

Statement of Practice

Exemption under Item E107 of Part II of the First Schedule to the Customs Tariff Act

1. Objective

This practice note aims at providing a guideline to Bodies or organizations or persons on the conditions to be fulfilled to benefit from exemption of Customs duty on importation of goods which require a minimum further processing of 20% of the c.i.f. value at import.

2. Legal Provision

Section 14 of the Customs Tariff Act provides for exemption of Customs duty.

Goods specified in Part II of the First Schedule to the Customs Tariff Act shall, upon fulfillment of any conditions laid down, including production of certificates, under the terms of a particular exemption, be exempted from the payment of Customs duties.

Item E107 of Part II of the First Schedule to the Customs Tariff Act reads as follows:

Item No.	Bodies or organizations or persons	Description of goods
E107	Any person registered with the Customs Department of the Mauritius Revenue Authority	Goods imported in semi-knocked down condition when proved to the satisfaction of the Director-General that they require further processing resulting in value-addition of 20% of the c.i.f. value at import

3. Certificate of Costing

- Goods qualifying for duty exemption should undergo a minimum of 20% added value of the c.i.f. value at import, as a result of local processing.
- Beneficiaries of E107 shall be required to produce a certificate of costing issued by a qualified professional such as a chartered accountant specifying the percentage of value that will be added to the imported goods.

SN	Certificate of Costing	Rs.	Rs.
1.	C.I.F. Value of Imported Goods		A
2.	Value Addition domestically		
	• Local Inputs		
	▪ Locally sourced goods ⁱ	B1	
	▪ Utilities ^{iv}	B2	
	▪ Rent ^{iv}	B3	

	▪ Depreciation of machinery and equipment ⁱⁱ	B4	
	• Direct labour for the completion of the goods (Operational Salary)	C	
	• Outsourcing Costs ⁱⁱⁱ	D	
	Other related expenses for the further process of the SKD goods	E	
3.	Total value Added	$B1 + B2 + B3 + B4 + C + D + E =$	X
4.	Percentage Value Addition	$((X/A) * 100) \geq$	20% of A

- i. Locally sourced goods comprises of goods which are manufactured/produced in Mauritius, such as paints, solvents, etc.
- ii. Depreciation for use of the machinery and equipment carried out on the E107 goods imported by the beneficiary.
- iii. Outsourcing Costs refer to the expenses incurred by the beneficiary for operations performed on and directly connected to the goods imported in semi knocked down condition that require further processing resulting in value addition of 20% of the c.i.f value at import, outside of its organization. The beneficiary shall provide related proof of payment to the outsourcing service provider.
- iv. Utility and rental costs must be apportioned in relation to the work carried out on the imported goods for which the exemption is claimed and must not include other non-exempted goods.

Any inaccurate or misleading declaration may give rise to delay in the processing or being disqualified for E107.

4. Minimal operations and processes to qualify for E107

A product shall not be considered as requiring further processing resulting in value addition of 20% of the c.i.f. value at import if one or a combination of two or more processing listed below are undertaken locally:-

- a. Operations to ensure the preservation of products in good condition during transport and storage (such as drying, freezing or thawing, keeping in brine, removal of damaged parts) and other similar operations;
- b. Simple operations consisting of removal of dust, sifting or screening, sorting, classifying, matching including the making up of sets of articles, washing and cutting up;
- c. Changes of packaging and breaking up and assembly of consignments;
- d. Simple placing in bottles, flasks, bags, cases, boxes, fixing on cards or boards and all other simple packaging operations
- e. sharpening, simple grinding or simple cutting;
- f. affixing or printing marks, labels, logos and other like distinguishing signs on products or their packaging;
- g. simple mixing of products, whether or not of different kinds;
- h. simple assembly of parts of articles to constitute a complete article; simple assembly which consists of fixing of unassembled or disassembled parts (components) by screws, nuts, bolts etc or by riveting or welding.

For the purpose of paragraph 4 above, “simple” describes an activity which neither needs special skills nor machines, apparatus or equipment especially produced or installed to carry out the activity¹.

5. Registration at Customs

Any **person** wishing to benefit from duty exemption under item E107 shall have to be registered with Customs department of the Mauritius Revenue Authority by submitting a duly filled application form with relevant documents.

Application Form For ‘Registration of Bodies or organizations or persons to be Eligible for Duty Exemption/Concession MRA/CUS/DR/EMU/Form1 may be downloaded from the following MRA Website:

<http://mra.mu/index.php/download-centre/customs-forms>

Documents to be submitted together with application (*as applicable*):

- a. Business Registration Card from companies division;
- b. Certificate of Incorporation of the company;
- c. List of equipment in use;
- d. List of materials and equipment to be imported;
- e. NIC of Manager/Director;
- f. Site Plan of factory for which application is being submitted;
- g. Any other documents which may be required by Customs

The application Form together with copies of all documents should be submitted to the following address:

**Director, Customs
Custom House
Mer Rouge
Port Louis
Attention: Exemption Unit**

OR

E-mail address: customs@mra.mu; and exemption.customs@mra.mu

6. Process for approval of exemptions

The Bodies or organizations or persons, upon importation, shall submit together with the relevant Bill of Entry a scanned copy of –

- i. duly filled Form 4;
- ii. letter claiming exemption/concession for approval; and
- iii. Certificate of costing issued by a qualified accountant specifying the percentage of value that will be added to the imported goods.
- iv. List of processing to be conducted on the imported goods.
- v. A plan or sketch or illustration of the product after the further processing.

The ‘Application for Duty Exemption or Concession Form MRA/CUS/DR/EMU/Form4’ may be downloaded from the following website:

<http://mra.mu/index.php/download-centre/customs-forms>

The letter from the applicant shall include the following information:

- a. Letterhead of the company;
- b. Reference number and date;
- c. Request for exemption/concession (Form4);
- d. Quantity and description of goods;
- e. Name and capacity of the signatory and his signature;
- f. Any other documents which may be required by Customs

7. Obligations of the beneficiaries

- i. Keep proper records relating to the receipts and use of all goods cleared under item E107 and the output obtained therefrom;
- ii. Allow MRA Customs officers, at all reasonable times, to gain access to their business premises for the purpose of monitoring and control;
- iii. Produce all relevant and original records/documents which may be required and answer any question relating to the use or disposal of any goods cleared under item E107.

8. Provisions under Section 5 of Customs Tariff Act

The attention of Bodies or Organizations or Persons is further drawn to **Section 5 of the Customs Tariff Act** which provides that all goods upon which any duty exemption has been claimed shall strictly be used for the purpose for which they were destined and not be otherwise disposed of, except with the authorisation of the Director-General of the MRA, and upon payment of appropriate duty and taxes.

Contraveners shall be liable for the payment of the total amount of duty, excise duty and taxes which would have been payable together with penalty not exceeding 50% of the amount due and interest at the rate of 0.5% per month, or part of the month, on the amount due from the time the goods have been exempted to the date of payment if Item E107 exempted goods have not been properly used or cannot be satisfactorily accounted for.

9. Undertaking for conduct of physical examinations of the goods on the premises of the importer

An undertaking is submitted by the Importer/Beneficiary in the framework of the Exemption/Concession claimed by the stakeholders, which consists of a commitment that, if the conditions of the Exemption/Concession are not met, the appropriate duties and taxes on the goods together with 50% penalty shall be paid to the MRA- Customs.

I understand that the exemption/concession has not yet been granted and is subject to physical examination at the importer's premises. At the end of the above-mentioned examination procedure, if Customs considers that the conditions for exemption/concession have been met, then, the exemption/concession may be granted by Customs.