REPUBLIC OF MAURITIUS

MINISTRY OF FINANCE

REPORT

OF

THE REVENUE AUTHORITY

For the year ended 30 June 2002

No. 2 of 2003

Revenue Authority
Ministry of Finance
Port Louis

13 December, 2002

The Hon. Paul Raymond Bérenger
Deputy Prime Minister & Minister of Finance

I have the honour to submit the Report of the Revenue Authority for the year ended 30 June 2002.

(A. H. NAKHUDA)
Chairman

REPORT OF THE REVENUE AUTHORITY

for the year ended 30 June 2002

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1. THE REVENUE AUTHORITY

The Revenue Authority

1.1 The Revenue Authority was established on 1 July 1999 as an authority under the Ministry of Finance by amendments brought to the Unified Revenue Act 1983. It replaces the Unified Revenue Board. Under the Act, the Authority has the responsibility to oversee, coordinate, monitor and supervise the activities of the revenue departments and to ensure a fair, efficient and effective administration of the taxes and duties imposed by the revenue Acts.

1.2 The Authority is responsible for the overall supervision of the administration of the following Acts:-

The Customs Act 1988

The Customs Tariff Act

The Excise Act 1994

The Value Added Tax Act 1998

The Income Tax Act 1995

The Unified Revenue Act 1983 in so far as it relates to the Large Taxpayer Department

The Registration Duty Act

The Land (Duties and Taxes) Act 1984

The Transcription and Mortgages Act

The Gaming Act 1973

The Board of the Revenue Authority

1.3 The Revenue Authority is administered and managed by a Board. The Act provides that the Board shall consist of:-

A Chairperson who shall be a public officer designated by the Minister
The Director-General who shall be the Vice-Chairperson
The Revenue Commissioners
The Registrar-General
The Accountant-General
Not more than two other public officers designated by the Minister.

1.4 As at 30 June 2002, the Board of the Revenue Authority was composed of:-

Chairman

Mr. L. P. Ong Seng[1]	Financial Secretary

Vice-Chairman

Mr. N. Seenuth	Director-General

Members

Mr. S. Gunnoo[2]	Comptroller of Customs
Mr. M. Mosafeer	Commissioner of Income Tax
Mrs. C. Gunnoo	Acting Commissioner for Value Added Tax
Mr. M. Hannelas[3]	Commissioner, Large Taxpayer Department
Miss J. Jata	Registrar-General
Mr. J. Valaythen	Accountant-General
Mr. D. Dabee	Solicitor-General

Secretary

Mrs S. D. Jugmohun	Secretary, Revenue Authority

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1 Mr. L. P. Ong Seng retired and Mr. A. H. Nakhuda took over as Chairman of the Board on 16 October 2002.

2 Mr. S. Gunnoo retired and Mr. B. Cunningham assumed duty as Comptroller of Customs on 22 October 2002.

3 Mr. M. Hannelas, Deputy Commissioner of Income Tax, has been assigned the duties of the Commissioner, Large Taxpayer Department with effect from 15 August 2001.

Functions of the Revenue Authority

1.5 In addition to its functions of coordinating, monitoring and supervising the activities of the revenue departments and ensuring an efficient administration of the revenue Acts, the Revenue Authority is responsible for:-

- overseeing and monitoring the setting of objectives and work targets by the revenue departments;
- taking such measures as may be necessary to promote voluntary compliance with the revenue Acts and to improve the standard of service to the public with a view to promoting fairness and transparency, increasing the efficiency of the revenue departments and maximising revenue collection;
- determining the steps to be taken to combat fraud and other forms of fiscal evasion;
- promoting the training of officers of the revenue departments;
- taking such steps as may be necessary for the compounding of offences under the revenue Acts with the concurrence of the Board; and
- advising the minister on any matter relating to fiscal policy and relevant organs of the State on any matter relating to the revenue Acts and administration.

Revenue Authority Secretariat

1.6 The Secretariat of the Revenue Authority assists the Board in the formulation and execution of its policy. It services the Board's meetings, facilitates exchange of information amongst revenue departments and assists in the implementation of the Board's decisions. During the year 2001/02, 20 board meetings were held.

1.7 The Secretariat is also involved in the negotiations and the processing of double taxation avoidance treaties and ensures that the legal and diplomatic requirements for their signature, ratification and coming into operation are duly met.

Staffing

1.8 As at 30 June 2002, 20 officers including 8 supporting staff were employed by the Revenue Authority. Eleven of these were posted to the Fiscal Investigations Unit, 5 to the Tax Training School and 4 were working in the Secretariat.

Taxes and Duties under the overall administration of the Board

1.9 As at 30 June 2002, taxes and duties falling under the overall supervision of the Board were:-

Taxes and Duties	Head Responsible
• Customs Duty • Excise Duty	Comptroller of Customs
• Value Added Tax • Tax on gaming • Tax on betting • Tax on lotteries • Gaming licences	Commissioner for Value Added Tax
• Income Tax	Commissioner of Income Tax
• Value Added Tax • Income Tax	Commissioner, Large Taxpayer
• Registration duties • Mortgage fees • Land Transfer Tax • Capital Gains (Morcellement) Tax • Stamp Duty • Campement Site Tax • Tax on transfer of leasehold rights in State land	Registrar-General

Revenue from Taxes and Duties

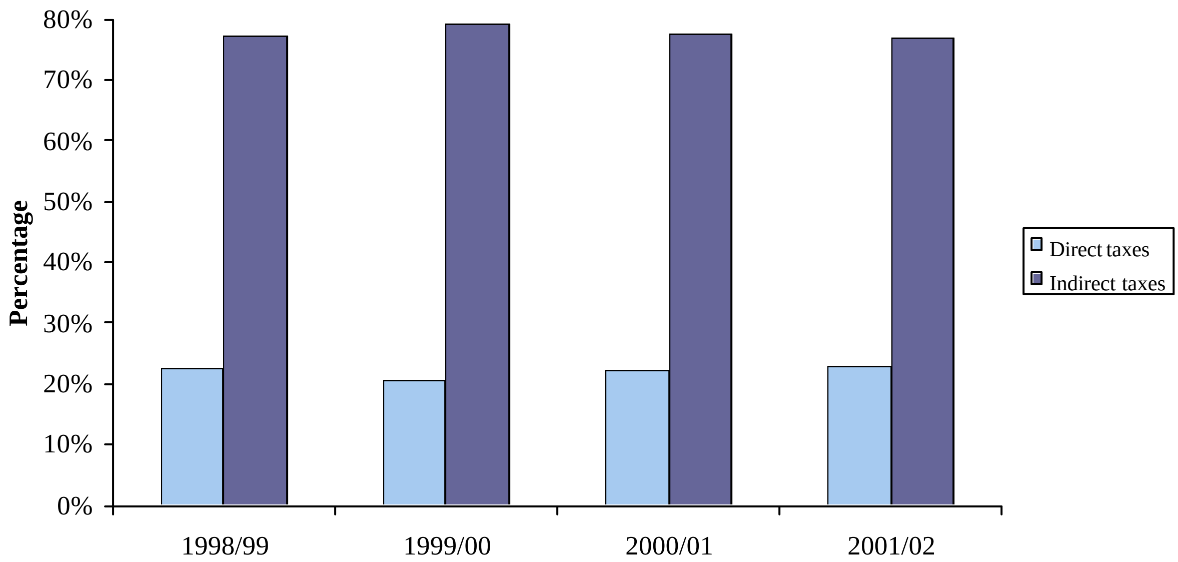
1.10 Total revenue from taxes and duties falling under the overall administration of the Board amounted to Rs. 20,805.8 million. This represented 96.8 per cent of the total direct and indirect taxes raised by central government during the year. Table 1.1 and Figure 1.1 show the evolution in revenue collection from 1998/99 to 2001/02.

Table 1.1: Revenue from taxes and duties 1998/99 to 2001/02 *Rs. million*

	1998/99	1999/00	2000/01	2001/02
Customs and Excise Department	7,748.0	9,094.7	8,456.1	8,201.8
VAT Department	5,626.9	6,527.8	6,687.3	7,823.3*
Indirect taxes	***13,374.9***	***15,622.5***	***15,143.4***	***16,025.1***
Income Tax Department	2,699.8	2,880.6	3,039.1	3,493.9*
Registrar-General's Department	1,208.8	1,199.9	1,309.6	1,286.8
Direct taxes	***3,908.6***	***4,080.5***	***4,348.7***	***4,780.7***
Total	**17,283.5**	**19,703.0**	**19,492.1**	**20,805.8**

* The amounts include revenue collected by the Large Taxpayer Department.

Figure 1.1: Revenue from taxes and duties, 1998/99 to 2001/02



Operating costs of revenue departments and the Revenue Authority

1.11 In 2001/02, the operating costs of revenue departments and the Revenue Authority combined were Rs. 301.6 million. This represented 1.0 per cent of the total receipts from duties and taxes as against 1.4 per cent for the previous year. The main areas of expenditure were staff costs (salaries, allowances, travelling and transport) which represented 81.9 per cent of the amount spent. Table 1.2 shows the operating expenditure by revenue departments for the years 2000/01 and 2001/02.

Table 1.2: Expenditure by revenue departments, 2000/01 and 2001/02

Rs million

	2000/01	**2001/02**
Customs & Excise Department	152.7	158.9
VAT Department	28.8	32.9
Income Tax Department	75.7	80.7
Registrar-General's Department	18.0	21.5
Large Taxpayer Department *	-	0.8
Revenue Authority	6.7	6.8
Total	281.9	301.6

* The Large Taxpayer Department became operational on 1 January 2002

Legislative changes brought during the year

1.12 The main changes brought by legislation during the year are summarised as follows:–

Customs and Excise Duties

- removal of customs duties on tools with working parts of plastics, boat or dock fenders, tools with working parts of rubber, textile wicks, ships' or boats' propellers and blades thereof, parts and accessories for catalytic converters, oral contraceptives, sheath contraceptives, baby carriages and thereof;
- lowering of duties on photographic papers, films, papers, paperboard and textiles, exposed but not developed, equipment for scaffolding, shuttering, propping or pit propping, cigarette paper for use on cigarette manufacturing machines, gloves, mittens and mitts, footwear (excluding sport shoes) with outer soles and uppers of rubber or plastics, leather or composition leather and uppers of textile materials, endless bands for machinery of stainless steel, steel fibres for strengthening flooring of cement, handset for shower bath, boosters, golf cars, vehicles of a type used for karting, chassis fitted with engine for buses, lorries and ambulances, specialized bathing chairs and high chairs for baby and roundabouts (carrousels);and
- replacement of ad valorem duties by specific duties on footwear (other than sport shoes), imported wine, vermouth, cognac, brandy, whiskies and other fermented beverages, mogas (essence), gas oil (diesel) and fuel oil.

Value Added Tax

- increase in the rate of VAT from 12 per cent to 15 per cent with effect from 1 July 2002;
- removal of the VAT threshold for registration purposes in respect of 22 categories of businesses and professionals;
- removal from the list of exempt supplies of certain services provided by banks, holders of an offshore management licence and insurance agents;
- exemption of interest on loans extended by entities to each other within the same group;

- provision for the levying of VAT on cigarettes and petroleum products on the retail price but collectible at the wholesale level;
- provision to clarify the VAT rate applicable for supplies made before, after or during a period spanning a change in rate;
- provision for the non-payment of VAT upon the cancellation of registration on assets of a business for which no input tax was allowed;
- provision to allow non-issue of a receipt, invoice or a VAT invoice on the supply of services by companies holding a Category 1 Banking Licence and a Category 2 Banking Licence under the Banking Act;
- provision not to allow credit for input tax on goods and services used by banks, or services provided by banks, holding a Category 1 Banking Licence under the Banking Act;
- provision for the exclusion of the value of capital goods from the value of taxable supplies in determining the proportion of the value of taxable supplies to total turnover for the purpose of credit for input tax; and
- provision for restriction of zero-rating on services supplied by holders of a management licence under the Financial services Development Act 2001 to corporations holding a Category 1 Global Business Licence or a Category 2 Global Business Licence.

Gaming and Betting Taxes

- reduction in the rate of duty payable by pool promoters to 15 per cent;
- reduction in the rate of tax payable on winnings on any bet made with local pool promoters to 2 per cent;
- increase in the rate of duty payable by agents of a foreign pool promoter to 15 per cent; and
- provision for the deposit made by a bookmaker operating at any other place other than where the race is held to be the same as that made by those operating within the stand.

Income Tax

- increase in the basic personal deduction from Rs 70,000 to Rs 75,000;
- increase in deduction for dependent spouse from Rs 55,000 to Rs 60,000;
- increase in deduction for dependent child from Rs 23,000 to Rs 25,000;
- limit in emoluments relief increased from Rs 100,000 to Rs 125,000;
- limit in retirement pension relief increased from Rs 65,000 to Rs 75,000;
- limit in interest relief increased from Rs 100,000 to Rs 125,000 for each spouse and from Rs 200,000 to Rs 250,000 for a couple;
- provision to allow both spouses to claim child allowance provided they do not claim an allowance in respect of the same child and for more than three children in the aggregate;
- increase in deduction in respect of medical expenses incurred in a health institution from 50 per cent to 75 per cent of the expenses;
- new relief introduced in respect of contribution made to provide for ambulance services;
- the term “tutor” defined;
- introduction of new provisions for the taxation of companies operating in the freeport zone;
- provision for additional investment allowance of 25 per cent on capital expenditure incurred by manufacturing companies to be extended to 2 more years up to 30 June 2004. The same incentive has also been made available to ICT companies;
- penalty for late submission of Current Payment System (CPS) statement limited to Rs 50,000;
- penalty for late payment of tax limited to 100 per cent of the amount of tax excluding any penalty;
- issue of automatic tax claims to non-filers;

- time limit to require a person to furnish information and to produce books and records for examination of a return to be 4 years of assessment following the year of assessment in which the return is submitted;
- time limit of 4 years for making an assessment applicable as from the year of assessment in which a return is submitted;
- obligation for a taxpayer to pay 30 per cent of income tax claimed as per notice of assessment when lodging an objection; and
- introduction of provisions to enable the temporary closing down of a business for non-payment of income tax as assessed.

Registration Duty

- provision for a deed of acquisition by a non-citizen of shares in a company or a share in a partnership or société or any other body corporate, which reckons amongst its assets any freehold or leasehold immovable property in Mauritius directly or through a subsidiary to contain a declaration as to the nationality of the purchaser together with a certified copy of the certificate under the Non-Citizens (Property Restriction) Act authorising him to purchase such share;
- provision for a deed of transfer to, or by, a company holding an investment certificate in respect of a project under the Integrated Resort Scheme prescribed under the Investment Promotion Act to contain a certified copy of the investment certificate;
- provision for levying of registration duty at the rate of 12 per cent on a notarial deed witnessing the transfer of an immovable property following the “vente à terme” under Article 1601-2, or by way of a “vente en l’état futur d’achèvement” under Article 1601-3, of the Code Civil Mauricien except where the transfer is made under the Integrated Resort Scheme prescribed under the Investment Promotion Act;

- provision for a document witnessing a “contrat preliminaire” under Article 1601-38 or a “vente à terme” under Article 1601-2, of the Code Civil Mauricien and any deed witnessing the purchase of an immovable property under condition precedent (clause suspensive) from a company holding an investment certificate in respect of a project under the Integrated Resort Scheme prescribed under the Investment Promotion Act to be registered at a fixed duty of Rs. 50;
- exemption from payment of registration duty on a deed witnessing the purchase of land by a company holding an investment certificate in respect of a project under the Integrated Resort Scheme prescribed under the Investment Promotion Act;
- provision for a deed witnessing the purchase of an immovable property from a company holding an investment certificate in respect of a project under the Integrated Resort Scheme prescribed under the Investment Promotion Act to attract registration duty amounting to 70,000 US dollars or the equivalent in Mauritius Currency, in the case of a citizen of Mauritius;
- exemption from payment of registration duty on any instrument witnessing the distribution of a property of a trust by a trustee under the terms of a trust to any beneficiary who is a heir or successor of the settlor; and
- exemption from registration of documents witnessing a transfer of shares to, or by, an equity fund approved by the Financial Services Commission established under the Financial Services Development Act 2001.

Land Transfer Tax and Capital Gains (Morcellement) Tax

- exemption from payment of land transfer tax on a transfer made to a company holding an investment certificate in respect of a project under the Integrated Resort Scheme prescribed under the Investment Promotion Act;
- provision for levying of land transfer tax or capital gains (morcellement) tax on transfer of an immovable property by way of "constatation par acte authentique de l'achèvement de l'immeuble" referred to in Article 1601-2 or by way of a "vente en l'etat futur d'achèvement" under Article 1601-3 of the Code Civil Mauricien;
- provision for levying of land transfer tax at the rate of 5 per cent on transfer made by a company holding an investment certificate in respect of a project under the Integrated Resort Scheme prescribed under the Investment Promotion Act;
- exemption from payment of capital gains (morcellement) tax on a transfer made to, or by, a company holding an investment certificate in respect of a project under the Integrated Resort Scheme prescribed under the Investment Promotion Act;and
- inclusion of a settlor of a trust in the definition of "transferor".

Campement Site Tax

- Provision for payment of a surcharge of up to 50 per cent of the campement site tax where the tax is not paid within the due date.

Campement Tax

- Introduction of a new tax known as campement tax leviable at the rate of 0.5 per cent of the open market value on campements situated on a campement site except sole residences of the owner having an open market value of less than Rs. 5 million.

E-Filing of VAT and PAYE Returns

1.13 As part of the Contributions Network Project (CNP), a system of electronic filing of returns and electronic payment of VAT, PAYE and Corporate Tax has been introduced. Some 185 taxpayers have already joined the system. During the year, Rs. 1,354.8 million have been collected through the electronic payment system. The VAT Department, the Income Tax Department and the Large Taxpayer Department are pursuing their efforts to get other taxpayers to join the system.

1.14 The facilities for electronic payment under the CNP have been extended to payment of customs duties and taxes.

Fiscal Investigations

1.15 The Fiscal Investigations Unit of the Revenue Authority carried out investigations into 22 cases; 8 cases have been completed and claims amounting to Rs. 1.8 million issued. Investigation is continuing in 14 other cases.

1.16 The Customs Department carried out investigations into 321 cases of offences relating to wrong declaration, wrong classification, undervaluation, smuggling etc. The proceeds of compounded settlements in those cases amounted to Rs. 36.5 million. Customs also made 6 seizures of heroin involving 8,024.6 grams and 14 detections of cannabis involving 12,318 grams, 1 case of lysergic acid di-ethyl amide involving 30 doses and 7 cases of psychotropic substances involving 507 tablets. The estimated street value of the drugs seized amounted to Rs. 83.9 million.

1.17 The Investigations Unit of the VAT Department completed investigation into 32 cases and assessments amounting to Rs. 14.22 million were raised in 13 cases. At the Income Tax Department, investigation into 114 cases were completed and assessments totalling Rs 185.8 million in tax and penalties were raised.

1.18 In July 2001, a Fiscal Investigations Unit was set up at the Registrar-General's Department. The Unit verified some 2,700 deeds deposited for registration and transcription and in 165 cases, shortpayment of duties and taxes of a total amount of Rs. 3.7 million was detected.

Large Taxpayer Department

1.19 In November 1999, a Large Taxpayer Unit was set up within the Revenue Authority to carry out tax audits of VAT, PAYE and Income Tax. In July 2001, amendments were brought in the Finance Act to provide for the establishment of a separate department to administer and manage the Income Tax, PAYE and VAT of large taxpayers having an annual turnover exceeding Rs 200 million. The new department became operational on 1 January 2002 under the responsibility of a Commissioner.

Tax Training School

1.20 In line with its objective to improve the effectiveness of the staff of revenue departments and those involved in tax administration, the Tax Training School organised some 30 courses and seminars on various aspects of taxation as well as on management which were attended by some 745 officers. In order to plan the courses better, the School published its first prospectus in 2001. A second prospectus was published in July 2002. Details of courses and seminars organised and conducted by the Tax Training School during the year are given in Table 1.3.

Table 1.3: Courses organised by the Tax Training School in 2001/02

Course Title	No. of participants	Target Audience
Trainee Inspector of Taxes	13	Trainee Inspectors of Taxes
Tax Inspectors - advanced	15	Inspectors of Taxes
Transcription/Inscription procedures	18	Senior/Principal Registration Off.
Rules of origin	19	Customs & Excise Officers
Customs & Excise basic training	53	Customs & Excise Recruits
Induction for revenue recruits I	9	New recruits of revenue departments
Induction for revenue recruits II	18	New recruits of revenue departments
Basic training on VAT I	15	VAT recruits as Assistant Revenue Officer
Basic training on VAT II	14	VAT recruits as Assistant Revenue Officer
Mastering electronic cash registers	20	VAT & Income Tax Auditors
Goods examination techniques	11	Senior Customs & Excise Officers
VAT, PAYE & corporate tax	10	Officers of Large Taxpayer Dept
VAT audit seminar	21	Officers of VAT Dept.
Customs counter services	9	Customs & Excise Officers
Administrative writing skills	18	Customs & Excise Officers
Audit techniques & inventory mgt.	20	Customs & Excise Officers
Seminar: Contributions Network Project	30	Officers of all revenue depts. and of Ministry of Social Security

Refresher course for SCEO exams	102	Customs & Excise Officers
Induction for revenue recruits III	25	Recruits of revenue departments
Enforcement and recovery of debt	22	Officers of revenue depts. engaged in enforcement & recovery of debt.
Customs recruits refresher course	51	Newly appointed Customs & Excise Officers
Computerised auditing	26	Officers of VAT dept.
Seminar 1: Essentials of the Prevention of Corruption Act 2002	35	Top level officers of all revenue depts.
Seminar 2: Essentials of the Prevention of Corruption Act 2002	30	Middle level officers of all revenue depts.
Induction for Revenue recruits IV	20	New recruits of revenue depts.
Training for trainers	13	Officers of all revenue depts. interested in training
Management development programme	21	Middle level officers of revenue depts.
Seminar 3: Essentials of the Prevention of Corruption Act 2002	50	Middle level officers of all revenue depts.
International merchandise trade statistics	25	Customs & Excise Officers
Inscription erasure procedures	12	Officers of Registrar-General's Dept.
Total	**745**	

1.21 In addition to the above courses, the School organised jointly with external agencies the following 3 courses for some 80 participants.

Table 1.4: Courses organised jointly with external agencies in 2001/02

Course Title	No. of participants	Target Audience
CATA* Workshop On Tax Audit of Multinationals	20	Inspector of taxes & participants from foreign countries
Rules of origin and enforcement procedures under AGOA*	30	Customs & Excise Officers
Commercial fraud enforcement techniques	30	Customs & Excise Officers
Total	**80**	

* CATA – Commonwealth Association of Tax Administrators

* AGOA – Africa Growth and Opportunity Act

Appeals to Tax Appeal Tribunal

1.22 Decisions of the Revenue Commissioners and the Registrar-General are subject to review on appeals being made to the Tax Appeal Tribunal established under the Tax Appeal Tribunal Act 1984. Any party dissatisfied with the determination of the Tribunal as being erroneous in point of law may take the case further to the Supreme Court. Table 1.5 gives details of appeals for the year 2001/02.

Table 1.5: Appeals to Tax Appeal Tribunal, 2001/02

	Customs	**VAT**	**Income Tax**	**Registrar -General**	**Total**
Appeals pending at 1 July 2001	34	82	515	4,073	4,704
Appeals lodged between 1 July 2001 and 30 June 2002	17	88	231	3,016	3,352
	51	170	746	7,089	8,056
Cases remitted to Tribunal by Supreme Court	-	-	-	34	34
	51	170	746	7,123	8,090
Cases struck out	2	9	28	152	191
	49	161	718	6,971	7,899
Appeals determined	2	3	24	55	84
	47	158	694	6,916	7,815
Settled by agreement/withdrawn	9	16	119	924	1,068
Appeals pending at 30 June 2002	38	142*	575[#]	5,992	6,747
Cases pending before Supreme Court	9	5	17	44	75

* 7 VAT cases have been transferred to the Large Taxpayer Department.
[#] 18 Income Tax cases have been transferred to the Large Taxpayer Department.

1.23 In order to expedite the determination of appeals, the Finance Act 2001 provides for the setting up of an Assessment Review Committee to hear appeals and representations from aggrieved taxpayers. The Assessment Review Committee will consist of persons with expertise in areas such as accountancy, business administration, economics and taxation and will be required to take a decision within 8 weeks. The Committee will become operational on a date to be fixed by proclamation.

2. CUSTOMS AND EXCISE DEPARTMENT

Responsibilities

2.1 The Customs and Excise Department is responsible for the administration of the Customs Act, the Customs Tariff Act and the Excise Act. This involves mainly collection of:–

- customs duties on imported goods; and
- excise duties on certain locally manufactured and imported goods such as alcohol and cigarettes.

2.2 The Department also collects VAT at importation on behalf of the VAT Department and carries out important non-revenue functions such as the enforcement of prohibitions and restrictions on imports, for example, of drugs, arms and ammunitions. Customs is also responsible for processing export entries, checking export documentation and collecting trade statistics.

Customs and Excise Duty

2.3 Customs duty is collected at importation on all manifested goods unless they are free of duty. It is also levied on merchandise and goods brought by passengers coming from abroad, in excess of their prescribed allowances. Most of the duties in the Customs Tariff are ad-valorem, but a few items like footwear are subject to a specific duty.

2.4 Excise duty is levied on certain locally manufactured and imported goods such as cigarettes alcoholic beverages and vehicles.

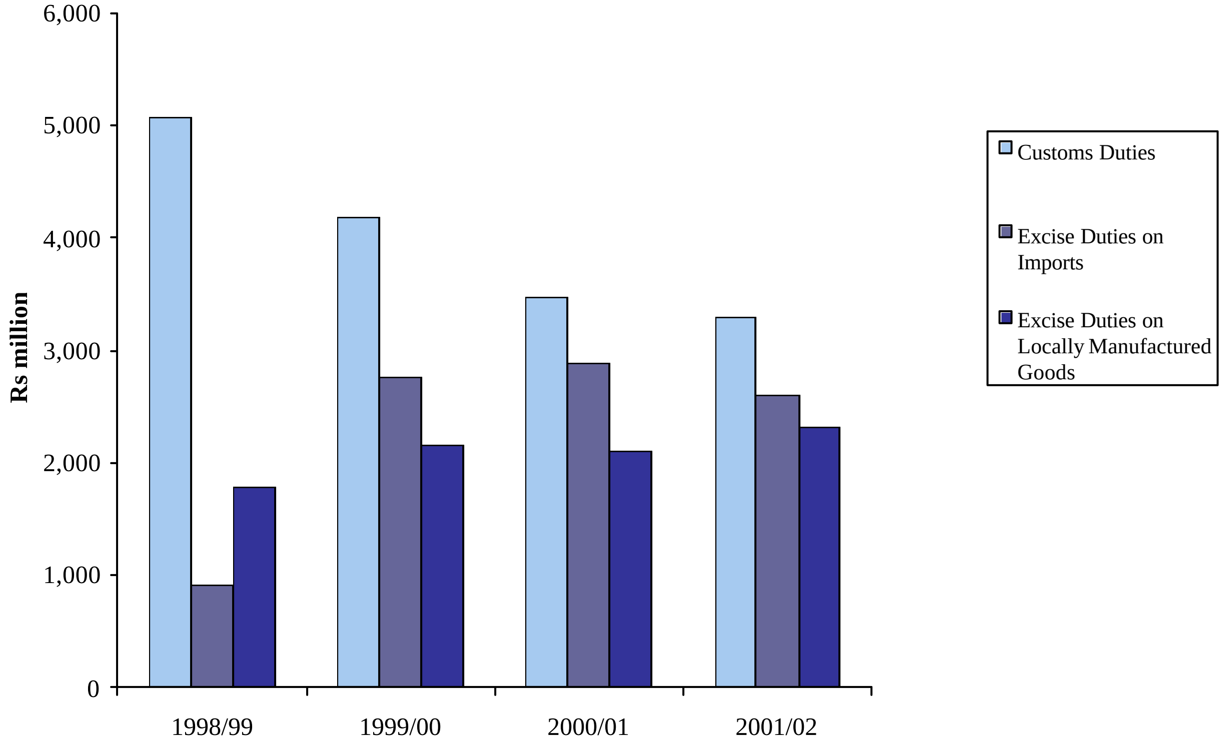
Revenue from Customs and Excise Duties

2.5 Total revenue from customs and excise duties amounted to Rs. 8,201.8 million in 2001/02 compared to Rs. 8,456.1 million in 2000/01. Table 2.1 and Figure 2.1 show the evolution in revenue collection from 1998/99 to 2001/02.

Table 2.1: Revenue collection, 1998/99 to 2001/02 *Rs million*

Customs and Excise duties	1998/99	1999/00	2000/01	2001/02
Customs duties	5,062.2	4,171.5	3,467.0	3,287.8
Excise duties on imports	909.9	2,763.7	2,882.1	2,605.6
Excise duties on locally manufactured goods	1,775.9	2,159.5	2,107.0	2,308.4
Total	**7,748.0**	**9,094.7**	**8,456.1**	**8,201.8**

Figure 2.1: Revenue collection, 1998/99 to 2001/02



VAT collection on imports

2.6 In 2001/02, the Customs and Excise Department also collected VAT on imports amounting to Rs. 4,073.6 million.

Changes in Customs Duties

2.7 The rationalisation of the structure of customs duty was pursued during the year. The main changes brought in the customs duty are summarized below:-

Abolition of customs duty on:-

- Oral contraceptives;
- Tools with working parts of plastics;
- Sheath contraceptives;
- Boat or dock fenders, whether or not inflatable;
- Tools with working parts of rubber;
- Textiles wicks;
- Ships' or boats' propellers and blades ;
- Parts and accessories for catalytic converter; and
- Baby carriages and parts thereof.

Reduction of customs duty to 5 per cent on boosters

Reduction of customs duty to 10 per cent on:-

- Cigarette paper for use on cigarette manufacturing machine; and
- Chassis fitted with engine for buses, lorries, and ambulances.

Reduction of customs duty to 15 per cent on:-

- Endless bands for machinery of stainless steel;
- Other endless bands for machinery;
- Other woven cloth, of stainless steel; and
- Specialized bathing chairs and high chairs for babies.

Reduction of customs duty to 20 per cent on:-

- Photographic papers in rolls of a width exceeding 610 mm, for colour photography, photographic plates, film, paper, paperboard and textiles exposed but not developed;
- Equipment for scaffolding, shuttering, propping or pit-propping;
- Equipment for scaffolding, shuttering, propping or pit-propping; and
- Roundabouts (carrousels).

Reduction of customs duty to 30 per cent on:-

- Handset of a kind used for shower bath;
- Golf cars; and
- Vehicles of a type used for karting.

Reduction of customs duty to 40 per cent on:-

- Gloves, mittens and mitts; and
- Steel fibres for strengthening flooring of cement.

Changes in customs duty on footwear (excluding sport shoes):-

- from 80 per cent to 10 per cent for an interior length not exceeding 15 cm;
- from 80 per cent to Rs 75 per pair or 80 per cent, whichever is higher, for an interior length exceeding 15 cm but not exceeding 21 cm; and
- from 80 per cent to Rs 125 per pair or 80 per cent, whichever is higher, for an interior length exceeding 21 cm.

Reduction of customs duty from 30 per cent to Rs 60 per pair or 30 per cent, whichever is higher, on assemblies of parts not yet constituting or having the essential character of footwear of heading 64.1 to 64.5.

2.8 The main changes in excise duty at importation are as follows:

	From	To (per litre)
• Wine imported in bulk for bottling	15%	Rs. 15
• Vermouth imported in bulk for bottling	15%	Rs. 15
• Other fermented beverages (cider, perry, mead) imported in bulk for bottling	15%	Rs. 10
• Cognac imported in bulk for bottling	150%	Rs. 150
• Brandy imported in bulk for bottling	150%	Rs. 150
• Whiskies imported in bulk for bottling of an alcoholic strength by volume exceeding 55% but not exceeding 70% vol	150%	Rs. 200
• Mogas (essence)	150%	Rs. 9.80
• Gas oil (Diesel)	25%	Rs. 3.00
• Fuel oil	55%	Rs. 2.00

Staffing

2.9 The number of officers in the Department as at 30 June 2002 was 766 including 156 supporting staff. As at June 2001, the corresponding figures were 688 and 127 respectively.

Training courses, seminars and workshops

2.10 In order to improve efficiency in the Customs Department and to enhance the skills of the staff, several senior officers were nominated to attend courses, seminars and workshops abroad and locally. These included seminars and workshops under the aegis of Common Market for Eastern and Southern African States (COMESA), Southern African Development Community (SADC) and World Customs Organisation (WCO) on subjects such as harmonisation of customs procedures, customs valuation, rules of origin, etc.

Imports and Exports

2.11 During the year, there was an increase in the number of both import and export entries. Table 2.2 shows the number of bills of entry and the value of imports and exports for the years 2000/01 and 2001/02.

Table 2.2: Number of bills of entry and the value of imports and exports, 2000/01 and 2001/02

Imports and Exports – Bills of Entry and Value	**2000/01**	**2001/02**
Number of bills of entry		
Imports	194,256	195,037
Exports	97,719	98,878
CIF value of imports (Rs. million)	56,585	58,423
FOB value of exports (Rs. million)	42,907	45,884
FOB value of bunkers and ship's stores (Rs. million)	1,800	1,860

3. VALUE ADDED TAX DEPARTMENT

Responsibilities

3.1 The VAT Department is responsible for the collection and administration of the Value Added Tax and the various duties and taxes payable under the Gaming Act in respect of casinos, gaming houses, pool betting, sweepstakes and lotteries. It is also responsible for the collection of rum and liquor licence fees payable under Part II of the Second Schedule to the Excise Act 1994.

The VAT System

3.2 Value Added Tax was introduced on 7 September 1998 and is governed by the Value Added Tax Act 1998. It is a tax on the supply of goods and services in Mauritius (including Rodrigues) and is chargeable on the value of the supply. The tax is also levied on the importation of goods into Mauritius. The rate of tax has been increased from 12 to 15 per cent with effect from 1 July 2002.

3.3 With the exception of those which are specifically exempted, all goods and services are subject to VAT. The exempt goods and services include rice, bread, butter, common salt, other specified foodstuffs, medicines, public transport, medical, hospital and dental services, educational and training services. The Act also provides for certain bodies or persons to be exempted from the tax on specified goods and services.

3.4 Generally, goods and services which are exported are zero-rated. As from 1 September, 1999, a few goods sold on the local market have been made zero-rated. These include wheat flour, edible oil, chicken, sugar, and fertilisers. As from 1 September 2000, ghee and fish (fresh, chilled or frozen) produced in Mauritius have been made zero-rated; water and electricity have become zero-rated with effect from 2 October 2000. Goods and services supplied by the Wastewater Management Authority have also become zero-rated with effect from 13 November 2001.

3.5 Persons in business whose annual turnover of taxable goods and services exceeds Rs. 3 million are required to be registered for VAT and submit VAT returns. This threshold has, however, been removed in respect of 22 categories of professionals as from 1 October 2002.

3.6 As from 10 January 2003, certain specified services provided by banks and holders of a management licence under the Financial Services Development Act 2001 and services provided by insurance agents under the Insurance Act will be subject to VAT at the standard rate.

Revenue from VAT and taxes on gaming and betting

3.7 Total receipts from VAT, taxes on gaming, betting and sweepstakes and from rum and liquor licence fees amounted to Rs. 7,818.7 million in 2000/02. In addition, receipts from Sales Tax (which has been replaced by VAT as from 7 September 1998) amounted to Rs. 3.6 million and those from Hotel and Restaurant Tax amounted to Rs. 1 million. Table 3.1 and Figure 3.1 show the trend in revenue collection at the VAT department for the period 1998/99 to 2001/02.

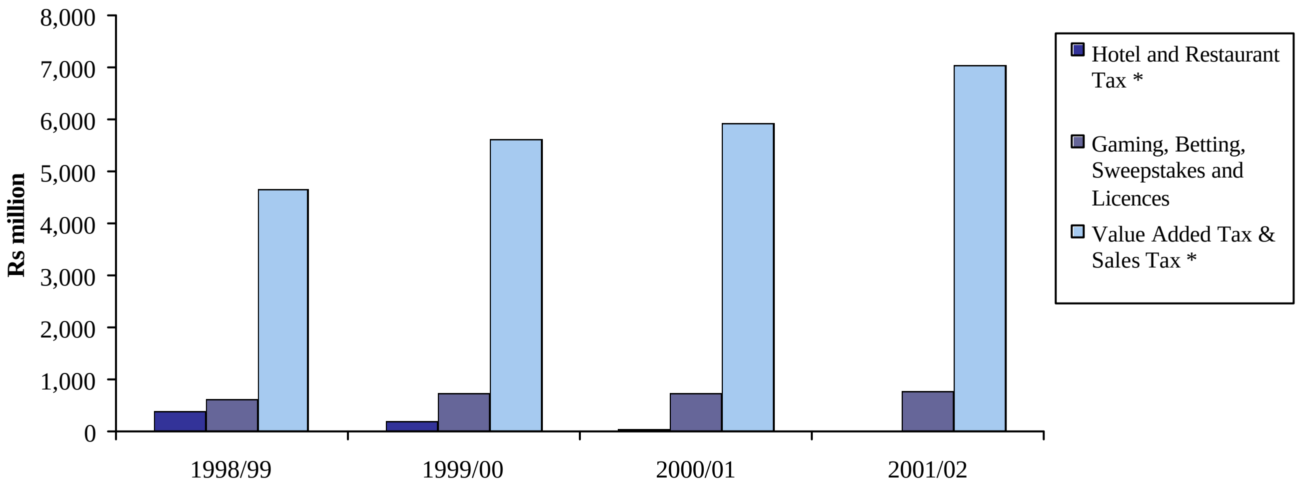
Table 3.1: Revenue collection, 1998/99 to 2001/02 *Rs. million*

	1998/99	**1999/00**	**2000/01**	**2001/02**
Value Added Tax	3,976.3	5,595.9	5,919.1	7,049.8
Sales Tax	662.3	8.4	5.4	3.6
Hotel & Restaurant Tax	370.5	176.3	26.7	1.0
Gaming, Betting and Sweepstakes	607.6	694.9	680.2	710.4
* Gaming licences	-	41.7	45.5	48.1
Rum & Liquor licences	10.2	10.6	10.4	10.4
Total	**5,626.9**	**6,527.8**	**6,687.3**	**7,823.3**

* Prior to the year 1999/2000, Gaming licences were accounted for under item "Miscellaneous Licences".

Out of Rs 7,823.3 million collected in 2001/02, an amount of Rs. 843.9 million was received through the electronic payment system.

Figure 3.1: Revenue collection, 1998/99 to 2001/02



Registrations

3.8 The number of persons registered for VAT at the VAT Department was 5,062 as at 30 June 2002. Details of registrations for the years 2000/01 and 2001/02 are given in Table 3.2.

Table 3.2: Number of registrations at the VAT department, 2000/01 and 2001/02

	2000/01	**2001/02**
Number of registered persons as at 1 July	4,451	4,867
New registrations	539	565
Total	4,990	5,432
Registrations cancelled	123	158
	4,867	5,274
Transferred to Large Taxpayer Department	-	212
Number of registered persons as at 30 June	4,867	5,062

Repayment of VAT

3.9 During the year, 3,345 new claims for repayment of a total amount of Rs. 984.6 million were received. Taking into account the 414 claims of an amount of Rs. 204.0 million, outstanding for the previous year, the number of cases required to be processed in 2001/02 stood at 3,759. Of this, 3,361 claims were processed during the year and an amount of Rs. 997.0 million was repaid. Of the amount repaid, Rs. 260.3 million was in respect of capital goods and Rs. 736.7 million for zero-rated supplies. Some 76 claims for an amount of Rs. 97.1 million were transferred to the Large Taxpayer Department upon its creation on 1 January 2002.

Assessments

3.10 During the year, 104 assessments were raised for a total amount of Rs. 163.7 million . These figures include an amount of Rs. 35.0 million in respect of 20 assessments raised under the Gaming Act.

Betting and Gaming

3.11 As at 30 June 2002, there were 585 licensees under the Gaming Act. The figure in the previous year was 574. Table 3.3 gives a breakdown of the number of licensees.

Table 3.3: Number of licensees, 2000/01 and 2001/02 (as at 30 June)

Types of licence	2000/01	2001/02
Gaming Houses		
Casino	7	7
Gaming House "A"	5	4
Gaming House "B"	4	4
Gaming House "C"	17	16
Coin-operated gaming machine	9	14
Pool Betting		
Pool Promoter	2	2
Agent of Foreign Pool Promoter	3	3
Collector	423	436
Sweepstakes & Bets		
Pari mutuel organiser	3	3
Bookmaker	77	71
Totalisator	1	1
Lotteries (Promotional)		
Lottery organiser	23	24
Total	574	585

Rum and liquor licences

3.12 As at 30 June 2002, there were 5,308 rum and liquor licensees under Part II of the Second Schedule to the Excise Act 1994. The corresponding figure for the previous year was 5,289. Table 3.4 gives a breakdown of the number of licensees by district.

Table 3.4: Number of licensees by district, 2000/01 and 2001/02 (as at 30 June)

District	2000/01	2001/02
Black River	339	356
Flacq	676	693
Grand Port	578	572
Lower Plaine Wilhems	671	650
Upper Plaine Wilhems	662	665
Moka	339	331
Port Louis	466	471
Pamplemousses	601	605
Rivière du Rempart	637	639
Savanne	320	326
Total	**5,289**	**5,308**

Staffing

3.13 As at 30 June 2002, 160 officers including 48 supporting staff were employed in the department. The corresponding figures for 2000/01 were 133 and 45 respectively.

Training courses and seminars

3.14 During the year, the Department made effective use of training opportunities available to upgrade the skills and raise the level of competence of its staff. In addition to the courses held at the Tax Training School, some 13 officers attended workshops and seminars on such themes as VAT issues, IT, productivity, improving counter services, etc.

VAT Ruling

3.15 The Department issued a ruling under the Value Added Tax Act during the year. This is given in Appendix A.

4. INCOME TAX DEPARTMENT

Responsibilities

4.1 The Income Tax Department is responsible for the collection and administration of tax on the income of individuals and companies.

The Income Tax System

4.2 Mauritius runs a self-assessment system based on the residence concept. A resident of Mauritius is liable to income tax on his worldwide income. In the case of earned income derived by an individual from overseas it is taxable only to the extent that it is remitted to Mauritius.

4.3 Income Tax is payable on income derived in the preceding year. The fiscal year commences on 1 July. Individuals are required to submit their returns of income by 30 September while the due date for companies to furnish their returns is 31 January following the income year. Where a company closes its accounts on a date other than 30 June, the return of income has to be submitted by 30 September in the year of assessment.

4.4 The income tax rates applicable in respect of income year 2001/02 are as follows:–

Individuals	
On the first Rs. 25,000 of chargeable income	15%
On the remainder	25%
Companies	
Tax incentive companies	15%
Others	25%

Revenue from Income Tax

4.5 Total revenue for Income Tax in 2001/02 amounted to Rs. 3,493.9 million compared to Rs. 3,039.1 million in 2000/01. Table 4.1 show the evolution in revenue collection from Income Tax and Figure 4.1 in the period 1998/99 to 2001/02.

Table 4.1: Revenue collection 1998/99 to 2001/02 *Rs. million*

	1998/99	1999/00	2000/01	2001/02
Individuals	1,362.8	1,539.7	1,517.9	1,619.0
Companies	1,337.0	1,340.9	1,521.2	1,874.9
Total	**2,699.8**	**2,880.6**	**3,039.1**	**3,493.9***

* The amount includes revenue collected by the Large Taxpayer Department

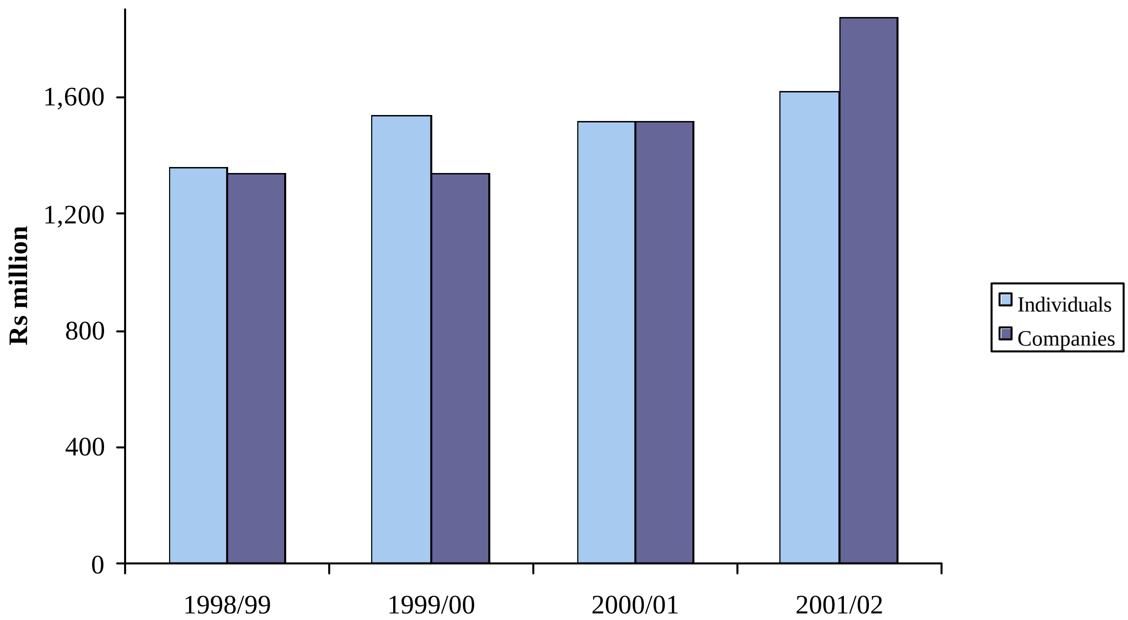
Pay As You Earn (PAYE) and Current Payment System (CPS)

4.6 Non-cumulative PAYE and CPS were introduced on 1 July 1993. The PAYE system applies to emoluments whereas the CPS concerns self-employed deriving income from trade, business, profession and rent.

4.7 Under PAYE, in order to calculate the amount of tax to be withheld from the emoluments of an employee, the employer has to take into account the reliefs and deductions claimed by the employee in his PAYE Employee Declaration Form. The employer has to remit tax withheld to the Income Tax Department within 20 days from the end of the month in which the tax is withheld.

4.8 In 2001/02, there were 4,504 registered employers withholding tax under PAYE, compared to 4,327 in 2000/01. A person falling under CPS is required to submit not later than 31 March a Statement of Income in respect of his income for the half year ended 31 December and at the same time pay any tax due in accordance with the statement.

Figure 4.1 : Revenue collection, 1998/99 to 2001/02



Collection under PAYE

4.9 The amount of tax collected under PAYE for the years 2000/01 and 2001/02 is shown in Table 4.2.

Table 4.2: Income Tax collected under PAYE, 2000/01 and 2001/02

Collection and Refund of tax	2000/01		2001/02	
	Number	Amount (Rs m)	Number	Amount (Rs m)
Tax collected	91,507	1,342.4	83,532	1,430.7
Tax collected on returns		81.4		85.8
Total tax collected		1,423.8		1,516.5
Tax refunded	79,207	214.6	78,331	224.3*
Net tax collected		1,209.2		1,292.2#

* The refunds made in 2001/02 relate to tax collected in excess in the year 2000/01

\# The amount includes tax collected under PAYE by the Large Taxpayer Department

Out of the total amount of PAYE collected, Rs. 120.9 million was received through the electronic payment system.

Collection under CPS

4.10 The amount of tax collected under CPS for the years 2000/01 and 2001/02 is shown in the Table 4.3.

Table 4.3: Income Tax collected under CPS, 2000/01 and 2001/02

	2000/01		**2001/02**	
	Number	**Amount (Rs m)**	**Number**	**Amount (Rs m)**
No. of self-employed submitting Statements of Income	5,224	80.1	5,240	83.0
No. of self-employed submitting Returns of Income	6,410	119.1	5,893	114.9
Total tax collected		199.2		197.9

Breakdown of total revenue

4.11 Table 4.4 shows revenue from PAYE, CPS, self-assessments and assessments raised by the Department in the years 2000/01 and 2001/02.

Table 4.4: Revenue from PAYE, CPS, self assessments and assessments, 2000/01 and 2001/02

Rs million

	2000/01			**2001/02**		
	Individuals	**Companies**	**Total**	**Individuals**	**Companies**	**Total**
PAYE	1,342.4	-	1,342.4	1,430.7	-	1,430.7
CPS	80.1	-	80.1	83.0	-	83.0
Self-assessments	205.1	1,450.2	1,655.3	210.2	1,1780.1	1,990.3
Assessments by Department	104.9	71.4	176.3	119.4	94.9	214.3
Total	**1,732.5**	**1,521.6**	**3,254.1**	**1,843.3**	**1,875.0**	**3,718.3**
Less refund	214.6	0.4	215.0	224.3	0.1	224.4
Net revenue	**1,517.9**	**1,521.2**	**3,039.1**	**1,619.0**	**1,874.9**	**3,493.9***

* The amount includes the revenue collected by the Large Taxpayer Department

Number of self-assessments and assessments

4.12 The number of self-assessments and assessments raised by the Department in the years 2000/01 and 2001/02 is given in Table 4.5.

Table 4.5: Self-assessments and assessments, 2000/01 and 2001/02

	2000/01			2001/02		
	Individuals	**Companies**	**Total**	**Individuals**	**Companies**	**Total**
Self-assessments	60,600	2,111	62,711	63,183	2,437	65,620*
Assessments	3,384	435	3,819	3,185	449	3,634

* The amount includes the number of self-assessments made to the Large Taxpayer Department

Register of taxpayers

4.13 As at 30 June 2002, there were 285,196 taxpayers in the register. Table 4.6 gives a breakdown of the number of registered taxpayers as at that date.

Table 4.6: Number of registered taxpayers at the Income Tax Department

	Individuals	**Companies**	**Societes**	**Successions**	**Total**
As at 1 July 2001	241,593	20,325	3,445	1,314	266,677
Revived and transferred from old register	1,228	14	-	-	1,242
Added during the year	16,179	2,447	44	18	18,688
Total	259,000	22,786	3,489	1,332	286,607
Removed during the year	531	841	28	11	1,411
Transferred to Large Tax payer Department	-	262	-	-	262
As at 30 June 2002	258,469	21,683	3,461	1,321	284,934

Staffing

4.14 The number of officers in the department as at 30 June 2002 was 403 including 206 supporting staff. The corresponding figures for 2000/01 were 392 and 182 respectively.

Training

4.15 During the year, 13 Trainee Inspectors successfully completed their training and 15 Inspectors of Taxes successfully followed the Mauritius Tax Inspectors Course run by the Tax Training School. In addition, 5 senior officers followed advanced training courses overseas organised by the Commonwealth Association of Tax Administrators (CATA) and Centre D'Etudes Fiscales de L'Ocean Indien (CEFOI).

4.16 The Department also hosted a workshop on Tax Audits of Multinationals organised by CATA from 4 to 15 February 2002 at the Tax Training School. The workshop was attended by 7 participants from different countries and 13 senior officers from the Income Tax Department and the Large Taxpayer Department.

Double Taxation Avoidance Treaties

4.17 As at 30 June 2002, the position concerning Double Taxation Avoidance Treaties with the following 43 countries was as follows:–

Ratified

Belgium	Kuwait	Singapore
Botswana	Luxembourg	South Africa
China	Madagascar	Sri Lanka
Cyprus	Malaysia	Swaziland
France	Mozambique	Sweden
Germany	Namibia	Thailand
India	Nepal	United Kingdom and Northern Ireland
Indonesia	Oman	Zimbabwe
Italy	Pakistan	

Negotiations Completed

- Bangladesh
- Croatia
- Lesotho
- Malawi
- Nigeria
- Russia
- Rwanda
- Senegal
- Tunisia
- Uganda
- Zambia

Negotiations On-going

- Canada
- Czech Republic
- Greece
- Portugal
- Vietnam
- Seychelles

Tax Rulings

4.18 During the year, the Department gave 6 rulings under the Income Tax Act 1995. These are given at Appendix B.

5. LARGE TAXPAYER DEPARTMENT

Responsibilities

5.1 The Large Taxpayer Department was established under the Unified Revenue Act 1983 and became operational on 1 January 2002. The Department is responsible for the collection and administration of Corporate Tax, PAYE and VAT chargeable by virtue of the Income Tax Act 1995 and the Value Added Tax Act 1998 in relation to large taxpayers. A large taxpayer is defined as a person whose annual turnover exceeds Rs 200 million.

Revenue from Corporate Tax, PAYE and VAT

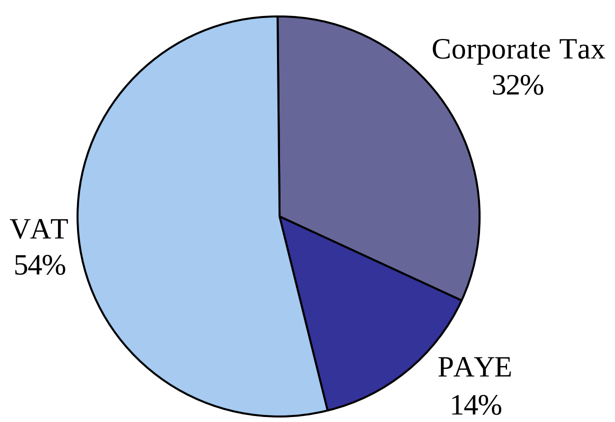
5.2 Total revenue collected from large taxpayers during the period January to June 2002 amounted to Rs 2,130.9 million. Table 5.1 and Figure 5.1 show the revenue collected under Corporate Tax, PAYE and VAT.

Table 5.1: Revenue collected under Corporate Tax, PAYE and VAT, January to June 2002

Rs million

Mode of payment	Corporate Tax	PAYE	VAT	Total
Electronically	272.6	115.8	423.1	811.5
Manually	410.1	190.6	718.7	1,319.4
Total	**682.7**	**306.4**	**1,141.8**	**2,130.9**

Figure 5.1: Revenue collected during January to June 2002



Register of Taxpayers

5.3 During the period under review, 262 large taxpayers were transferred from the Income Tax Department and Value Added Tax Department to the register of large taxpayers; 212 of these taxpayers are VAT registered and 239 are employers registered for PAYE.

Repayment of VAT

5.4 A total of 443 claims for repayment of an amount of Rs 562.2 million were received, including 76 claims for an amount of Rs 97.1 million transferred to the Department on its creation. The Department processed during the year 378 claims for Rs 472.2 million and paid out an amount of Rs 443.1 million.

Number of self-assessments and assessments

5.5 During the period January to June 2002, the Department raised 12 assessments; 11 under Corporate Tax and one under VAT, for a total amount of Rs 40.41 million.

Appeals

5.6 The number of appeals dealt with by the Department is given in Table 5.2.

Table 5.2: Number of appeals dealt with by the Department

Appeals	Corporate Tax	VAT
Appeals transferred to the Department	21	5
Appeal determined by Tax Appeal Tribunal	0	0
Settled by agreement/withdrawn	3	1
Appeals lodged between 1 January and 30 June 2002	0	3
Appeals outstanding as at 30 June 2002	**18**	**7**

Staffing

5.7 The staff of the Department comprised 29 officers, including 17 supporting staff. In addition, two Assistant Computer Analysts were posted to the Department by the Central Information Systems Division.

Training

5.8 All the tax officers posted to the Department followed courses organized by the Tax Training School covering important aspects of VAT, PAYE and Corporate Tax. In addition, 2 senior officers attended the Commonwealth Association of Tax Administrators (CATA) Workshop on Tax Audit of Multinationals held at the Tax Training School during the year.

6. REGISTRAR-GENERAL'S DEPARTMENT

Responsibilities

6.1 The Registrar-General's Department is responsible for the collection and administration of:–

- Registration duty;
- Capital Gains (Morcellement)Tax/Land Transfer Tax on transfer of immovable property;
- Tax on transfer of leasehold rights in State land;
- Campement Site Tax; and
- Campement Tax.

The Department is also responsible for the collection of Land Conversion Tax under the Sugar Industry Efficiency Act 2001 and stamp duty on documents deposited for registration, transcription or inscription.

Registration Duty

6.2 Documents deposited for registration at the Registrar-General's Department attract either a fixed registration duty of Rs 50 or proportional duty varying from 0.1 per cent to 12 per cent (plus 10 per cent surcharge) or donation duty varying from 10 per cent to 45 per cent (plus 10 per cent surcharge).

Capital Gains (Morcellement) Tax/Land Transfer Tax

6.3 Capital Gains (Morcellement) Tax or Land Transfer Tax, whichever is higher, is levied on transfer of immovable property. The tax is levied as follows –

- Capital Gains (Morcellement) Tax on any lot in a morcellement on the difference between the sale price and the purchase price which is enhanced by costs of infrastructure and notarial costs at –

(i) 30 per cent where any lot is transferred less than 5 years from date of acquisition of the property; or

(ii) 25 per cent where any lot is transferred more than 5 years but less than 10 years from date of acquisition of the property; or

(iii) 20 per cent where any lot is transferred more than 10 years but less than 15 years from date of acquisition of the property.

- Land Transfer Tax at 5 per cent or 10 per cent of the consideration for the transfer after deducting therefrom an aggregate amount of Rs 75,000 in respect of all transfers of immovable properties effected on or after 16 July 1984.

Tax on transfer of leasehold rights in State land

6.4 A tax of 20 per cent on transfer of leasehold rights in State land is levied on registration of a deed of transfer of:–

(a) leasehold rights in state land;

(b) shares in a civil society, partnership, association or company which reckons among its assets any leasehold rights in State land;

(c) shares in a company which is an associate in a partnership which reckons among its assets any leasehold rights in State land.

Campement Site Tax

6.5 Campement Site Tax is levied on every owner of a campement site in a zone specified in Part I of the Fifth Schedule to the Land (Duties and Taxes) Act as an annual tax varying from 2 rupees per m^2 to 6 rupees per m^2.

Campement Tax

6.6 A new tax known as Campement Tax was introduced on 1 July 2002. The tax is levied at the rate of 0.5 per cent of the open market value of campements. However, a campement which is the sole residence of the owner and which has an open market value of less than Rs. 5 million is exempted from the tax.

Revenue

6.7 Total receipts from registration duty, land transfer tax, capital gains (Morcellement) tax, mortgage fees, stamp duty, campement site tax, land conversion tax and arrears in respect of succession duties (now abolished but still applicable to succession prior to October 1987) amounted to Rs. 1,286.8 million in 2001/02 as compared to Rs. 1,309.6 million in 2000/01. Table 6.1 and Figure 6.1 show the trend in revenue collection from registration duty, land transfer tax, stamp duty, campement site tax and land conversion tax since 1998/99.

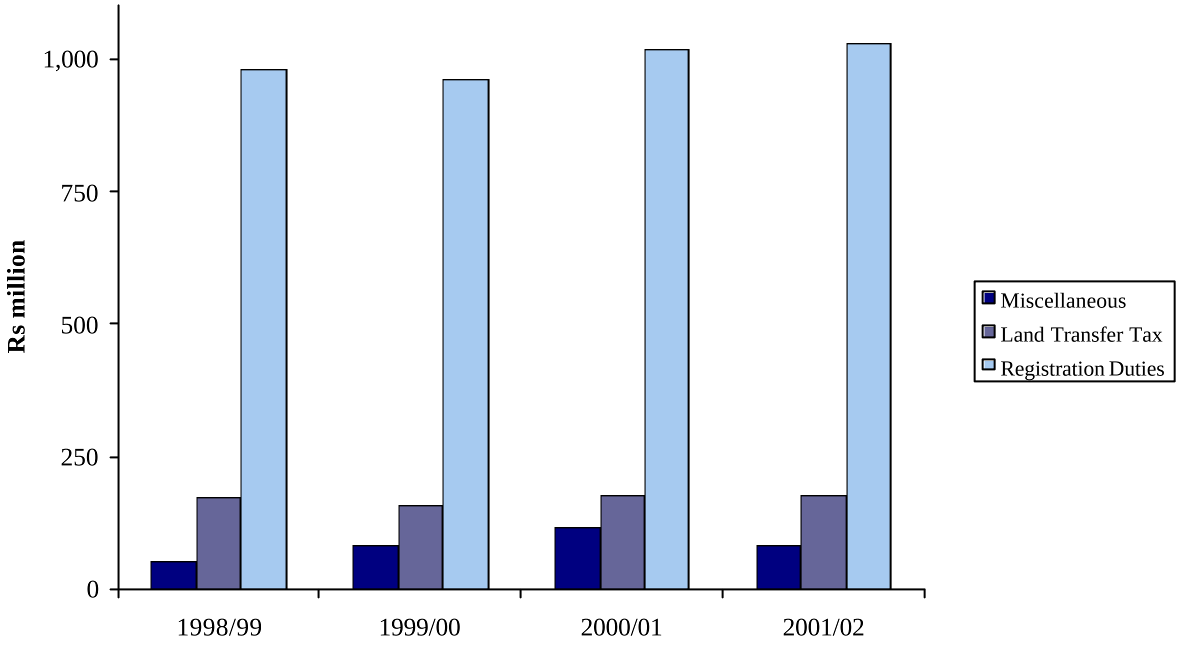
Table 6.1: Revenue from registration duty, land transfer tax, stamp duty, campement site tax and land conversion tax, 1998/99 to 2001/02

Rs. million

	1998/99	**1999/00**	**2000/01**	**2001/02**
Registration duty	981.7	960.4	1,017.1	1,027.9
Land transfer tax	174.4	158.3	175.7	175.4
Stamp duty	12.9	12.0	11.3	12.6
Campement site tax	8.4	26.5	37.5	31.4
Land conversion tax	6.0	10.5	29.1	10.1
Other*	25.4	32.2	38.9	29.4
Total	**1,208.8**	**1,199.9**	**1,309.6**	**1,286.8**

* Item "Other" includes Capital Gains (Morcellement)Tax, Tax on transfer of leasehold rights in state land, Mortgage Fees and arrears of Succession Dues.

Figure 6.1: Revenue collection, 1998/99 to 2001/02



Staffing

6.8 The staff of the Department comprised 141 officers, including 47 supporting staff. The corresponding figures in 2000/01 were 127 and 47 respectively.

Number of documents presented for registration and registration dues collected

6.9 During the year, 182,115 documents were presented for registration compared to 184,642 in the previous year. Registration dues collected amounted to Rs 1,027.9 million compared to Rs. 1,017.1 million in the previous year. The number of documents presented for registration and the amount of registration dues collected in the years 2000/01 and 2001/02 are given in Table 6.2.

Table 6.2: Number of documents presented for registration and registration dues collected, 2000/01 and 2001/02

Type of document	2000/01		2001/02	
	Number of documents	**Amount collected (Rs m)**	**Number of documents**	**Amount collected (Rs m)**
Transfer of immovable properties*	21,767	357.9	20,826	360.0
Transfer of motor vehicles	34,307	541.3	33,330	536.0
Deeds creating mortgage/pledge	7,688	15.1	8,359	12.0
Instruments creating fixed/floating charge	22,030	56.4	22,701	52.0
Leases*	5,335	12.8	5,571	17.0
Transfer of shares in companies	2,175	3.6	2,920	13.0
Other (affidavits, security bonds etc)	91,340	30.0	88,408	37.9
Total	**184,642**	**1,071.1**	**182,115**	**1,027.9**

* Items 'Transfer of immovable properties' and 'Leases' include documents presented for registration as well as for transcription.

In addition, there were 331 transfers of land qualifying for payment of registration duty at a reduced rate and/or exempted from payment of land transfer tax, capital gains (Morcellement) tax and transcription fees under the sugar sector package deal act 1985 and the sugar industry efficiency act 2001.

Transfer of immovable property

6.10 A total of 7,367 deeds of transfer of immovable property were transcribed as against 7,638 in the previous year. Details of these transfers are shown in Table 6.3.

Table 6.3: Extent and value of immovable property transferred, 2000/01 and 2001/02

Value (Rs.)	2000/01			2001/02		
	Number of transfers	Total extent (hectare)	Total Value (Rs. m)	Number of transfers	Total extent (hectare)	Total Value (Rs. m)
Up to 100,000	1,984	163.7	126.4	1,682	234.0	113.8
100,001 - 300,000	2,798	234.3	584.8	2,640	305.8	555.7
300,001 - 500,000	1,307	180.5	533.4	1,327	104.1	541.9
500,001 - 700,000	560	74.8	343.0	530	69.3	325.6
700,001 - 900,000	335	56.1	269.5	376	63.6	303.8
900,001 - 1,000,000	126	29.5	123.4	157	38.7	154.9
1,000,001 - 2,000,000	335	104.2	477.4	433	152.0	619.4
2,000,001 - 4,000,000	123	65.9	337.2	152	79.0	423.8
4,000,001 - 8,000,000	49	50.3	268.3	37	40.8	204.9
8,000,001 -15,000,000	10	10.1	102.6	16	8.0	174.7
15,000,001 and over	11	50.1	353.9	17	4,511.5	1,736.4
Total	**7,638**	**1,019.5**	**3,519.9**	**7,367**	**5,606.8**	**5,154.9**

Succession dues collected and the number of successions declared

6.11 No succession dues were collected during the year as these dues have been abolished. An amount of Rs 62,173 was collected in respect of successions declared during previous years.

Amount secured by mortgage inscription/charges

6.12 The total amount secured by mortgage inscription/charges was Rs. 51,890.9 million compared to Rs. 40,451.2 million in the previous year. The amount secured in the years 2000/01 and 2001/02 is shown in Table 6.4.

Table 6.4: Amount secured by mortgage inscription/charges, 2000/01 and 2001/02

Rs million

Nature of mortgage/charge	2000/01	2001/02
Conventional mortgage	895.7	755.5
Privileges	1,449.9	2,218.0
Renewal of mortgages	270.1	340.2
Legal mortgages	0.8	0.6
Fixed/Floating charges and pledges	37,826.5	48,570.0
Judicial mortgage	8.2	6.6
Total	**40,451.2**	**51,890.9**

Number of documents transcribed/inscribed at the Mortgage Office

6.13 A total of 39,337 documents were transcribed/inscribed at the Mortgage Office of the Department during the year compared to 38,432 for the previous year. Details of the documents transcribed/inscribed in 2000/01 and 2001/02 are given in Table 6.5.

Table 6.5: Number of documents transcribed/inscribed, 2000/01 and 2001/02

Nature of documents	2000/01	2001/02
Leases	2,931	2,928
Mortgages and charges	27,419	28,608
Seizures of immovable property	444	434
Transfer of immovable property	7,638	7,367
Total	**38,432**	**39,337**

During the year, 12,655 mortgage inscriptions and fixed/floating charges were erased compared to 14,738 in the previous year.

Appendix A

Ruling under the Value Added Tax Act 1998

VATR2

Facts

A company incorporated in Mauritius holds an offshore licence issued by the then MOBAA. Its principal activity is to provide software and information technology services offshore. It proposes to import intellectual property in the form of software, which will thereafter be licensed to users worldwide.

The company proposes to register for VAT in accordance with section 15(1) of the Value Added Tax Act 1998 in order to claim repayment of the VAT payable at Customs and to apply for deregistration once its repayment claim has been entertained.

Points at issue

(i) Whether the company will be allowed to deregister.

(ii) Whether on deregistration, VAT will be payable on the goods forming part of the assets of the company.

Ruling

As a company making exclusively zero-rated supplies, it is not bound to register by virtue of section 15(2) of the Act.

However, if it does not avail itself of the provisions of section 15(2), the company whose turnover exceeds the prescribed limits will have to be registered under section 15(1) of the Act.

As a VAT-Registered company, it will have to comply with all the provisions of the Act, including the submission of returns. On deregistration the company will have to pay tax on the goods forming part of the assets of the company under section 18(2) of the Act.

Appendix B

Rulings under the Income Act 1995

TR 23

Facts

A new unit trust scheme will be constituted. It will be managed by a company which has the status of “Approved Investment Institution”. The company will transfer part of its locally quoted investment portfolio and all its overseas investment portfolio to the unit trust in exchange for an equal number of units of that unit trust. These units will then be distributed by the company to its shareholders by way of dividends in species on a pro-rata basis. However, as the reserves of the company are not sufficient to enable a distribution of such an amount of dividends, it will proceed to a reduction of its capital.

Points at issue

(i) Whether existing shareholders of the company who will be alloted units in the unit trust will be entitled to investment relief under Section 36 of the Income Tax Act 1995.

(ii) Whether a corporate shareholder of the company will be entitled to investment tax credit under Section 69 of the Income Tax Act 1995.

Ruling

Since the gain on revaluation of investments to be transferred to the unit trust is not realised and the company does not have sufficient reserves to pay the required amount of dividends which its shareholders could have used to finance the acquisition of the units in the unit trust, the distribution by the company to its shareholders of the units to be acquired by the unit trust cannot be considered as new investments being made by the shareholders (individual or corporate) and they will not therefore be entitled to investment relief thereon under Section 36 or Section 69 of the Income Tax Act 1995, as the case may be.

TR 24

Facts

A company engaged in the manufacture of animal and poultry feeds proposed to issue new shares due to expansion of the business and other factors. The change in the ownership of shares of the company as at 30 September 1999 did not exceed 50 per cent while at the end of the income year ended 30 September 2000, less than 50 per cent in the nominal value of the allotted shares in the company were held by or on behalf of the same persons.

Point at issue

Whether the company is entitled to carry forward the unrelieved losses as at 30 September 1998 for set-off against its net income for the income year ended 30 September 1999 and in succeeding years.

Ruling

In accordance with Section 59 of the Income Tax Act 1995 and the conditions prescribed in Regulation 19 of the Income Tax Regulations 1996, losses incurred by a company in an income year may be carried forward and set-off against its net income of the following income year and in the succeeding years, provided that at the end of each of those years, not less than 50 per cent in the nominal value of the allotted shares in the company are held by or on behalf of the same persons.

The company is therefore entitled to carry forward the unrelieved losses as at 30 September 1998 for set off against its net income for the income year ended 30 September 1999 as the change in the ownership of shares as at that date did not exceed 50 per cent.

At the end of the income year ended 30 September 2000, less than 50 per cent in the nominal value of the allotted shares in the company were held by or on behalf of the same persons. Any unrelieved losses as at 30 September 1999 cannot therefore be carried forward for set off against the company's net income for the income year ended 30 September 2000 and succeeding years.

TR 25

Facts

On 21 July 1997, a company engaged in hotel industry applied for a Hotel Development Certificate. The Ministry of Tourism and Leisure subsequently issued a letter of intent dated 25 August 1998 informing the company that the Government has approved the grant of a Hotel Development Certificate, subject to certain conditions. The Hotel Development Certificate was duly issued on 8 December 2000.

Point at issue

Whether for the purposes of Section 36 of the Income Tax Act 1995, the company would be regarded as a tax incentive company as from the date the Ministry of Tourism and Leisure issued the letter of intent.

Ruling

The company became a tax incentive company as from 1 July 1999 under item 29 of Part IV of the First Schedule to the Income Tax Act 1995. Had it not been for that new provision enacted by the Finance Act 1999, the company would have qualified as a tax incentive company as from the date the Hotel Development Certificate was issued to it i.e. 8 December 2000. The company cannot therefore be regarded as a tax incentive company for the purposes of Section 36 of the Income Tax Act 1995 as from the date the letter of intent was issued to it by the Ministry of Tourism and Leisure.

TR 26

Facts

A resident company incorporated in Mauritius on 19 June 1998 holds an offshore certificate issued on 25 June 1998. The company continues to be governed by the Income Tax Act 1974 as it has not opted to be taxed under the Income Tax Act 1995.

Point at issue

Whether a Mauritian resident subscribing to Participating Shares of that company will be entitled to Investment Relief thereon pursuant to Section 36 of the Income Tax Act 1995.

Ruling

The company is governed by the Income Tax Act 1974 and it does not qualify as a tax incentive company. A Mauritian resident subscribing to shares in that company will therefore not be entitled to Investment Relief under Section 36 of the Income Tax Act 1995.

TR 27

Facts

A Mauritian company is involved in the manufacture and sale of chemical products, water treatment equipment and spare parts for domestic and industrial use.

A foreign company has a royalty agreement with the Mauritian company to provide the latter with formulations for the production of water treatment chemicals.

A new company was incorporated to establish a joint venture between the Mauritian company and the foreign company.

A division of the Mauritian company was transferred to the newly incorporated company for a specific amount of money.

The transfer consisted of the existing staff of the division and the existing clients of the Mauritian company.

Point at issue

Whether the receipt by the Mauritian company constitutes a taxable income.

Ruling

The receipt by the Mauritian company representing consideration for the sale of "goodwill" is not chargeable to income tax.

TR 28

Facts

A company incorporated by continuation in Mauritius holds a Category 1 Global Business Licence since 1998.

The company is registered with the Companies Registry in a foreign country as an overseas company. The company has established a place of business in that country from where all the activities of the company are carried out.

The company maintains full time employees based in the foreign country to carry out its day to day business activities. The company has no employees outside the foreign country.

Under the tax law of the foreign country, income not sourced in that country is exempt from tax. However, where an overseas company carries on business in that country through a branch, it is required to declare all income (wherever sourced) attributable to the branch in that country even though foreign source income is eventually exempt.

Point at issue

Whether the company is eligible to a tax sparing credit under Regulation 9(1) of the Income Tax (Foreign Tax Credit) Regulations 1996 in respect of profits tax which would otherwise have been payable but for the exemption effectively given as a result of the source basis of taxation in that country.

Ruling

The company is entitled to a tax sparing credit in respect of profits tax which would otherwise have been payable had foreign source profits not been exempt in that country.