

Tax Curriculum in Schools



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Mauritius Revenue Authority (MRA)

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Topic 1: Why do we have taxes?

1.1. Objective

To help students understand the basic rationale, essence, and importance of “taxes”

1.2. Learning outcome

By the end of the lesson, the students should be able to:

- know why the government needs to collect money as “taxes”
- describe how these “taxes” are being utilised by the government to pay for the things we all need and use
- identify the importance of “taxes” for all of us

1.3. Opening the topic

Activity: Ask students whether they know how the government pays for the goods it purchased, the services it provides and the people it employs.

Hint: The government provides public goods and services to the community as a whole. To pay its bills, the government needs revenue, or a source of income. The money that the government uses to pay its bills comes mostly from taxes. Taxes shift resources from private individuals and businesses to the government. On the board, list public goods and services being provided by the government such as:

Education	Airport & Port infrastructure
Healthcare	Street Lightings
Highways	Public Parks & Gardens
National Defence & Police	National Assembly
Fire Services	Judiciary & Legal Institutions
Prison Services	Meteorological Services
Pensions and Social Benefits	Coastal & Maritime Security
Subsidized items, such as flour, gas, electricity, water, fuel, transport, etc.	Public Radio and Television

1.4. Developing the topic

The Constitution of Mauritius grants the government the power to establish and collect taxes. On its part, the government delegates the responsibility through its **agents** and **other organisations/bodies** in administering and enforcing the tax laws, e.g., the Mauritius Revenue Authority (MRA), the National Land Transport Authority (NLTA), the Registrar of Companies (RoC), District and Municipal Councils, etc.

Taxes reduce taxpayers' income. As a result, taxpayers have less for personal consumption of goods and services, savings, and investments. The more services the government provides, the more taxpayers have to pay for them. The provision of new **public goods and services** often require new taxes and therefore can put additional tax burden on the citizens of the country.

Some basic facts on taxation

- Taxes are a necessary part of life
- Although taxation has often received a less than favourable review by taxpayers, the benefits of taxation are positive
- Taxes provide revenue for financing the provision of public goods and services that benefit the community and the nation as a whole
- Taxes help support goods and services such as our national defence, police and protection agencies, healthcare, public education, social aid for the disabled and unemployed, and social services for low income families
- The amount of revenue raised by taxes determines the amount of services the government can afford to provide

Ask students: Would you rather pay for each of these items as they are used or consumed?

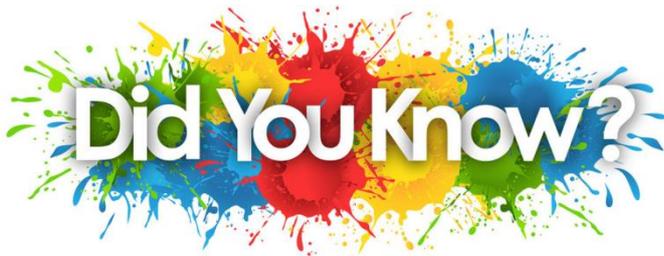
Students should be allowed to voice their opinions freely and differ on the value of specific programs. Try to build a consensus that items on the list are: public goods that benefit and are used by all in such a way that no one uses them up (roads, school, police, hospital, etc.); a public responsibility (unemployment benefits, health care); and/or an investment in future productivity and human resources (job training, drug rehabilitation programs, research).

1.5. Concluding the topic

Ask students to think about why people pay taxes. Help students realize that certain functions are better performed collectively than individually.

1.6. Key Terms

- **Taxes** – Require payments of money to governments that are used to provide public goods and services for the benefit of the community as a whole.
- **Public goods and services** – Benefits that cannot be withheld from those who do not pay for them, and benefits that may be “consumed” by one person without reducing the amount of the product available for others. Examples include national defence & Police, streetlights, and roads and highways. Public services include welfare programs, law enforcement, and monitoring and regulating trade and the economy.



- Throughout history, taxation has been a powerful means of shaping civilization
- There is no known civilization that did not tax. Even the very first known civilization, the Sumerians, recorded their tax history on clay cones
- In the middle ages, soap was highly taxed...so we can only imagine what the average people smelled like...
- Ancient Egyptians were known to tax all aspects of daily life. Egyptians taxed foreigners, slaves, and the use of cooking oil necessary for preparing family meals
- Roman governments had an advanced system of taxation, which included taxes on sales, inheritance, imports, and exports
- Peter the Great of Russia taxed hats, boots, beehives, basements, chimneys, food, clothing, birth, marriage and burial in addition to taxing beards and souls
- In 1691, England taxed the number of windows on a house. Consequently, houses began to be built with very few windows or people would close up existing windows. When people began to suffer health problems from lack of windows/air, the tax was finally repealed in 1851
- Even bachelors were taxed in England and the state of Missouri

Topic 2: What are roles and purposes of taxes?

2.1. Objective

To give students an overview of the role and purpose of taxes

2.2. Learning outcome

By the end of the lesson, the students should be able to:

- Identify the **main goals** of taxes
- Identify the **different types of taxes** being imposed by the government

2.3. Opening the topic

Activity: Ask the students whether they know about the main **roles and purposes of taxes?**

Hint: Taxes are the most important source of governmental revenue. Taxes differ from other sources of revenue in that they are (compulsorily) levied and are unrequited, i.e., they are generally not paid in exchange for some specific thing. Governments make use of taxation as a tool to:-

- generate revenue;
- discourage undesirable behaviour;
- reduce inequality;
- distribute resources; and,
- protect local industries.

2.4. Developing the topic

About 5,000 years ago, the first record of taxation was in ancient Egypt, where the Pharaoh collected a tax equivalent to 20 per cent of all grain harvests. At that time, Egypt was without coined money, so **grain** represented a tangible **store of value** that could easily be collected, traded, and redistributed throughout society (Tax Foundation, 2024).

As with many modern innovations, the Greeks were responsible for taking the idea of taxation and spreading it throughout the developed world, as they expanded their realm and civilization evolved (Tax Foundation, 2024).

Help students to enumerate the roles and purposes of taxes. These may include the following:-

1. Raising Revenue



The “tax” collections are used by the government to finance its recurrent and capital expenditures, e.g., daily operations, healthcare, welfare, education, security, infrastructure, etc.

2. Discourage the consumption of “Harmful” goods



Taxes are used to discourage people from consuming those goods which are “harmful” to them and for the society, e.g., alcohol and cigarettes. These are also sometimes called “sin” taxes.

3. Redistribution of income



Taxes are used as a mechanism to transfer resources from one section of society to another poorer section of the society; e.g., old-aged pensions, disability benefits, widows & orphans, etc.

4. Reducing Inequality



Tax money is used to reduce income inequality by taxing the higher income earners and therefore reducing their *disposable income* (i.e., income which is left after paying taxes)

5. Protecting the local industry



Local industries are protected by the government through the use of heavy import **tariffs**. This makes the imported goods more expensive than the local goods and thereby encouraging the production of local goods

2.5. Classroom activity

Different types of taxes are listed below. Discuss what the lawmakers had in mind when they created the following taxes below (*Please note: some taxes may have more than one answer*):-

S/N	Type of Tax	Options	Suggested Answers
1.	<p>Tax on Petroleum Products</p> 	<p>A. Raise revenue B. Influence spending behaviour C. Fairness to taxpayers</p>	<p>A, B</p> <p>Almost everyone needs to buy petrol, so a tax on it is a good way to raise revenue. A high tax on petrol could induce people to use less petrol or buy more fuel-efficient cars</p>
2.	<p>Tax on alcoholic beverages</p> 	<p>A. Raise revenue B. Influence spending behaviour C. Fairness to taxpayers</p>	<p>A, B</p> <p>Taxing alcohol (<i>also known as "sin" tax</i>) would make it more expensive and reduce its consumption</p>
3.	<p>Tax on income</p> 	<p>A. Raise revenue B. Influence spending behaviour C. Fairness to taxpayers</p>	<p>A, C</p> <p>A tax on income would raise a great deal of revenue. Depending on how incomes are taxed, people who earn more generally pay more taxes, and people who earn less will pay less tax. Thus, income tax contributes to greater fairness.</p>

2.6. Concluding the topic

Ask students how are they directly affected by "taxes"?

Answers may include: They pay taxes on commonly consumed items such as mobile data, meals at Mc Donald's or KFC, consumption at restaurants, or on even certain items purchased at the supermarkets, etc...

Ask students when they accompany their parents to the supermarket to have a closer look at the sales receipts to see which types of taxes (i.e., VAT) they have paid on which item.

Ask students how would “taxes” affect people’s spending habits?

Suggested Answers: The imposition of taxes on specific goods makes them far expensive to the consumer. As a result, they tend to reduce their consumption of the taxable goods. Worldwide, it is common for policy makers to reduce consumption of harmful products such as alcoholic beverages and cigarettes through high taxes. Similarly, taxes are being levied on environmentally-hazard products such as plastic bags, cars running on petrol or high electricity using appliances such as air conditioners, ovens, refrigerators, to discourage their consumption and shift to more environmentally friendly alternatives.



Taxes and taxation are often received with mixed emotions. Historically, taxes have been met with rebellion and unrest; patriotism; war; and voluntary compliance. French tax collectors were sent to the guillotine in 1789

Topic 3: Principles of taxation

3.1. Objective

To give students an overview of the canons and principles of taxation.

3.2. Learning outcome

By the end of the lesson, the students should be able to:

- Identify the principles of taxes.
- Describe the principles of a sound tax system.
- Differentiate between direct and indirect taxation.

3.3. Opening the topic

Activity: Ask students to state in their opinion, **what is a good tax system?**

Hint: There are many methods by which tax revenue can be raised. Different countries use different methods and forms of taxation, based on their specific priorities such as reducing inequality in the distribution of income, promotion of economic growth or maximising the revenue.

3.4. Developing the topic

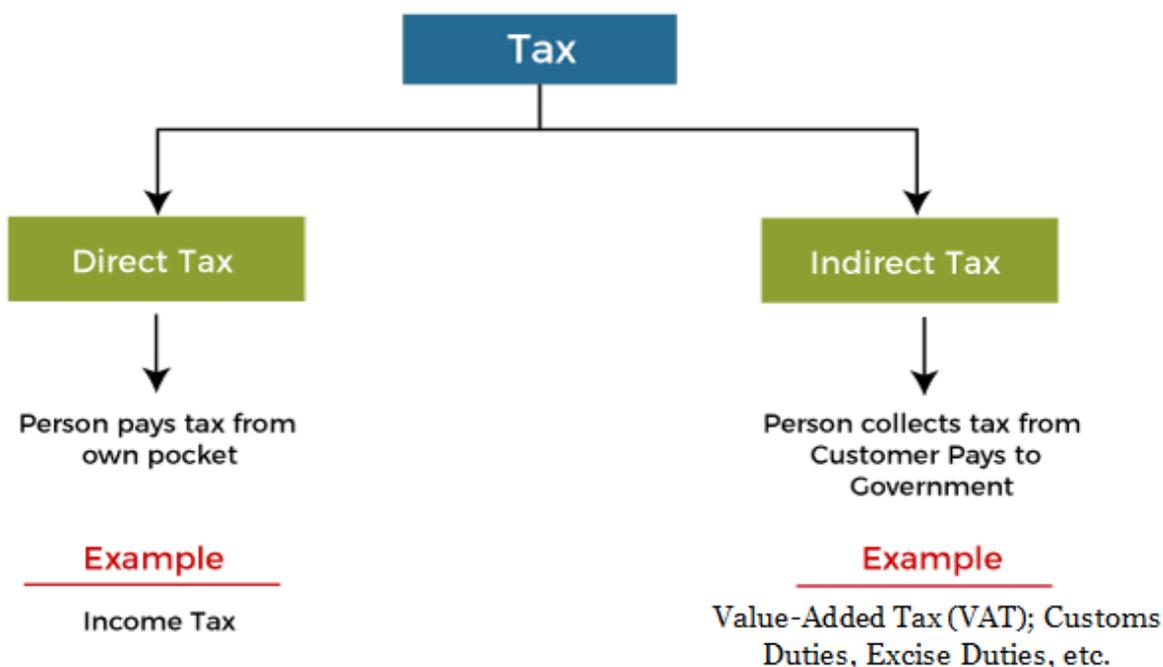
Principles of a Good Tax System

The basic concepts which guide the policy makers in designing and implementing an equitable taxation regime include:

Principle	Description
Adequacy	Taxes should be just enough to generate revenue required for provision of essential public services.
Broad-Basing	Taxes should be spread over as wide as possible section of the population, or sectors of economy, to minimize the individual tax burden.
Convenience	Taxes should be enforced in a manner that facilitates voluntary compliance to the maximum extent possible.
Efficiency	Tax collection efforts should not cost an inordinately high percentage of tax revenues.
Equity	Taxation should be governed by people's ability to pay, that is, wealthier individuals or firms with greater incomes should pay more

Principle	Description
	in tax while those with lower incomes should pay comparatively less.
Neutrality	Taxes should not favour any one group or sector over another, and should not be designed to interfere with or influence individual decisions-making.
Predictability	Collection of taxes should reinforce their inevitability and regularity.
Simplicity	The system should be simple so that a maximum number of persons can understand and comply with the tax laws.

Direct and Indirect Taxes



A **direct tax** is referred to as a tax levied on person's income and wealth and is paid directly to the government, the burden of such tax cannot be shifted. The tax is progressive in nature i.e. it increases with an increase in the income or wealth and vice versa. It levies according to the paying capacity of the person, i.e. the tax is collected more from the rich and less from the poor people. There are several types of Direct Taxes, such as:

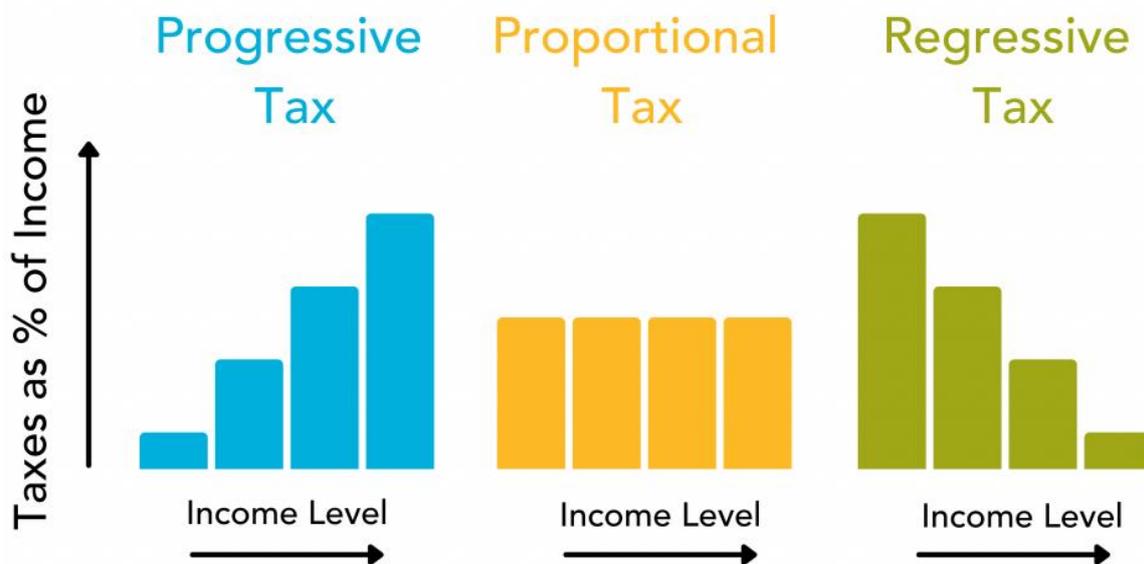
- Income Tax
- Wealth Tax
- Property Tax
- Corporate Tax

Indirect Tax is referred to as a tax charged on a person who consumes the goods and services and is paid indirectly to the government. The burden of tax can be easily shifted to

another person. It is levied on every person equally whether he is rich or poor. There are several types of Indirect Taxes, such as:

- Sales Tax
- VAT (Value Added Tax)
- Excise Duty
- Custom Duty

Taxation Structure



Progressive Tax – A progressive tax is a tax that takes a larger percentage from high-income earners than it does from low-income individuals. Progressive tax systems reduce tax burdens on people who can least afford to pay them, and leave more money in their pockets. Progressive tax systems also have the ability to collect more taxes, as tax rates are indexed to increase as income climbs.

Regressive Tax – which is the opposite of a progressive tax – takes a larger percentage of income from low-wage earners than it does from high-wage earners. Sales tax is an example of a regressive tax because if two individuals buy the same amount of goods or services, the sales tax constitutes a higher percentage of the lower-earning individual's wages and a lower percentage of the higher-earning individual's wages.

Proportional Tax – Unlike progressive and regressive tax systems, a proportional tax system (or flat tax system) does not impose different tax rates on people with different income levels. Instead, proportional taxation imposes the same percentage tax on everyone regardless of income. For example, if everyone is taxed at 10%, regardless of income, this is a proportional tax.

3.5. Classroom activity

Different types of taxes are listed below. Ask the students to specify whether these taxes are direct or indirect.

S/N	Types of Tax	Direct (D) or Indirect (I)
1	Corporate Tax	<i>D</i>
2	Personal Income Tax	<i>D</i>
3	Value-Added Tax (VAT)	<i>I</i>
4	Customs Duties	<i>I</i>
5	Excise Duties	<i>I</i>
6	Gambling taxes	<i>I</i>
7	Advertising Structure Fee	<i>I</i>

3.6. Key Points

- A good tax system should be efficient, understandable and equitable. It should also allocate the costs of public services to those who use it, although that principle is hard to execute in practice.
- A direct tax is assessed on a person's income. Indirect taxes are assessed on an individual's participation in certain activities, such as making a purchase.
- The three types of tax systems are proportional, progressive, and regressive.
- Taxes are the primary means for governments to raise funds for its programs and to pay off its debts. It can also be used to influence its citizens' financial behaviour. Choosing the right set of rules that have all of the elements of a good tax system can be a challenge for any government.

Did You Know?

The 18th-century economist and philosopher **Adam Smith** attempted to systematize the rules that should govern a rational system of taxation. In *The Wealth of Nations*, he set down **four general canons**:



- I. The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state....
- II. The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person....
- III. Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it....
- IV. Every tax ought to be so contrived as both to take out and keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state....

Topic 4: Duties and Responsibilities of a Taxpayer

4.1. Purpose

To help students understand that they have basic responsibilities (and civic duties) as taxpayers.

4.2. Objectives

Students will be able to:

- Explain the system of voluntary compliance in respect to tax
- Describe taxpayer's responsibilities in relation to tax

4.3. Opening the topic

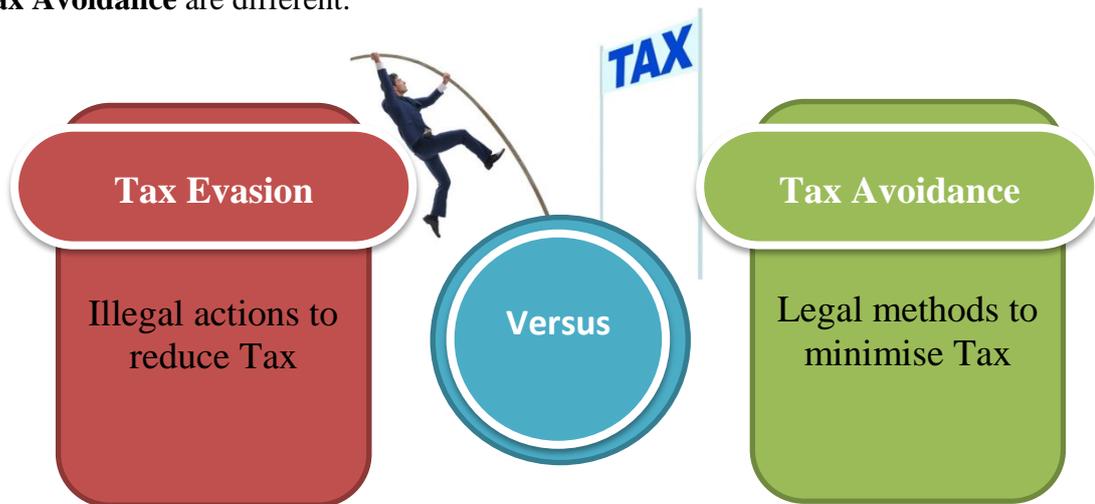
Ask students whether they know that their parents have to file an **income tax return** every year and to **declare all their incomes** and pay any tax, if any, on such incomes. Ask them who needs to file the income tax return (i.e.; father, mother, or both separately). Discussion should make it clear that everyone deriving income from employment, business or trade should file an income tax return every year.

4.4. Developing the topic

The Mauritian tax system is based on the concept of **voluntary compliance**. That is, taxpayers declare all their incomes voluntarily and in good faith to the revenue authority (i.e.; the MRA). Taxpayers also voluntarily comply by completing and submitting within the prescribed delay an income tax return by providing complete, accurate and correct information.

Help students realize that under the system of voluntary compliance, it is the taxpayer's responsibility to declare in fairness and honestly all their incomes. Unless each taxpayer declares and pays his or her fair share of tax, the government will suffer and honest taxpayer will have to pay more.

What if the taxpayers do not voluntarily comply? This is known as **Tax Evasion**. Tax evasion and **Tax Avoidance** are different.



Tax evasion is the illegal act of not reporting income, underreporting of income, or providing information which is false, misleading and inaccurate to the tax authority (i.e.; the MRA). One way that people try to evade paying taxes is by failing to report all or some of their incomes. Sometimes people do not report income gained through illegal activities such as drug trafficking. Other people do not report all the cash-in-hand monies they earn through legal activities such as direct sales, tuition fees, restaurants, street vendors, etc.

Tax avoidance (or Tax Planning), on the other hand, is the (legal) practice where an individual makes use of all the possible deductions, exemptions and relief allowable under the law in such a manner to avoid (or minimise) paying tax to the government.

To explain the difference between Tax Evasion and Tax Avoidance, let us use a scenario as an example.

Suppose Mr Avare wants to find a way to reduce the income taxes that he is obliged to pay to the Government. He has two strategies to choose: Tax Evasion or Tax Avoidance.

TAX EVASION



By taking this illegal option, Mr Avare wants to intentionally avoid paying taxes altogether. He only reports a portion of his gross income and intentionally not disclosing any other sources of income. He may also fail to report other assets which are generating additional income to him.

TAX AVOIDANCE



By taking this legal path, Mr Avare may focus on tax deductions and tax credits being provided under the law. For example, he may claim deductions for his dependent children, relief on medical schemes, donations to charitable institutions, etc. Those are categorized as deductions, and all done before taxes.

Mr Avare may feel himself “**safe**” as long as he is not caught. Unfortunately for Mr Avare, the Government is getting smarter in detecting his wrongdoings – which exposes Mr Avare to heavy fines, penalties, even criminal charges.

From the scenario above, it is obvious that tax avoidance is better than tax evasion, and it is the best route for you to take too.

4.5. Classroom activity

Ask students: Why is it important to voluntarily comply and pay the right and fair share of taxes?

Students should be allowed to voice their opinions freely.

Try to build a consensus that when people do not pay their fair share of taxes, the government will have no other option than to delay important projects (e.g.; construction of dams, hospitals, schools, roads, houses for the needy, etc...) and also borrow money (from abroad – IMF, World Bank, etc..) to finance essential services such as education,

healthcare, police, disability benefits, etc. By not paying the right and fair amount of taxes, the future prospect of the country is heavily compromised.

4.6. Concluding the topic

Ask students how they now feel differently about voluntary compliance and tax evasion?
What could be done to help people pay the right amount of tax?

Answers may include: keeping proper records, planning ahead, understanding tax laws and due dates, knowing more about tax exemptions, deductions, adjustments and credits, etc...

Also, the importance of claiming a receipt for each transaction, e.g., purchase effected at any store, visit at the dentist, doctor, etc...

4.7. Key Terms

- **Tax evasion** – A failure to pay or a deliberate underpayment of taxes.
- **Tax avoidance** – Using the legal ways to reduce tax liabilities.
- The difference between tax avoidance and tax evasion is the thickness of a prison wall (Denis Healey).
- **Voluntary compliance** – A system of compliance that relies on individual citizens to report their income freely and voluntarily, calculate their tax liability correctly, file a tax return on time and providing information which are true, fair and accurate.



- Failure to pay legally owed taxes can result in fines or imprisonment for tax fraud or tax evasion.
- Al Capone, a man remembered as one of the most notorious criminals of the twentieth century, was imprisoned for tax evasion in June, 1930.
- Spiro Agnew, the thirty-ninth vice president (1969–1973) of the United States of America, resigned from office after being fined for tax evasion.
- Be smart: Pay all taxes owed to the government!

Topic 5: The Tax Authority in Mauritius

5.1. Purpose

To help students understand which authority has the responsibility to collect taxes in Mauritius.

5.2. Objectives

Students will be able to:

- Identify the authority responsible for the collection of taxes and management of revenue laws
- Know the main roles and functions of the Mauritius Revenue Authority (MRA)

5.3. Opening the topic

Ask the students whether they know which organisation is mainly responsible for the collections of taxes and management of revenue laws in Mauritius.

Ask the students whether they are aware when and where their parents have to file an income tax return every year.

5.4. Developing the topic

The Mauritius Revenue Authority (MRA) is an Agent of the Mauritian Government and operates under the aegis of the Ministry of Finance Economic Planning and Development. The MRA is responsible for the collection of taxes and duties and the management and enforcement of revenue laws.

The MRA became operational on 1 July 2006 by taking up the erstwhile Income Tax, VAT, Customs & Excise and Large Taxpayer Departments under a single and integrated entity.

The fiscal year runs from 1st July to 30th June. Therefore, by the end of 30th September the taxpayer has to file his/her income tax return electronically and effect payment, if any.

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

In 2017, the Government entrusted the MRA with additional responsibility where the MRA started providing **financial assistance** to the population with the introduction of the **negative income tax**.

In the wake of the COVID-19 pandemic and its consequences on the economy, the Government introduced a series of financial assistance to counter the effects of the pandemic on the population and to sustain the economy against the negative effects of the global economic downturn and rising inflation. All these financial assistance and incentives are being provided by the MRA.

The major taxes, duties and levies collected by the MRA, as well as the financial assistance and incentives schemes being administered by the MRA are listed in the following table:-

Direct & Indirect Taxes



- Corporate Tax
- Personal Income Tax
- Tax Deduction at Source
- Value-Added Tax
- Customs Duties
- Excise Duties
- Taxes on Gambling
- Passenger Fees
- Passenger Solidarity Fees
- Environment Protection Fees
- Advertising Structure Fee
- Special Levy on Banks
- Special Levy on Telecommunication

Contributions & Agency Taxes



- Contribution Sociale Généralisée (CSG)
- National Savings Fund (NSF)
- Portable Retirement Gratuity Fund (PRGF)
- Training Levy
- National CSR Foundation
- Lotto Fund
- Responsible Gambling and Capacity Building Fund Levy
- Contributions to Mauritius Sugar Syndicate
- Coordinated Border Management Fees
- Contribution to Road Development Authority
- Contribution to Rodrigues Transportation & Storage
- Fees & charges from other agencies

Assistance to the vulnerable



- Negative Income Tax Allowances
- Special Allowances
- Social Contribution (CSG) Income Allowance
- CSG Child Allowance
- CSG School Allowance
- Pregnancy Care Allowance
- Maternity Allowance
- Independence Allowance
- Housing Loan Relief Scheme
- Payment of Subsidy on Scheduled breads to Bakeries
- Financial Assistance to Employers : Payment of National Minimum Wage and Salary Compensation 2024
- Financial Support to Employers: Payment of Wage Relativity Adjustment
- Equal Chance Allowance
- Free Monthly Mobile Data Package for youth aged 18 to 25 Years
- Prime à L'Emploi Scheme
- VAT refund on Residential Building/Apartment or House
- VAT refund to Small Planters/Farmers/Fishermen
- Financial support to business operators following increase in price of "Diesel"
- Financial Assistance to Households : Power cuts for 12 consecutive hours during the passage of Cyclone "Belal"
- Damaged Road Assistance Scheme

5.5. Classroom activity

Ask students:

Browse the MRA's website to see the mission, vision, roles, objectives and achievements of the organisation through this link: www.mra.mu



5.6. Concluding the topic

Ask students if they are aware that their parents may file their income tax returns electronically and effect payment online without the need to physically come at the MRA's Head Office in Port Louis?

Did You Know?

Mr Sudhamo Lal G.O.S.K, C.S.K, is the Director-General of the MRA since 2005. He has several years of successful experience in providing fiscal, strategic and operational leadership in revenue agencies. He has led a complete organisational transformation, with the merging of four revenue departments into an integrated revenue administration. He continually and successfully strived to implement the tax reform program and has instilled a high performance culture at the MRA through a new Human Resources Framework based on performance and efficiency, along with a flattening of the organisational structure.

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 March 2018, Mr Lal was elevated to the rank of **Commander of the Order of the Star and Key of the Indian Ocean (CSK)** and in March 2024 he was elevated to the rank of **Grand Officer of the Order of the Star and Key of the Indian Ocean (GOSK)** in recognition of his contribution in the administration and collection of taxes.



Topic 6: Customs – its Role, Functions and Importance

6.1. Purpose

To help students understand what are the main roles, functions and importance of “Customs” in Mauritius.

6.2. Objectives

Students will be able to:

- Know the main roles and functions of Customs;
- Distinguish between “prohibited” and “restricted” goods;
- Know the main types of duties and taxes collected by Customs.

6.3. Opening the topic

Ask the students whether they know who are mainly responsible for the control imposed on the movement of goods and people at our airport and port in Mauritius.

Ask the students whether they are aware that all those beautiful vehicles they see on our roads, the fuel that are required to run our factories, the products that are displayed in stores and almost all the goods that they consume daily are imported from abroad. All these “imported” goods have to be properly checked, verified and cleared before finding their way into our local market.

6.4. Developing the topic

All countries around the world have a “Customs” service or a “Border” control agency, where their officers are posted at the ports, airports and borders to ensure that:-

- Incoming (or outgoing) people do not bring things which are **prohibited** (e.g. drugs, arms, ammunitions, counterfeits, etc.);
- **Restricted** or **controlled** goods (i.e., goods which needs a proper permit) are properly monitored (both at imports and exports); and ,
- The right amount of **duties and taxes** have been paid on (dutiable) goods.

There are also Customs Officers who are posted inland; such as, at a parcel post office, to examine letters, couriers and parcels to make sure that nothing illegal is being brought into the country.

6.5. The main types of duties and taxes collected by Customs

Customs normally collect revenues in terms of different types of duties and taxes being imposed on imported/exported goods at the borders. However, there are different terminologies which are being used, such as, import duty, excise duty, etc. and these are often mixed up with one another. Therefore, it is really important to get the definitions right.

(a) Customs Duty

Customs Duty (often called import duty or Tariff) is levied on imported goods when they are **transported across international borders**. In simple terms, the government uses this duty to raise revenues, safeguard domestic industries, and regulate movement of goods.

(b) Excise Duty

Excise Duty is imposed **on goods produced domestically**, primarily at the manufacturing stage. Excise Duty is collected during manufacturing or production and may have regulatory objectives.



Customs Duty v/s Excise Duty

By definition, **Custom Duty** is levied on goods imported into a country, while **Excise Duty** is imposed on goods produced domestically. However, with time this distinction has been blurred. **Excise Duty is also applicable on imported goods**, such as, Tobacco Products, Alcoholic Beverages, Petroleum Products, Motor Vehicles, Plastics Products, Cans, Insecticides, Pesticides, Energy-inefficient domestic household appliances, etc.

(c) Anti-dumping duty

This is imposed to counter the unfair practice of selling goods below their fair market value in the exporting country.

(d) Countervailing Duty

It aims to counter subsidies in the exporting country and is typically a percentage of the product's value.

(e) Sin taxes

These are a form of excise tax on goods that have a high social cost, such as alcohol and tobacco.

6.6. The traditional functions of Customs

The traditional functions of Customs may be summarised as follows:-



(a) Border Protection

Each country has its own laws and regulations regarding the import and export of goods into its territory, as well as the movement of people across its borders. Therefore, it is the fundamental role of Customs – as guardians at the borders – to ensure that movement of people and goods across borders are being done in full conformity of all the laws and regulations.

In Mauritius, for instance, one of the major roles and objectives of the MRA Customs Department is the safekeeping of our borders from illicit entry of narcotics, drugs and counterfeited products.



(b) Trade Facilitation

Another objective of Customs is trade facilitation, which means the streamlining of processing of import and export of goods to reduce transactional and operational costs of business. Trade facilitation covers formalities, procedures, documents and operations related to international trade transactions, where the aim is to reduce the complexities and costs associated with cumbersome border procedures and controls, while maintaining efficient compliance controls.

Customs officers also work closely with other agencies at the borders (forming part the supply chain), such as port/airport personnel, shipping agents, Clearing & Forwarding Agents, Ministries, Police Officers, Immigration Officers, etc. so that clearance of people and merchandise are conducted in the most efficient and hassle-free manner. To that end, Customs make use of non-intrusive technology (e.g. container x-ray scanners, post-control audits, risk management, sniffer dogs, drug kits, etc.) to facilitate trade while at the same time reinforces security.

(c) Revenue collection

Revenue collection has remained the traditional function of Customs over the years. In many countries, this role of Customs is considered as a very important one. In fact, Customs do assess and collect duties (i.e., **Tariff**) on the importation or, at times, exportation of goods.

The **Tariff** can be described as a tax imposed by one country on the goods imported from another country in order to:-

- (i) To raise revenues;
- (ii) To protect domestic industries;
- (iii) To protect domestic consumers; and,
- (iv) To protect national interests.

6.7. The difference between prohibited and restricted goods

Prohibited Goods

Prohibited goods are those goods for which importation and exportation have been completely **banned** for reasons linked to health, environment, protection of endangered species of flora and fauna, security, legislation etc. These goods, if found in possession of a person, may be forfeited by Customs and the person liable to penalty. The most common prohibited goods are:-

- Dangerous Drugs & Narcotics
- Endangered species (Plants and Animals)
- Counterfeited products
- “Roll your own cigarettes” papers
- E-cigarettes
- Underwater fishing guns
- Bull Bars
- Fire crackers known as “*Pétards rapés*”
- Kerosene stoves known as “*lampes vertes*”
- Ivory and Tortoise Shell
- Toy motor-cyclists' helmets
- Toy pistols and guns with projectiles
- Toy known as "Yoyo water ball"
- Fishing hook of small size
- Incandescent lamps of 75 watts and above
- Items containing CFC's and HCFC's
- Laser penlights/torches
- White phosphorous matches
- Publications & goods of obscene character (i.e., child pornography, bestiality, sexual violence, etc.)

Restricted/Controlled Goods

Restricted/Controlled goods may be imported/exported provided the importer/exporter has the necessary authorization/permits. For example, foodstuffs will require the proper permits from Health and or Agricultural Authorities. Plants and plant products require clearance from the Ministry of Agro Industry and Food Security. Weights and balances require authorisation from the Legal Metrology Services and pharmaceutical products from the Government Pharmacist. It must be noted that, in case the authorities refuse to approve the application for a permit due to various reasons such as health, phyto-sanitary or security hazards, the imported goods would be liable to seizure. The most common Restricted/Controlled goods are:-

- Food Products
- Pharmaceuticals products
- Weapons & firearms
- Petroleum Products
- Firecrackers
- Second-hand motor vehicles
- Cement
- Rough diamonds
- Gold
- Weighing machinery (trade use)
- Textiles and textile-articles for export to USA & Canada



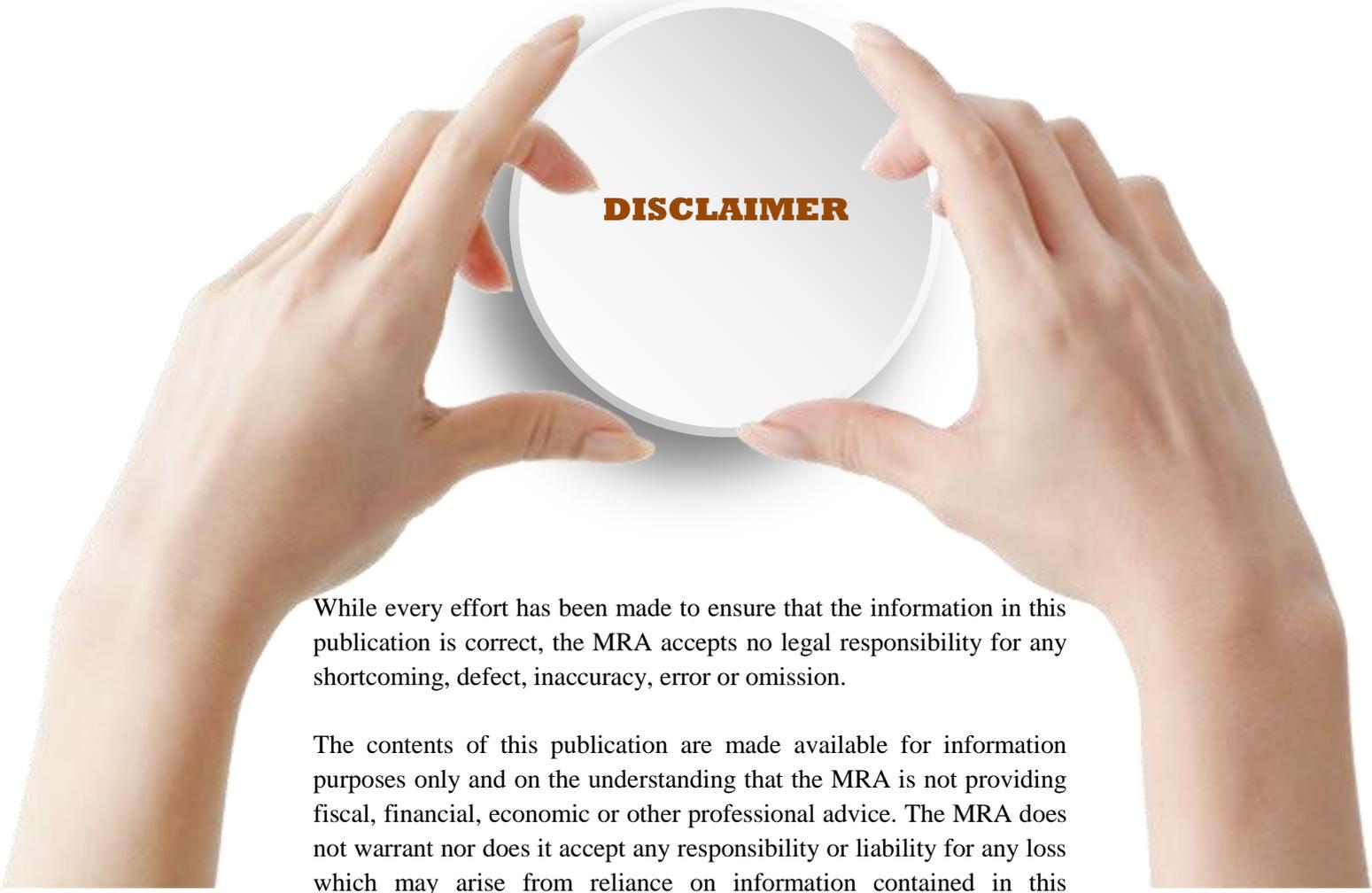
Did You Know?

- Evidence of Customs activity has been excavated all over the world, from the ports of Ancient Greece to the Great Wall of China.
- Taxes on traded commodities were in existence well before industrialization. The practice of taxing commerce is almost as old as commerce itself.
- The word “**Tariff**” originated from old Spanish coast town of Tarifa, 21 miles from Gibraltar, which received its name in the Arab who are said to name it after “Tariff Iban Malik”.
- The first written **Customs Tariff** was developed in **Palmyra** (present day Syria) – dating to the 2nd century CE – and was engraved in limestone (it is now in the Hermitage Museum in Saint Petersburg).



The Palmyra Tariff in the Hermitage Museum in Saint Petersburg

- The **Palmyra Tariff inscription** outlined the tariffs and duties imposed on a range of goods and commodities passing through Palmyra such as camels, slaves, fleece, and aromatic oils. The inscription also enumerated the names of officials responsible for overseeing trade matters.
- Ancient Rome introduced professional Customs offices and officers.
- At the dawn of the industrial age, the role of Customs intensified when nations promoted exporting as a powerful tool for national wealth.



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