits contribution	-	-
Termination benefits	-	-
	32,364,085	56,751,947

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.

NOTES TO ACCOUNTS - YEAR ENDED 31 DECEMBER 2011

18. Retirement Benefit Obligation

The pension plan is a final salary defined benefit plan for employees and is funded by both the MRA and its employees. The assets of the funded plan are held and administered independently by SICOM Ltd.

	31 December 2011 Rs	31 December 2010 Rs
Amounts recognized in statement of financial position at end of year:		
Present value of funded obligation	1,535,092,273	1,230,823,650
(Fair value of plan assets)	(1,043,466,104)	(985,977,030)
	491,626,169	244,846,620
Present value of unfunded obligation	-	-
Unrecognized actuarial gain/(loss)	(462,899,852)	(241,210,747)
Unrecognized transition amount	-	-
Liability recognized in statement of financial position at end of year	**28,726,317**	**3,635,873**
Amounts recognized in statement of financial performance :		
Current service cost	57,731,872	69,529,933
Employee Contributions	(30,580,962)	(42,508,062)
Fund expenses	1,310,928	1,731,466
Interest cost	129,236,483	166,092,762
Expected return on plan assets	(105,401,345)	(136,110,359)
Actuarial loss/(gain) recognized	5,369,472	7,188,521
Past service cost recognized	-	-
Total, included in staff costs	**57,666,448**	**65,924,261**
Movements in liability recognized in statement of financial position:		
At start of year	3,635,873	(17,950,568)
Total staff cost as above	57,666,448	65,924,261
Contributions paid by employer	(32,296,319)	(44,337,820)
Actuarial reserves in	(279,685)	-
At end of year	**28,726,317**	**3,635,873**
Actual return on plan assets:	**25,579,341**	**137,870,586**
Main actuarial assumptions at end of period:		
Discount rate	10.50%	10.50%
Expected rate of return on plan assets	10.50%	11.00%
Future salary increases	7.50%	7.50%
Future pension increases	5.50%	5.50%

The overall expected rate of return on plan assets is determined by reference to market yields on bonds.

NOTES TO ACCOUNTS - YEAR ENDED 31 DECEMBER 2011

	31 December 2011 Rs	31 December 2010 Rs
Reconciliation of the present value of defined benefit obligation		
Present value of obligation at start of year	1,230,823,650	1,054,557,219
Current service cost	57,731,872	69,529,933
Interest cost	129,236,483	166,092,762
Benefits paid	(26,155,433)	(38,724,060)
Liability (gain)/loss	143,455,701	(20,632,204)
Present value of obligation at end of year	1,535,092,273	1,230,823,650
Reconciliation of fair value of plan assets		
Fair value of plan assets at start of year	985,977,030	801,716,087
Expected return on plan assets	105,401,345	136,110,359
Employer normal contributions	32,296,319	44,337,820
Employee contributions	30,580,962	42,508,062
Actuarial reserves in	279,685	-
Benefits paid + other outgo	(27,466,361)	(40,455,526)
Asset (loss)/gain	(83,602,876)	1,760,228
Fair value of plan assets at end of year	1,043,466,104	985,977,030
Distribution of plan assets at end of year		
Percentage of assets at end of year		
Government securities and cash	50.60%	52.20%
Loans	7.80%	7.80%
Local equities	23.20%	25.20%
Overseas bonds and equities	17.50%	14.00%
Property	0.90%	0.80%
Total	100%	100%
Additional disclosure on assets issued or used by the reporting entity		
Percentage of assets at end of year	%	%
Assets held in the entity's own financial instruments	0	0
Property occupied by the entity	0	0
Other assets used by the entity	0	0
History of obligations, assets and experience adjustments		
Year ending	**31 Dec 2011**	**31 Dec 2010**
Currency	**Rs**	**Rs**
Fair value of plan assets	1,043,466,104	985,977,030
Present value of defined benefit obligation	(1,535,092,273)	(1,230,823,650)
Surplus/(deficit)	(491,626,169)	(244,846,620)
Asset experience gain/(loss) during the period	(83,602,876)	1,760,228
Liability experience gain/(loss) during the period	143,455,701	(20,632,204)
Period	**2012**	
Expected employer contributions	38,709,902	

NOTES TO ACCOUNTS - YEAR ENDED 31 DECEMBER 2011

19. Prior Year Adjustment

The adjustment is in respect of insurance premium and maintenance charges amounting to Rs 2,639,880 paid during the year 2010 for the period January 2011 to September 2011 but not accounted as prepaid.

The effect of the adjustment is to increase both current assets as at 31 December 2010 and reported surplus for the 18 months ended 31 December 2010 by Rs 2,639,880.

20. Change in Accounting Estimate

Depreciation for the year 2011 has been computed on a pro-rata basis instead of a full year charge in the year of acquisition and resulted into a decrease of Rs 4,184,771 in total depreciation charges.

It is impracticable to estimate the effect of the change in future periods.

21. Comparison of Budget with Actual

MRA presents its financial statements and recurrent expenditure budget on an accrual basis. The original expenditure budget covers the period 1 January 2011 to 31 December 2011 and was approved by the Legislative Assembly in November 2010 as a one-line budget. The difference between the original and final budget is a combination of reallocations within the budget and a supplementary provision of Rs 78.7M approved by the Ministry of Finance and Economic Development (MOFED) to cater for increase in salaries and related costs following publication of Salary Review Report in December 2011.

Staff costs includes a provision of Rs 25.1M for retirement benefit obligation based on actuarial valuation of pension fund at 31 December 2011. There is a difference of Rs 8.2M between final budget and actual for staff costs representing approximately 1% of final budget and considered not to be material. The total difference between the final recurrent expenditure budget and actual is less than 1%.

An amount of Rs 4.5M was earmarked in 2011 capital budget for installation of CCTV camera at Custom House. Implementation of this project started in December 2011 but is expected to be completed within 6 months leading to a saving in capital expenditure budget.

22. Revaluation of Assets

The whole class of motor vehicles were revalued to Rs 17,345,842 in December 2010 and resulted into a surplus of Rs 8,200,000.

23. Deposits

As revenue collected by MRA on behalf of Government is not reflected in MRA's accounts, deposits, cash balances, trade receivables and accrued benefits related to revenue collection have also been excluded as follows:

NOTES TO ACCOUNTS - YEAR ENDED 31 DECEMBER 2011

	31 December 2011 Rs	31 December 2010 Rs
Deposits	5,533,527	16,393,200
Transfer of accrued benefits (interest) from accumulated surplus	-	314,690
	5,553,527	16,707,890
Represented by:		
Cash at Bank	4,845,734	16,320,297
Trade receivables	707,793	387,593
	5,553,527	16,707,890

24. Contingent Liability

The MRA has contingent liabilities in respect of some claims being resisted before the court. However, it is difficult to give a prudent estimate of their financial effects and it is considered that possibility of outflow in settlement is remote.

25. Capital Commitments

Capital expenditure contracted for at 31 December 2011 but not recognized in the financial statements is Rs 26.4M.

26. Controlling Party

The Authority regards the Government of Mauritius as its controlling party.

27. Risk

(i) Except where stated elsewhere, the carrying amounts of the Authority's financial assets and financial liabilities approximate their fair values due to the short-term nature of the balances involved.

(ii) The Authority is not exposed to foreign currency risk as all its financial assets and financial liabilities are denominated in Mauritian Rupees.

(iii) Except for cash held at bank in current accounts, the Authority does not have any investment in term deposits nor has any loan commitments. It is therefore not exposed to interest rate risk.

(iv) The Authority's credit risk is primarily attributable to its receivables. Management reviews all outstanding amounts at year end to determine doubtful receivables.

28. Income Tax

The Authority is not liable to income tax.

13. The MRA's performance in 2011

The MRA's performance in 2011

Objectives	Indicators	Targets		Achievements	
1. Promoting voluntary compliance	• Tax revenue collected	**Tax**	**Rs million**	**Tax**	**Rs million**
		Corporate tax	8,250	Corporate tax	7,762
		Income tax	4,863	Income tax	4,920
		VAT	22,800	VAT	22,710
		Customs duties	1,515	Customs duties	1,560
		Excise duties	10,736	Excise duties	11,487
		Gambling	1,742	Gambling	1,537
		TDS	690	TDS	860
		Passenger fee	805	Passenger fee	793
		Other	1,206	Other	1,381
		Total	**52,607**	**Total**	**53,010**
	• Percentage of actual tax collections to budgeted tax collections	98% - 100% - Good Above 100% - Excellent		100.8%	
	• Percentage of actual tax collections to revised tax collections	100% - Good Above 100% - Excellent		100%	
	• Percentage of cases selected for audit	**LTD**	25%	**LTD**	29.0%
		MSTD:-		**MSTD:-**	
		Income tax	5%	Income tax	2.68%
		VAT	10%	VAT	10.3%
		PAYE	2%	PAYE	2.85%
		Gaming	25%	Gaming	20.92%
		Horse racing	100%	Horse racing	100%
	• Number of investigations completed	90		92	
	• Amount agreed under assessments & compounding	Rs 50 million		Rs 36.95 million	

<table>
<tr><th>Objectives</th><th>Indicators</th><th colspan="3">Targets</th><th colspan="3">Achievements</th></tr>
<tr><td rowspan="12">1. Promoting voluntary compliance (cont'd)</td><td>• Number of cases in which assessments are agreed / compounded</td><td colspan="3">40% of cases completed</td><td colspan="3">52.4%</td></tr>
<tr><td>• Average additional tax demand created per fiscal investigation</td><td colspan="3">Rs 2 million</td><td colspan="3">Rs 2.05 million</td></tr>
<tr><td>• Number of cases recommended for prosecution</td><td colspan="3">10</td><td colspan="3">14</td></tr>
<tr><td>• Number of cases identified for investigation following departmental tax intelligence work</td><td colspan="3">60</td><td colspan="3">60</td></tr>
<tr><td rowspan="6">• Assessments raised</td><td colspan="3">No target fixed. Last year's position:-</td><td colspan="3"></td></tr>
<tr><td>Tax</td><td>No. of Assessments</td><td>Tax Yield (Rs million)</td><td>Tax</td><td>No. of Assessments</td><td>Tax Yield (Rs million)</td></tr>
<tr><td>Income tax</td><td>1,489</td><td>197.50</td><td>Income tax</td><td>2,276</td><td>150.2</td></tr>
<tr><td>Corporate tax</td><td>684</td><td>934.49</td><td>Corporate tax</td><td>753</td><td>1,078.7</td></tr>
<tr><td>VAT</td><td>349</td><td>566.26</td><td>VAT</td><td>360</td><td>646.3</td></tr>
<tr><td>Total</td><td>2,522</td><td>1,698.25</td><td>Total</td><td>3,389</td><td>1,875.2</td></tr>
<tr><td>• Percentage of the no. of cases where business audit is completed within 3 months of its beginning to the total no. of audits</td><td colspan="3">35% - LTD
Up to 50% - MSTD</td><td colspan="3">28.5% - LTD
61.7% - MSTD</td></tr>
<tr><td>• Percentage of the no. of cases where business audit is completed within 6 months of its beginning to the total no. of audits</td><td colspan="3">Up to 75% - MSTD</td><td colspan="3">76.9% - MSTD</td></tr>
</table>

Objectives	Indicators	Targets	Achievements
1. Promoting voluntary compliance (cont'd)	• Arrears collected	Rs 1,025 million	Rs 867 million
	• Percentage of total amount of old collectible debt collected to total collectible debt at the start of the year	30%	21.4%
	• Reduction in book balance of old debt at the start of the year	11%	10%
	• Number of visits for widening of tax base	85	94
	• Number of items of information placed on system	50,000	58,803
	• Number of sources from which information is to be collected	650	612
	• Number of new taxpayers as a result of information matching	1,500	2,373
	• Revenue monitoring and forecasting	Monthly	Being done on a monthly and cumulative basis
	• Report on sectoral VAT collections	Monthly	Monthly
	• Contribution to the budget exercise	November 2011	Budget proposals and PBB sent by October 2011 & inputs for Finance Bill sent in December 2011
	• Preparation of papers in connection with taxation issues	5	5 comprising of: 1. Taxpayer Education as a compliance tool 2. MRA's PBB Strategic Plan 2012/2014 3. VAT GAP analysis 4. Current status / Key issues & future direction of Revenue Administration in Mauritius 5. Paper on impact of electronic goods trading on Customs revenue

Objectives	Indicators	Targets	Achievements
2. Providing quality services	• Average no. of days for registering taxpayers	3	3
	• Maximum time taken to process returns and issue refunds	40 days for salary cases	95% of income tax returns processed and refunds issued within 40 days from the date of submission of returns.
	• Number and amount of refunds – Income tax	N/A	29,946 income tax refunds effected amounting to Rs 157 million
	• Percentage of returns filed electronically to total no. of returns	LTD - 100% MSTD - Company above Rs10m-90% - Company below Rs 10m-60% - Individuals – 60,000	LTD - 98% MSTD - Company above Rs10m-93% - Company below Rs 10m – 64% - Individuals – 76,526
	• Number of e-payment users at Customs	150	394
	• Number of awareness raising campaigns organised	25	33
	• % of advisory visits to large taxpayers at their request	100%	Nil
	• Number of educational seminars conducted	25	28
	• Number of taxpayer information leaflets/ tax bulletins issued, published & distributed	12	9
	• Number of times MRA website is updated	As and when needed	661 times
	• Number of subscribers to MRA Taxpayer Mailing Service	6,000	12,221
	• Electronic billboard at MRA headquarters	1	1
	• Taxation syllabus in schools	1	Initiated in 2011 & will be completed in 2012
	• Percentage of telephone calls answered	100%	88%
	• Time within which tax payers calling at office are served (Average Serving Time)	10 minutes	7 minutes

The MRA's performance in 2011

Objectives	Indicators	Targets			Achievements		
3. Facilitating trade and ensuring border and society protection	• Percentage of import declarations selected for physical inspection	12.5%			19%		
	• Average dwell time for cargo	***Channels***	***Sea***	***Air***	***Channels***	***Sea***	***Air***
		Green	3 hrs	45 mins	Green	2 hrs	38mins
		Yellow	6 hrs	77 mins	Yellow	4 hrs	47 mins
		Red	27 hrs	24 hrs	Red	26 hrs	15 hrs
	• Maximum time taken to issue a tariff ruling	2.5 days			2 days		
	• Exports clearance time	Sea: 8 minutes Air: 51 minutes			Sea: 7 minutes Air: 40 minutes		
	• Number of compliant traders under Blue Channel	35			36		
	• Narcotics seizures	N/A			**Narcotics**	**Weight/ Qty**	**Value (Rs)**
					Heroin	2,322 gms	34.8m
					Hashish	10.6 gms	0.027m
					Subutex	26,879 tabs	31.7m
					Psychotropes	898 tabs	0.009m
					Cannabis	25.27g+8 seeds	0.0125m
					TOTAL VALUE		66.6m
	• Total number of post-clearance audits during the year	125			106		
	• Total number of Customs Offence Reports(CORs) raised	200			566		
	• Duties and taxes raised from CORs	Rs 30 million			Rs 29.7 million		
	• Duties & taxes collected from CORs	Rs 20 million			Rs 10.6 million		
	• Penalties collected from CORs	Rs 20 million			Rs 10.6 million		
	• Total amount of duties and taxes raised as a result of value upliftments	Rs 25 million			Rs 30 million		
	• Number of excise offences detected	25			199		
	• Number of audits of excise operators	40			180		

<table>
<tr><th>Objectives</th><th>Indicators</th><th>Targets</th><th colspan="2">Achievements</th></tr>
<tr><td rowspan="10">4. Strengthening good governance and improving corporate image</td><td>• Number of declarations of assets verified and reports produced</td><td>On the basis of risk</td><td colspan="2">82</td></tr>
<tr><td>• Number of cases of complaints/ allegations where enquiries initiated</td><td>All</td><td colspan="2">41</td></tr>
<tr><td>• Number of full-fledged investigations</td><td>40</td><td colspan="2">23</td></tr>
<tr><td>• Number of cases where disciplinary action was recommended</td><td>5</td><td colspan="2">18</td></tr>
<tr><td>• Conducting Integrity workshops</td><td>1</td><td colspan="2">Initiated in 2011 & will be completed in 2012</td></tr>
<tr><td>• Preparing & implementing Annual Audit Plan using a risk-based methodology</td><td>March 2011</td><td colspan="2">Completed</td></tr>
<tr><td>• Preparation of 3-year audit action plan</td><td>September 2011</td><td colspan="2">Completed</td></tr>
<tr><td>• Number of system audits</td><td>6</td><td>3 systems audited
• LTD - VAT repayment
• Customs - Bonded Tanks
• Refund & repayments at Finance</td><td>4 audits in progress
• Disciplinary procedures
• Bonded warehouse
• Testing of SAP controls refund & repayment
• Revenue collection – audit of cheques received through Paper Money Register</td></tr>
<tr><td>• Number of transaction audits in main areas of revenue systems</td><td>15</td><td colspan="2">11 completed
4 in progress</td></tr>
<tr><td>• Preparation of Annual Report</td><td>June 2011</td><td colspan="2">Annual Report sent to Director of Audit in March 2011</td></tr>
</table>

Objectives	Indicators	Targets	Achievements
5. Modernising IT	• ITAS – Making ITAS fully operational	April 2011	Personal Income Tax went live on 15 March 2011 & Corporate Tax went live on 15 April 2011
	• Implementation of Record Management System (RMS)	June 2011	100% completed
	• Enhancement of Taxpayer Online Services (TPOS)	September 2011	50% completed
	• Set up electronic filing infrastructure	September 2011	Completed
	• Developing the MRA website into a self-service centre of information on tax issues	July 2011	Completed
	• Use customised software for matching information from third parties with data in tax returns	Initiate 30% by December 2011	20% completed
	• Acquisition of software licenses	Continuous	Completed
	• Security & network upgrade	Continuous	Completed
	• Enhancement of ICT infrastructure for Customs Management System (CMS II)	June 2011	Completed
	• General requests from users and stakeholders	Continuous	80% completed
6. Processes & technology -modernising business processes	• Finalisation of performance indicators and targets / benchmarks for different MRA's departments	February 2011	• Completed • Reports for all depts/ divisions finalised • Performance Report of Management Team & the organisation submitted to Board
	• Quality improvement programme to be established & implemented (ISO)	Initiated in 2011 & to be completed in 2012	Quality Policy Document finalised Project is on-going & will be completed in 2012
	• Draft & implement a Business Continuity & Disaster Recovery Plan	100% by Dec 2011	70% completed
	• Monitoring performance of different departments against set targets / benchmarks • Monitoring of Performance Based Budget	Monthly monitoring Quarterly	Being done on a monthly and cumulative basis Report for full year submitted

Objectives	Indicators	Targets	Achievements
7. People – developing a learning organisation	• Developing a full-fledged Training Academy	To be initiated in 2011 & completed in June 2012	All planned activities for 2011 completed.
	• Number of training programmes conducted and training opportunities abroad 'capitalised'	125	214
	• % staff who completed Induction Training	100%	• A comprehensive Induction Plan worked out & training dispensed in July 2011. • All new recruits had a briefing session
	• % utilisation of amount allocated for training	100%	85.3%
	• Number of man days provided	5,000	5,698 man days
	• No. of e-learning schemes introduced	1	Completed – WCO e-learning
	• Number of schemes for promoting self-development	1	1 – Distance learning course through the MCA
	• Training needs analysis & update	March 2011	Completed
	• Training evaluations conducted	100%	100%
	• Annual Recruitment Plan	February 2011	Completed
	• % of posts vacant against total posts	4%	7.94%
	• Time taken (months) to fill vacancies after advertisement	2 months	2 months
	• Rate of staff turnover	2%	0.76%
	• Succession Plan for top & senior management	June 2011	On-going
	• Number of Health & Safety Committee meetings held	6	2
	• Conducting performance appraisal exercise based on KPIs for all MRA staff	Every 6 months	Every 6 months

Objectives	Indicators	Targets	Achievements
7. People – developing a learning organisation (cont'd)	• Extension of electronic attendance through the use of CCTV cameras	Extension to Custom House by March 2011	Completed in 2011
	• Corporate Social Responsibility		
	- Empowerment Programme for graduate & diploma holders	12 per year	17
	- Training placement for university students	15 per year	15
	- Bridging the gap programme for lower VI students	75 per year	75
	• Regular reconciliation of staff records & payrolls	Monthly	Being done on a monthly basis before the payroll run
	• Number of health/nutrition promotion programmes for whole workforce	2	2 – Briefing sessions on HIV & Foot Screening
	• Number of social events & welfare initiates conducted	3	7
	• Number of improvements / enhancements to HRMS	2	2 – Oracle Time Labour & Online Payslip – projects in progress

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Glossary

AEO	Authorised Economic Operator
COR	Customs Offence Report
CRM	Customer Relationship Manager
DOAs	Declaration Of Assets
EDRTS	Expeditious Dispute Resolution of Tax Scheme
GRA	Gambling Regulatory Authority
HRDC	Human Resource Development Council
ICT	Information and Communication Technology
ISO	International Organisation for Standardisation
ITAS	Integrated Tax Administration Solution
KPIs	Key Performance Indicators
LPG	Liquefied Petroleum Gas
LTD	Large Taxpayers Department
MID	Maurice Île Durable
MOFED	Ministry of Finance & Economic Development
MOU	Memorandum of Understanding
MRA	Mauritius Revenue Authority
MRASA	Mauritius Revenue Authority Staff Association
MSTD	Medium & Small Taxpayers Department
N/A	Not Applicable
OSD	Operational Services Department
PATS	Plaisance Air Transport Services
PAYE	Pay As You Earn
PCCA	Post-Clearance Control Audit
PIT	Personal Income Tax
RKC	Revised Kyoto Convention
SAP	Systems Applications & Products
SMEDA	Small and Medium Enterprise Development Authority
SMEs	Small & Medium Enterprises
SOP	Standard Operating Procedures
TASS	Tax Arrears Settlement Scheme
TPOS	Taxpayer Online Services
TECD	Taxpayers Education Communication Department
TRC	Tax Residence Certificate
VAT	Value-Added Tax
VDIA	Voluntary Disclosure of Income / Undeclared VAT Arrangements
VRIS	VAT Registration Incentive Scheme
WCO	World Customs Organisation

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