REPUBLIC OF MAURITIUS

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

REPORT

OF

THE REVENUE AUTHORITY

For the year ended 30 June 2004

No.8 of 2005

REPORT

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THE REVENUE AUTHORITY

For the year ended 30 June 2004

Revenue Authority
Ministry of Finance and
Economic Development
Port Louis

29 June, 2005

The Hon. Pravind Kumar Jugnauth
Deputy Prime Minister, Minister of Finance and Economic Development

I have the honour to submit the Report of the Revenue Authority for the year ended 30 June 2004.

(K. GUPTAR)
Chairman

REPORT OF THE REVENUE AUTHORITY

for the year ended 30 June 2004

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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. It replaced 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

The Customs Tariff Act

The Excise Act

The Value Added Tax Act

The Income Tax Act

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

The Registration Duty Act

The Land (Duties and Taxes) Act

The Transcription and Mortgages Act

The Gaming Act

The Horse Racing Board Act, in so far as it relates to duties and taxes

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; and
Not more than two other public officers designated by the Minister.

1.4 As at 30 June 2004, the Board of the Revenue Authority was composed of:-

Chairman

* Mr. K. Guptar	Financial Secretary

Vice-Chairman

Mr. N. Seenuth	Director-General

Members

Mr. M. Mosafeer	Commissioner of Income Tax
Mr. B. Cunningham	Comptroller of Customs
Mrs. C. Gunnoo	Commissioner for Value Added Tax
Mr. M. Hannelas	Commissioner, Large Taxpayer Department
**Mrs. I. Seesurrun	Acting Registrar-General
Mr. J. Valaythen	Accountant-General
Mr. D. K. Dabee S.C.	Solicitor-General
Mr. P. Yip Wang Wing	Director, Fiscal Policies

Secretary

Mrs. S. D. Jugmohun	Secretary, Revenue Authority

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* Mr. A. H. Nakhuda retired and Mr. K. Guptar, Financial Secretary took over as Chairman of the Board of Revenue Authority on 1 January 2004.

** Mrs. I. Seesurrun was designated as member of the Board on 29 October 2003 in replacement of Ms. J. Jata who retired.

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 2003/04, 17 board meetings were held.

1.7 The Secretariat is also involved in the negotiation and 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 2004, there were 29 officers, including 12 supporting staff, at the Revenue Authority. Of these, 10 were posted to the Fiscal Investigations Unit and 6 to the Tax Training School.

Taxes and Duties under the overall administration of the Board

1.9 As at 30 June 2004, 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 Department
• Registration duties • Mortgage fees • Land Transfer Tax • Capital Gains (Morcellement) Tax • Stamp Duty • Campement Site Tax • Campement 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 27,964.5 million. This represented 96.2 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 2000/01 to 2003/04.

Table 1.1: Revenue from Taxes and Duties, 2000/01 to 2003/04

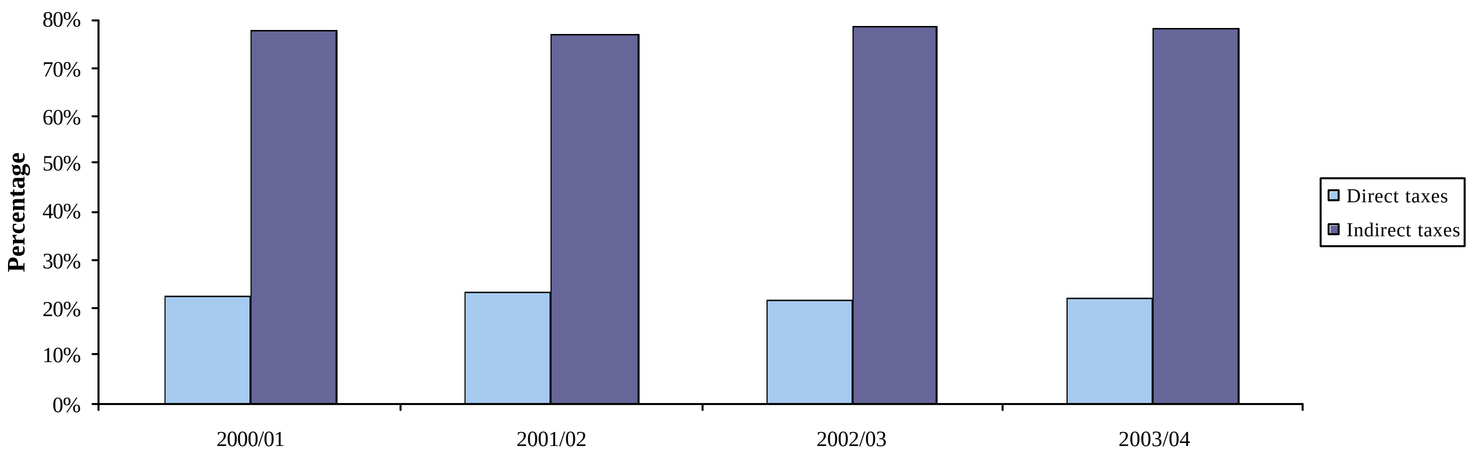
Rs million

	2000/01	2001/02	2002/03	2003/04
Customs and Excise Department	8,456.1	8,201.8	8,854.8	*9,793.2*
VAT Department	6,687.3	7,823.3*	8,769.9	*9,739.8*
Large Taxpayer Department	-	-	1,889.8**	*2,294.0***
Indirect taxes	***15,143.4***	***16,025.1***	***19,514.5***	***21,827.0***
Income Tax Department	3,039.1	3,493.9*	1,975.5	*2,636.0*
Registrar-General's Department	1,309.6	1,286.8	1,376.9	*1,468.9*
Large Taxpayer Department	-	-	2,038.0	*2,032.6*
Direct taxes	***4,348.7***	***4,780.7***	***5,390.4***	***6,137.5***
Total	**19,492.1**	**20,805.8**	**24,904.9**	**27,964.5**

* Includes revenue collected by the Large Taxpayer Department for the period January to June 2002.

** Excludes VAT collected at importation in respect of Large Taxpayers. The amount of VAT is included in the figures for VAT Department.

Figure 1.1: Revenue from Taxes and Duties, 2000/01 to 2003/04



Operating Costs of Revenue Departments and the Revenue Authority

1.11 In 2003/04, the operating cost of revenue departments and the Revenue Authority was Rs 404.1 million. This represented 1.45 per cent of total receipts from duties and taxes as against 1.36 per cent for the previous year. The main areas of expenditure were staff costs (salaries, allowances, travelling and transport), which represented 82.31 per cent of total spending. Table 1.2 shows operating expenditure by revenue department for the years 2002/03 and 2003/04.

Table 1.2: Expenditure by Revenue Department, 2002/03 and 2003/04

Rs million

	2002/03	**2003/04**
Customs & Excise Department	174.2	206.8
VAT Department	39.4	47.6
Income Tax Department	87.1	99.2
Registrar-General's Department	25.3	29.1
Large Taxpayer Department	5.6	12.8
Revenue Authority	7.4	8.6
Total	**339.0**	**404.1**

Changes brought during the year in Duties and Taxes

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

Customs and Excise Duties

- removal of customs duties on uninterruptible power supply, feathers, shells, foliage, plants and part of plants used for pharmacy products, degras, vaccum salt, pharmaceutical products, anti-radiation protective suits, feeding bottles, pumps, iron bars of less than 6mm, lenses and filters for camera, instrument for navigation, parts for agricultural machines, watch parts, seats for aircraft, specialized chairs for baby, crustaceans;
- reduction of customs duties on recorded and unrecorded magnetic tape, conductors, compact disk player, plastic bins, soya sauce, car meters, liquid meters, electricity meters, tents, sails, electric shavers, binoculars, Christmas lights, ink pads, motorcycles, articles of iron;
- introduction of customs duties on live or ornamental fish, unworked flooring and paving tiles, laminated flooring, plasma monitors, jacuzzi, swimming pools;
- reduction of excise duty on motorcars; and
- increase in specific duty and decrease in ad valorem excise duty on cigarettes.

Value Added Tax

- exemption of charges in respect of internet services provided by an internet service provider, on an amount of up to 100 rupees per billing period;
- removal of exemption on all crustaceans (including shrimps and prawns, live, fresh, or frozen which are the produce of Mauritius), molluscs and other aquatic invertebrates; and
- exemption of pharmaceutical products of heading Nos 30.05 and 30.06.

Gaming and Betting Taxes

- establishment of a Horse Racing Board to regulate horse-racing activities and transfer to the Horse Racing Board of the responsibility for the issue of licences to bookmakers and the totalisator and for the collection of licence fees and deposits;
- transfer to the Gaming Control Board of the responsibility for the issue of licences in respect of sweepstakes and pool betting activity;
- decrease in the rate of duty payable by an agent of foreign pool promoter and local pool promoter; and
- removal of tax on winnings paid by local pool promoter.

Income Tax

- increase in the basic personal deduction from Rs 75,000 to Rs 80,000;
- increase in deduction for dependent spouse from Rs 60,000 to Rs 65,000;
- introduction of a single basic deduction for dependent child of Rs 30,000 to replace the different categories of child deduction;
- deduction for educational expenses restricted to school fees paid to recognised educational institutions, subject to a maximum of Rs 10,000 for a child receiving pre-primary, primary or secondary education and Rs 80,000 for a child receiving tertiary education in Mauritius. Introduction of a flat deduction of Rs 80,000 for a child receiving tertiary education outside Mauritius;
- extension of the 2 tax bands for individuals to 4 bands as follows:-

  (a) 10% on the first 25,000 rupees
  (b) 20% on the next 25,000 rupees
  (c) 25% on the next 450,000 rupees
  (d) 30% on the remainder;

- re-definition of the following terms:-

  (a) "dividends" to exclude also interest deemed to be dividends on debentures issued by reference to shares;

  (b) "securities" to exclude treasury bills and Bank of Mauritius Bills;

- amendment of capital allowance provisions to restrict the allowance on fixed assets which are subject to depreciation under normal accounting practice;

- denial of capital allowance in cases where books and records are not properly kept;

- modification of conditions for grant of investment relief and investment tax credit to no longer cover investments in tax incentive companies. However, transitional provisions have been made for tax relief and credit in respect of investments made prior to 1 July 2004 in tax incentive companies;

- increase in the maximum amount of deduction allowable in respect of donations to charitable institutions made by individuals from Rs 20,000 to Rs 40,000 and by companies from Rs 200,000 to Rs 400,000;

- contributions made to Prime Minister's Children's Fund allowed as deduction;

- introduction of an "Alternative Minimum Tax" (AMT) applicable to certain categories of companies which either do not pay corporate tax or pay tax at an effectively low rate but make dividend distributions;

- provision for additional investment allowance of 25 per cent incurred by manufacturing companies extended to 4 more years up to 30 June 2008 at the following rates:-

Income Year ended	**Rate**
30 June 2005	25%
30 June 2006	20%
30 June 2007	15%
30 June 2008	10%

- extension of deduction for contributions by companies to sports clubs and sport training centres to contributions made to Trust Fund for Excellence in Sports established under the Finance and Audit (Trust Fund for Excellence in Sports) Regulations 2002;
- introduction of new provisions to access computer and other electronic devices for the purposes of ascertaining the tax liability of any person;
- empowering the Commissioner to disclose information for the purposes of the Prevention of Corruption Act 2002 and the Dangerous Drugs Act;
- removal of provision for post-free service of documents;
- addition to the list of Tax Incentive Companies of a guarantee fund established under Section 3(8)(a) of the Securities (Central Depository, Clearing and Settlement) Act;
- exemption of income derived by:-
  - (a) a trust set up under the Trusts Act 2001 to administer an employees' share scheme;
  - (b) the Employees' Real Estate Investment Trust referred to in Section 10A of the Employees' Welfare Fund Act;
- extension of the 50 per cent tax relief available to an expatriate employee or a specified Mauritian employee in specified sectors to employees of companies engaged in spinning activities;
- increase of the ceiling of tax exemption of interest income from Rs 75,000 to Rs 100,000 for an individual and from Rs 150,000 to Rs 200,000 for a couple;
- exemption of interest earned on:-
  - (a) the Special Savings Scheme for Public Officers administered by the Accountant General;
  - (b) a loan made to the Employees' Real Estate Investment Trust referred to in Section 10A of the Employees' Welfare Fund Act;

- exemption of the value of shares to the extent of Rs 200,000 received by an employee from an employees' share scheme provided such shares are held for at least 3 years;
- exemption of the value of units received by an employee under the National Savings Fund Act, or any distributions made by the Employees' Real Estate Investment Trust;
- increase in the monthly PAYE exemption threshold from Rs 7,000 to Rs 8,000; and for field workers and non-agricultural workers in the sugar industry from Rs 5,700 to Rs 6,000 during the inter-crop season and from Rs 9,100 to Rs 9,500 during the crop season.

Registration Duty

- exemption of duty on a deed of transfer by a divorcee to the other divorcee in respect of his share in the residential property used as their "logement principal";
- exemption of duty where the transferor has acquired either wholly or partly the property transferred through inheritance or legacy from his spouse, an ascendant, a descendant, a brother or sister;
- increase of duty exemption on purchase of residential property for first time buyers from Rs 100,000 to Rs 110,000 for bare land and Rs 110,000 to Rs 130,000 for land with a residential building thereon;
- exemption of duty on any document witnessing the issue by the Employees' Real Estate Investment Trust of a unit to an employee, as defined in the National Savings Fund Act;
- exemption of duty on all documents witnessing a transfer of shares to, or by, a trust set up for the purpose of managing an employees' share scheme under the Companies Act 2001;
- levy of duty at 5 per cent on the registration of any deed witnessing the purchase of an immovable property by a company registered with the Small and Medium Industries Development Organisation.

- levy of duty on a deed by which a partner withdraws from a partnership owning property or entitled to property either directly or indirectly by the constitution of successive partnerships, which another partner previously joined;
- levy of duty on a deed witnessing that property acquired by a partnership is, on dissolution of the partnership or in any other manner, attributed to a person who became a partner of the partnership after the date of such acquisition;

Land Transfer Tax

- exemption of tax on a deed of transfer by a divorcee to the other divorcee in respect of his share in the residential property used as their "logement principal";
- exemption of tax where the transferor has acquired either wholly or partly the property transferred through inheritance or legacy from his spouse, an ascendant, a descendant, a brother or sister;
- levy of tax on a deed by which a partner withdraws from a partnership owning property or entitled to property either directly or indirectly by the constitution of successive partnerships, which another partner previously joined;
- levy of tax on a deed witnessing that property acquired by a partnership is, on dissolution of the partnership or in any other manner, attributed to a person who became a partner of the partnership after the date of such acquisition;
- levy of tax where the transfer is made by the owner of an immovable property under the Integrated Resort Scheme at a fixed amount of 50,000 US dollars or in the case of a citizen of Mauritius or a company incorporated under the Companies Act 2001, the equivalent in Mauritius currency;
- removal of exemption of tax on first Rs 75,000 granted to a transferor on the value of property transferred.

Campement Site Tax

repeal of the Campement Site Tax (Exemption) Regulations 1985 and its replacement by the Campement Site Tax and Campement Tax (Exemption) Regulations 2003.

Electronic Filing of Tax Returns and Payment of Tax

1.13 Under the Contributions Network Project (CNP), 541 taxpayers have joined the system of electronic filing of returns and electronic payment of VAT, PAYE, corporate tax and customs duties. During the year, an amount of Rs 8,367 million was collected through the electronic payment system.

1.14 The VAT Department, the Income Tax Department, the Large Taxpayer Department and the Customs and Excise Department are pursuing their efforts to get other taxpayers to join the system.

Fiscal Investigations

1.15 The Fiscal Investigations Unit of the Revenue Authority carried out investigations in 46 cases; 32 cases were completed and assessments amounting to Rs 48.9 million made. Investigation is continuing in 14 other cases.

1.16 The Customs Department carried out investigations in 477 cases of offences relating to wrong declaration, wrong classification, undervaluation of goods, etc. The proceeds of compounded settlements in those cases amounted to Rs 28.4 million. In addition, Customs also effected one seizure of heroin involving 630 grams and detected 6 cases of cannabis involving 400 grams and one case of psychotropic substances involving 42 tablets. The estimated street value of the drugs seized amounted to Rs 7.9 million.

1.17 The VAT Department completed investigations in 41 cases and assessments amounting to Rs 30.4 million were raised in 20 cases. At the Income Tax Department, investigations in 141 cases were completed and assessments totalling Rs 103.7 million in tax and penalties were raised.

1.18 The Investigations Unit at the Registrar-General's Department verified some 3,900 deeds deposited for registration and transcription and discovered shortpayment of duties and taxes in 23 cases amounting to Rs 1.3 million.

Appeals to Tax Appeal Tribunal

1.19 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 up to February 2003. Any party dissatisfied with the determination of the Tribunal as being erroneous in point of law could take the case further to the Supreme Court. Table 1.3 gives details of appeals dealt with during the year 2003/04.

Table 1.3: Appeals to Tax Appeal Tribunal, 2003/04

	Customs	VAT	Income Tax	Large Taxpayer		Registrar -General	Total
				Corporate Tax	VAT		
Appeals pending at 1 July 2003	23	118	399	9	7	456**	1,012
Appeals re-instated/ transferred between 1 July 2003 and 30 June 2004	-	-	10	-	1*	-	11
Appeals referred back by Supreme Court	-	-	2	-	-	-	2
	23	118	411	9	8	456	1,025
Cases remitted to Tribunal	-	1	-	-	-	-	1
	23	119	411	9	8	456	1,026
Cases struck out	-	10	12	-	-	58	80
	23	109	399	9	8	398	946
Appeals determined	2	10	16	2	4	40	74
	21	99	383	7	4	358	872
Settled by agreement/withdrawn	-	17	133	4	-	358	512
Transferred to Large Taxpayer Department	-	1*	-	-	-	-	1
Appeals pending at 30 June 2004	21	81	250	3	4	-	359
Appeals before Supreme Court	-	17	43	5	-	106	171

* Transferred from VAT Department to Large Taxpayer Department

** 456 refer to the number of deeds transcribed at the Registrar-General's Department but was previously reported as 6,208 appeals representing the number of parties concerned with the appeals.

Representations to Assessment Review Committee

1.20 In order to expedite the determination of tax appeals, the Finance Act 2001 made provision for the setting up of an Assessment Review Committee (ARC) to hear written representations from aggrieved taxpayers. The Assessment Review Committee became operational as from 20 February 2003, and has replaced the Tax Appeal Tribunal. The Committee consists of persons with expertise in areas such as law, accountancy, business administration, economics and taxation and is required to take decisions on representations lodged with it within a period of 8 weeks. Table 1.4 shows details of representations made to the ARC for the year 2003/04.

Table 1.4: Representations to Assessment Review Committee, 2003/04

	Customs	**VAT**	**Income Tax**	**Large Taxpayer**		**Registrar-General**	**Total**
				Corporate Tax	**VAT**		
Cases pending at 1 July 2003	1	17	35	-	-	467	520
Cases lodged between 1 July 2003 to 30 June 2004	30	81	60	7	1	5,121	5,300
	31	**98**	**95**	**7**	**1**	**5,588**	**5,820**
Cases withdrawn	3	3	5	1	-	44	56
	28	95	90	6	1	5,544	5,764
Cases struck out	1	2	6	-	-	107	116
	27	93	84	6	1	5,437	5,648
Cases agreed/ allowed	-	4	-	-	-	-	4
Cases determined	5	26	38	2	-	1,885	1,956
Cases pending at 30 June 2004	22	63	46	4	1	3,552	3,688
Appeals before Supreme Court	-	9	-	-	-	46	53

Tax Training School

1.21 During the year 2003/04, the Tax Training School of the Revenue Authority organized some 52 courses and seminars on various aspects of taxation and on management which were attended by 1,048 officers. The corresponding figures for 2002/03 were 38 and 779 respectively.

1.22 In addition, the School hosted / organized jointly with external agencies 20 courses and seminars which were attended by 393 participants. The corresponding figures for 2002/03 were 19 and 401 respectively.

1.23 Thus, in 2003/04, an aggregate of 72 courses and seminars were held at the School compared to 57 in 2002/03. Table 1.5 shows the number of courses and seminars held since 2000/01.

Table 1.5: Number of Courses / Seminars held at the Tax Training School, 2000/01 to 2003/04

Courses/Seminars	**Number of courses and seminars**			
	2000/01	**2001/02**	**2002/03**	**2003/04**
Customs Courses / Seminars	7	10	16	43
Income Tax Courses	2	3	2	6
VAT Courses / Seminars	1	6	21	2
Courses for Large Taxpayer Department	-	1	-	1
Courses on Registration Duties and Taxes	-	2	5	4
Management Courses	2	1	2	5
General Courses / Seminars	3	10	11	11
Total	**15**	**33**	**57**	**72**

1.24 In all, some 1,441 participants attended courses and seminars held at the school in 2003/04, compared to 1,180 in 2002/03. Table 1.6 shows the number of participants from different revenue departments who have attended courses and seminars since 2000/01.

Table 1.6: Number of Participants in Courses and Seminars, 2000/01 to 2003/04

Department	**Number of participants**			
	2000/01	**2001/02**	**2002/03**	**2003/04**
Customs and Excise Department	521	437	417	962
VAT Department	24	181	346	76
Income Tax Department	126	119	90	160
Large Taxpayer Department	-	36	14	35
Registrar-General's Department	9	40	87	65
Others	29	12	226	143
Total	**709**	**825**	**1,180**	**1,441**

2. CUSTOMS AND EXCISE DEPARTMENT

Responsibilities

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

- collection of duties and taxes on imported goods;
- collection of excise duties on certain locally manufactured goods and certain imported goods;
- ensuring the prompt clearance of goods;
- collection of trade statistics;
- implementation of the provisions of various Trade Protocols and Preferential Trade Agreement.

2.2 The Department also collects VAT at importation on behalf of the VAT Department and performs certain non-revenue functions for other Ministries and Departments such as enforcement of prohibitions and restrictions on goods like drugs, arms and ammunitions. Customs also exercises control on the import and dissemination of indecent literature and assists in the protection of endangered species.

Customs and Excise Duty

2.3 Customs duty is levied on all manifested goods at time of importation unless they are free of duty or exempt. Merchandise and goods brought into the country by travellers in excess of their prescribed allowances are also dutiable. Most of the import duties in the Customs Tariff are *ad-valorem,* but few items like footwear and fuel oil carry specific rates of duty.

2.4 Excise duty is levied on certain locally manufactured goods and a few imported items such as cigarettes, alcoholic beverages and motor vehicles.

Revenue from Customs and Excise Duties

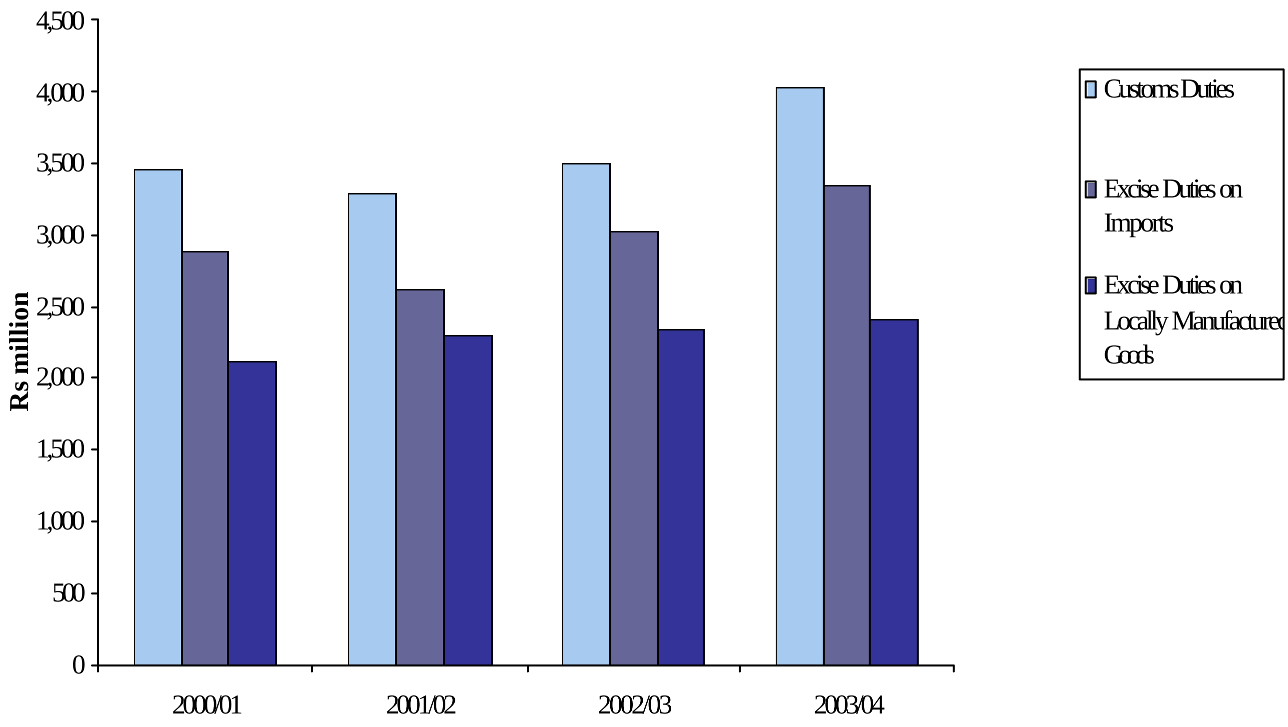
2.5 Total revenue from customs duties and excise duties amounted to Rs 9,793.2 million in 2003/04 compared to Rs 8,854.8 million in 2002/03. Table 2.1 and figure 2.1 show the evolution in revenue collection from 2000/01 to 2003/04.

Table 2.1: Revenue from Customs and Excise Duties, 2000/01 to 2003/04

Rs million

Customs and Excise duties	2000/01	2001/02	2002/03	2003/04
Customs duties	3,467.0	3,287.8	3,497.4	4,037.2
Excise duties on imports	2,882.1	2,605.6	3,025.2	3,348.2
Excise duties on locally manufactured goods	2,107.0	2,308.4	2,332.2	2,407.9
Total	**8,456.1**	**8,201.8**	**8,854.8**	**9,793.2**

Figure 2.1: Revenue from Customs and Excise Duties, 2000/01 to 2003/04



Collection of VAT on Imports

2.6 In 2003/04, the Customs Department also collected VAT on imports amounting to Rs 6,343.7 million.

Imports and Exports

2.7 During the year, there was an increase in the number of both import and export entries which gives an indication of the level of activities at Customs. Table 2.2 shows the number of bills of entry and the value of imports and exports for the years 2002/03 and 2003/04.

Table 2.2: Number of Bills of Entry and the Value of Imports and Exports, 2002/03 and 2003/04

Imports and Exports – Bills of Entry and Value	2002/03	2003/04
Number of bills of entry:		
Imports	218,394	293,629
Exports	112,707	119,313
CIF value of imports	Rs. 66,268 m	Rs. 70,292 m
FOB value of exports	Rs. 51,400 m	Rs. 53,481 m
FOB value of bunkers and ship's stores	Rs. 2,310 m	Rs. 1,957 m

Reform and Modernization of Customs

2.8 The programme for the Reform and Modernisation of Customs to make it a modern and efficient service which would provide world-class service to stakeholders was pursued during the year.

2.9 Customs procedures were further simplified and best practices adopted, thus facilitating trade through the use of the Customs Management System. Improvements were brought in the operation of duty free shops and the privatisation of Auction Sales has been worked out and is awaiting final approval.

Flexible Anti-Smuggling Team

2.10 The Flexible Anti-Smuggling Team (FAST) which has been set up since 29 May 2003 carries out random and selective counter-verification checks on declarations, containers and consignments already checked by officers, follows up on intelligence received on high risks consignments, traders and passengers and selectively checks passengers at the port and airport. During the period 1 July 2003 to 30 June 2004, FAST opened 500 files which generated 86 Customs Offence Reports and 65 cases of upliftment and the total amount of duties, taxes and fines collected amounts to Rs 12.8 m.

Model Customs Invoice

2.11 A model customs invoice based on internationally accepted UN layout containing data required by Customs laws has been prepared to assist importers who are facing difficulties in submitting a proper invoice. The model customs invoice which contains sufficient data to meet documentary requirements of Customs is, however, not mandatory, but is highly recommended. It is sent by the importer to the foreign supplier for completion and signature before being returned to the importer in Mauritius.

One-stop-shop for deferral regimes

2.12 A one-stop-shop for deferral regimes will be established for the processing of Customs declarations for the export enterprises and small enterprises as well as enterprises having Pioneer Status. Likewise, export declarations, goods entering and leaving bonded warehouses will also be processed in the same building, thus avoiding traders and brokers moving between Customs offices. This one-stop-shop will greatly enhance processing of import/export Customs declarations and at the same time ease the work load at IKS Building.

Electronic Air Cargo Manifest

2.13 This SITA/Air Cargo Manifest Project was implemented in July 2004. It allows Customs to receive air freighted cargo data electronically from Airlines through the Network of SITA (Societe Internationale des Transports Aeronautiques) prior to the arrival of the aircraft.

IT Strategy for Customs

2.14 The Customs Management System (CMS) has been enhanced to cater for the ever-growing IT needs of the Department for control and trade facilitation.

2.15 Work has started on the preparation of a new IT Strategy for the Department with the redevelopment of the CMS using latest cluster technology and operating software. It is expected to be implemented when the new Customs House is completed.

Tariff Rulings

2.16 Updated Tariff Rulings have been published on the Customs website for consultation by stakeholders.

Infrastructure Improvements

2.17 In line with the reform initiatives, Customs Headquarters, Customs premises at the Airport and at Dragon House have been renovated to provide staff a congenial working environment.

2.18 The Red and Green Channels in the Arrival Hall at SSR Airport have been redesigned to allow quicker clearance of travellers.

2.19 Customs Office in Rodrigues also has been renovated and provided with IT equipment to deal with the growing volume of trade.

Strengthening Human Resources

2.20 The management of human resources has been improved with the result that there is now a transparent system of staff rotation on a periodical basis. Technical training in Customs valuation, investigation and intelligence, cargo inspection, rules of origin, classification of goods and IT is continuing to be provided to staff. Senior managers have been provided training in Project Management and Principles of Organisation and Management to enhance their management skills.

Changes in Customs Duties

2.21 In its effort to further rationalize the structure of customs duty, certain changes have been brought during the year. The main changes in customs duties are summarized below:-

Removal of customs duty on:-

- product of animal origin not elsewhere specified: feathers, shells, natural sponges and skins;
- foliage, branches and other parts of plants, fruits and nuts, provisionally preserved;
- hop cones, plants and parts of plants used in pharmacy or for insecticidal purposes, locust beans, seaweeds, algae, fruit stones and kernels;
- degras;
- food preparation used for maintaining general health or for diabetics, meat-free vegetable burgers, soya milk and aloe vera gel or aloe vera drinking gel-pure;

- vacuum salt;
- pharmaceutical products;
- non-refractory surfacing preparations of gypsum for use in construction;
- commode chairs with toilet bowls and disposable urinary bags;
- protective wearing apparel for use in a noxious environment, protective shields for welders, printer blankets and conveyor belts;
- textile products and articles for technical uses;
- anti-radiation protective suits;
- walking-sticks, seat-sticks, whips and riding-crops;
- infant feeding bottles, bottle warmers and sterilisers, bibs, rockers and bouncers;
- round bars and rods of iron or non alloy steel (not more than 6 mm);
- pumps;
- parts of machinery (harvesting or threshing machinery, washing machines, typewriters, calculating machines, office machine, primary cells and primary batteries, electric accumulators, electro-mechanical domestic appliances, shavers, portable electric lamp, electric domestic appliances and electric lamp;
- typewriters and office machines;
- fire hydrants;
- electric heating resistors;
- automatic circuit breaker, isolating switches and make-and-break switches;
- signal generators;
- carbon electrodes and brushes;
- electrical insulators;
- waste and scrap of primary cells;
- mounted lenses and filters for cameras;
- astronomical instruments;
- instruments, apparatus for aeronautical and space navigation;
- surveying instruments, drawing and marking-out or mathematical calculating instruments;
- hydrometers and thermometers, flow meters and level gauges;

- oscilloscopes, multimeters, measuring or checking instruments and automatic regulating or controlling instruments;
- watch cases and watch parts;
- seats of a kind used for aircraft;
- specialised bathing chairs and high chairs for baby;
- play pens;
- felt-tipped and other porous-tipped pens and markers, pencils and chalks, slate and boards;
- scent sprays and similar toilet sprays and mounts and heads thereof; and
- crustaceans, molluscs and other aquatic invertebrates, live, fresh, chilled, frozen, dried and salted or in brine.

Reduction of customs duty to 15% on:-

- static convertors and inductors;
- unrecorded magnetic tapes and other prepared unrecorded media;
- recorded magnetic tape and other recorded media;
- reception apparatus other than for radio telephony or radio-telegraphy;
- plugs and sockets;
- copper winding wire;
- electric conductors;
- photocopying apparatus;
- compact disc player;
- dogs;
- fruit preserved by vinegar or acetic acid; and
- plastic bins of a kind fitted with bins.

Reduction of customs duty to 20% on:-

- preparation of anti-microbial active agents for use simultaneously for cleaning and disinfecting infected areas.

Reduction of customs duty to 30% on:-

- soya sauce and chilli sauce;
- boards and panels for electricity;
- gas, liquid and electricity meters and parts thereof;
- revolution counters, production counters; and
- clocks and time switches.

Reduction of customs duty to 40% on:-

- vegetables, fruits, nuts and fruit-peel preserved by sugar;
- tents, sails, tarpaulins and awnings;
- electric shavers, hair clippers and hair-removing appliances;
- binoculars;
- swivel seats with variabe height adjustment;
- sleeping bags;
- lighting sets of a kind used for christmas tree;
- festive and carnival or other entertainment articles;
- date, sealing or numbering stamps and ink-pads; and
- crustaceans, molluscs and other aquatic invertebrate, prepared or preserved.

Reduction of customs duty to 55% on:-

- motorcycle; and
- other articles of iron or steel, copper, nickel, aluminium, lead, zinc and tin.

Introduction of customs duty of 15% on live ornamental fish.

Introduction of customs duty of 40% on:-

- flooring and paving tiles of slate, marble, granite, dolomite, natural stealite;
- laminated (tongued and grooved) particle board and fibre board used for flooring;
- monitors (plasma) exceeding 25 inches;
- hydro massage apparatus and jacuzzi; and
- swimming pools.

Reduction of excise duty:

(i) *to 65% on motor cars of a cylinder capacity not exceeding 1250 cc.*

(ii) *to 95% on motor cars of a cylinder capacity exceeding 1250 cc but not exceeding 1500 cc.*

(iii) *to 135% on motor cars of a cylinder capacity exceeding 1500 cc but not exceeding 2250 cc.*

(iv) *to 185% on motor cars of a cylinder capacity exceeding 2250 cc.*

Change in Excise Duty

2.22 The main change in excise duty at importation concerned cigarettes containing tobacco, which became dutiable at 205% *ad valorem* plus Rs 835 per thousand.

Staffing

2.23 The number of officers in the Department as at 30 June 2004 was 759, including 184 supporting staff. As at June 2003, the corresponding figures were 759 and 164 respectively.

Training Courses, Seminars and Workshops

2.24 In its efforts to build capacity and enhance the skills of the staff, several senior officers were nominated to attend courses, seminars and workshops abroad. These included courses organized under the aegis of the Common Market for Eastern and the Southern African States (COMESA), the Southern African Development Community (SADC), the World Customs Organisation (WCO), Malaysian Technical Co-operation Program (MTCP), Embassy of the United States of America and U S Trade Development Agency and Ecole des Douanes Françaises. The courses/seminars covered a wide range of subjects such as customs procedures and facilitation, I.T for customs in Africa, training of trainers for law enforcement customs and immigration personnel, transport security for Africa, rules of origin and customs legislations, commercial fraud, combating counterfeiting, customs tariff nomenclature and trade facilitation.

2.25 A number of officers were also given the opportunity to follow training courses and seminars organized locally on subjects relating to management, electronic business, information security and safety, internal audit, port security, anti-piracy, customer-care, examination of goods, aviation security, examination of goods, prevention of corruption, post audit control, commodity and coding system, valuation agreement and intellectual property rights.

3. VALUE ADDED TAX DEPARTMENT

Responsibilities

3.1 The VAT Department is responsible for the collection and administration of the Value Added Tax, the various duties and taxes payable under the Gaming Act in respect of casinos, gaming houses, pool betting, sweepstakes and lotteries and taxes and duties payable by bookmakers and the totalisator under the Horse Racing Board Act 2003. 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 on goods and services was introduced on 7 September 1998 in replacement of the Sales Tax on goods, and is governed by the Value Added Tax Act 1998. VAT 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 is 15 per cent.

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 and 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 fertilizers. With effect from 1 September 2000, ghee and fish (fresh, chilled or frozen) produced in Mauritius have also been made zero-rated. Two utilities, namely, water and electricity have become zero-rated as from 2 October 2000 and goods and services supplied by the Wastewater Management Authority have become zero-rated with effect from 13 November 2001. The transport of passengers and goods by sea or air became zero-rated with effect from 1 January 2004.

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 certain categories of business/profession 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 have been made subject to VAT at the standard rate. VAT in respect of the insurance sector has been further streamlined, and services provided by insurance brokers and insurance salesmen, whose turnover exceeds the prescribed limits, have also become subject to VAT.

Revenue from VAT and Taxes on Gaming and Betting

3.7 Receipts from VAT, taxes on gaming, betting and sweepstakes and from rum and liquor licence fees amounted to Rs 9,737.0 million in 2003/04. In addition, receipts amounting to Rs 1.6 million from Sales Tax (which has been replaced by VAT as from 7 September 1998) and Rs 1.2 million from Hotel and Restaurant Tax (now abolished) were collected during the year under review. Table 3.1 and Figure 3.1 show trend in revenue collection at the VAT Department for the period 2001/02 to 2003/04.

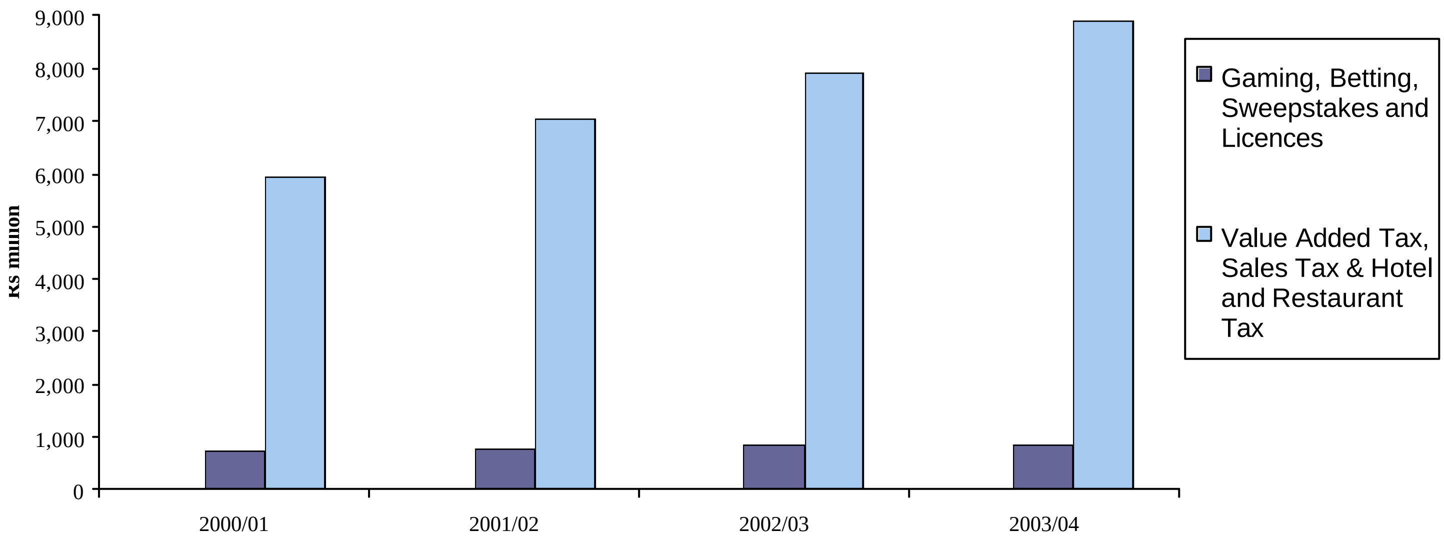
Table 3.1: Revenue from VAT and Taxes/Duties on Gaming and Betting, 2000/01 to 2003/04

Rs million

	2000/01	**2001/02**	**2002/03**	**2003/04**
Value Added Tax	5,919.1	7,049.8	7,921.7*	8,895.2*
Sales Tax	5.4	3.6	0.7	1.6
Hotel & Restaurant Tax	26.7	1.0	3.0	1.2
Gaming, Betting and Sweepstakes	680.2	710.4	785.4	793.4
Gaming licences	45.5	48.1	48.6	38.0
Rum & Liquor licences	10.4	10.4	10.5	10.4
Total	**6,687.3**	**7,823.3**	**8,769.9**	**9,739.8**

* Includes VAT collected at importation in respect of the large VAT registered persons.

Figure 3.1: Revenue from VAT and Taxes/Duties on Gaming and Betting, 2000/01 to 2003/04



Registrations

3.8 The number of persons registered for VAT at the VAT Department was 7,888 as at 30 June 2004. Details of registrations for the years 2002/03 and 2003/04 are given in Table 3.2.

Table 3.2: Number of Registrations at the VAT Department, 2002/03 and 2003/04

	2002/03	**2003/04**
Number of registrations as at 1 July	5,062	7,077
New registrations	2,431	1,274
Total	**7,493**	**8,351**
De-registrations	393	439
	7,100	7,912
Transferred to Large Taxpayer Department	23	24
Number of registrations as at 30 June	**7,077**	**7,888**

Repayment of VAT

3.9 During the year 3,327 new claims for repayment of tax of a total amount of Rs 930.0 million were received. Taking into account the 227 claims, excluding 79 transferred to Large Taxpayer Department, of an amount of Rs 37.7 million, outstanding for the previous year, the number of cases required to be processed in 2003/04 stood at 3,554. Of these, 3,259 claims were processed during the year and an amount of Rs 788.1 million was repaid. Of the amount repaid, Rs 435.2 million were in respect of capital goods and Rs 352.9 million for zero-rated supplies. Moreover, 292 claims, excluding 3 received during the year and transferred to Large Taxpayer Department, for an amount of Rs 160.1 million were outstanding as at 30 June 2004.

Assessments

3.10 During the year, 207 assessments were raised for a total amount of Rs 217 million.

Betting and Gaming

3.11 As at 30 June 2004, there were 557 licensees under the Gaming Act and 50 persons paying duties and taxes under the Horse Racing Board Act 2003. The number in the previous year was 624. Table 3.3 gives a breakdown of the number of licensees.

Table 3.3: Number of Licensees under the Gaming Act, 2002/03 and 2003/04

Types of Licence/Taxpayers	2002/03	2003/04
Gaming Houses		
Casino	7	6
Gaming House "A"	5	5
Gaming House "B"	6	5
Gaming House "C"	16	16
Coin-operated gaming machine	16	12
Pool Betting		
Pool promoter	2	2
Agent of foreign pool promoter	3	3
Collector	475	490
Sweepstakes & Bets		
Pari mutuel organiser	3	3
Bookmaker	65	49*
Totalisator	1	1*
Lotteries (Promotional)		
Lottery organiser	25	15
Total	**624**	**607**

* Licensed under the Horse Racing Board Act 2003 as from 28 April 2004.

Rum and Liquor Licences

3.12 As at 30 June 2004, there were 5,374 rum and liquor licensees under Part II of the Second Schedule to the Excise Act 1994. The corresponding figure for the previous year was 5306. Table 3.4 gives a breakdown of the number of licensees by district.

Table 3.4: Number of Rum and Liquor Licensees by District, 2002/03 and 2003/04

District	2002/03	2003/04
Black River	369	381
Flacq	696	713
Grand Port	585	591
Lower Plaine Wilhems	645	634
Upper Plaine Wilhems	649	662
Moka	329	338
Port Louis	462	461
Pamplemousses	603	615
Rivière du Rempart	651	658
Savanne	317	321
Total	**5,306**	**5,374**

Staffing

3.13 As at 30 June 2004, 214 officers, including 66 supporting staff, were employed in the Department. The corresponding figures for 2002/03 were 208 and 66 respectively.

Training Courses and Seminars

3.14 During the year, this Department made effective use of training opportunities available at the Tax Training School and other Institutions to upgrade the skills and raise the level of competence of its employees. Also, some 85 officers attended workshops and seminars on topics such as prevention of corruption, International Accounting Standard and IT organized by other agencies.

VAT Rulings

3.15 The Department issued two VAT Rulings (VAT R4 and VAT R5) during the year. The Rulings are reproduced at 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 from overseas by an individual resident in Mauritius, it is taxable only to the extent it is remitted to Mauritius.

4.3 Income Tax is payable in Mauritius 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 return is 31 January following the income year. Where a company closes its accounts on a date other than 30 June, the due date for submission of return is 30 September in the year of assessment.

4.4 The Income Tax rates applicable in respect of year of assessment 2004/05 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 from Income Tax in 2003/04 amounted to Rs 2,636.0 million compared to Rs 1,975.5 million in 2002/03. Table 4.1 and Figure 4.1 show the evolution of revenue collection from 2000/01 to 2003/04.

Table 4.1: Revenue from Income Tax, 2000/01 to 2003/04

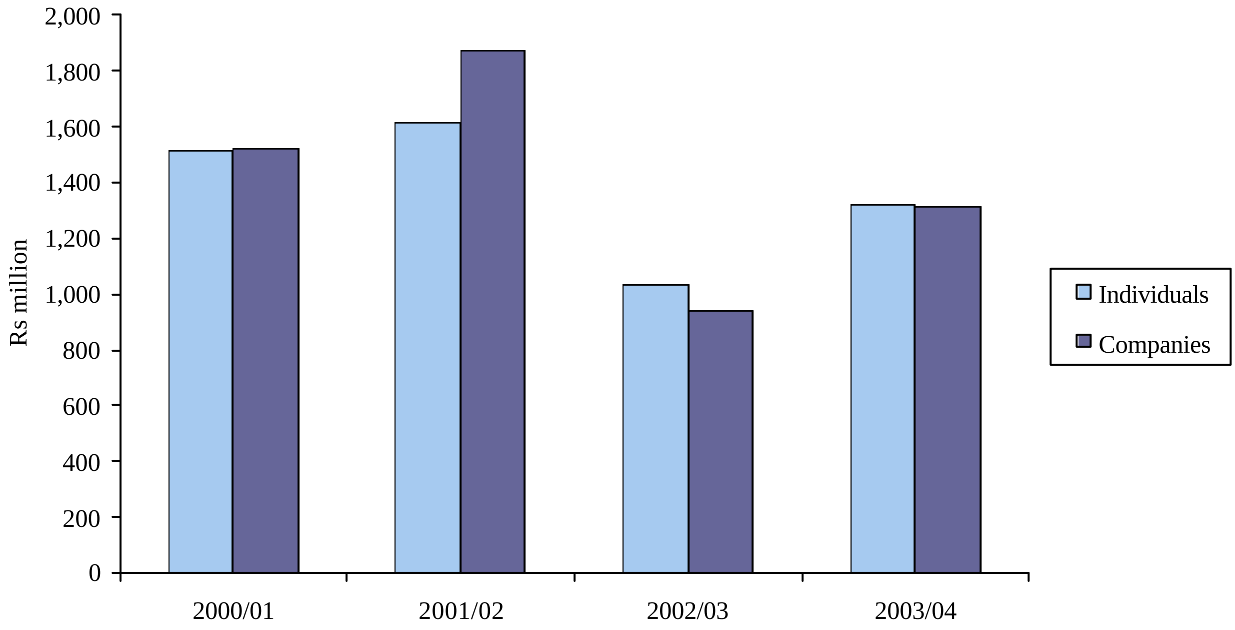
Rs million

	2000/01	2001/02	2002/03	2003/04
Individuals	1,517.9	1,619.0	1,034.5	1,323.1
Companies	1,521.2	1,874.9	941.0	1,312.9
Total	**3,039.1**	**3,493.9***	**1,975.5****	**2,636.0**

* Includes an amount of Rs 989.1m collected by Large Taxpayer Department which became operational on 1 January 2002.

** Excludes revenue from Income Tax collected by Large Taxpayer Department in respect of large taxpayers.

Figure 4.1: Revenue from Income Tax, 2000/01 to 2003/04



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. Employers with 50 or more employees are required to submit their PAYE returns and remit tax withheld electronically. As an incentive to those employers who decide to join the system, the time-limit for payment of tax has been extended to the end of the month instead of 20th of the month immediately following the month in which the tax is withheld. In 2003/04, there were 4,421 registered employers withholding tax under PAYE, compared to 4,301 in 2002/03.

4.8 A person deriving income 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.

Collection under PAYE

4.9 The amount of tax collected under PAYE for the years 2002/03 and 2003/04 is shown in Table 4.2.

Table 4.2: Income Tax Collected under PAYE, 2002/03 and 2003/04

	2002/03		**2003/04**	
	Number of Employees	**Amount (Rs m)**	**Number of Employees**	**Amount (Rs m)**
Tax collected under PAYE	76,511 *	782.1	114,839	1,033.6
Tax collected on returns		115.4		110.8
Total tax collected		**897.5**		**1,144.4**
Tax refunded	81,555	236.3	85,698	259.1**
Net tax collected		**661.2**		**885.3**

* Figure does not include number of employees from whose emoluments tax was withheld and remitted to Large Taxpayer Department

** The refunds made in 2003/04 relate to tax collected in the year 2002/03.

Out of the total amount of PAYE collected, Rs 116.6 million were received through the electronic payment system.

Collection under CPS

4.10 The amount of tax collected under CPS for the years 2002/03 and 2003/04 is shown in Table 4.3.

Table 4.3: Income Tax Collected under CPS, 2002/03 and 2003/04

	2002/03		2003/04	
	Number	**Amount (Rs m)**	**Number**	**Amount (Rs m)**
No. of self-employed submitting Statements of Income	5,125	90.4	5,520	108.0
No. of self-employed submitting Returns of Income	4,522	110.7	5,493	132.9
Total tax collected		**201.1**		**240.9**

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 2002/03 and 2003/04.

Table 4.4: Revenue from PAYE, CPS, Self-assessments and Assessments, 2002/03 and 2003/04

	2002/03			2003/04		
	Individuals	**Companies**	**Total**	**Individuals**	**Companies**	**Total**
	Amount (Rs m)	**Amount (Rs m)**	**(Rs m)**	**Amount (Rs m)**	**Amount (Rs m)**	**(Rs m)**
PAYE	782.1	-	782.1	1,033.6	-	1,033.6
CPS	90.4	-	90.4	108.0	-	108.0
Self-assessments	251.0	762.3	1,013.3	272.7	1,203.2	1,475.9
Assessments	147.3	179.2	326.5	167.9	117.5	285.4
Total	**1,270.8**	**941.5**	**2,212.3**	**1,582.2**	**1,320.7**	**2,902.9**
Less refund	236.3	0.5	236.8	259.1	7.8	266.9
Net revenue	**1,034.5**	**941.0**	**1,975.5**	**1,323.1**	**1,312.9**	**2,636.0**

Number of Self-assessments and Assessments

4.12 The number of self-assessments and the number of assessments raised by the Department in the years 2002/03 and 2003/04 is given in Table 4.5.

Table 4.5: Number of Self-assessments and Assessments, 2002/03 and 2003/04

	2002/03			2003/04		
	Individuals	**Companies**	**Total**	**Individuals**	**Companies**	**Total**
Self-assessments	56,319	2,648	58,967	60,460	3,282	63,742
Assessments	3,921	423	4,344	3,063	433	3,496

Register of Taxpayers

4.13 As at 30 June 2004, there were 331,946 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, 2003/04

	Individuals	**Companies**	**Societes**	**Successions**	**Total**
As at 1 July 2003	279,480	25,279	3,499	1,380	309,638
Revived and transferred from old register	1,677	58	-	-	1,735
Unaccounted in balance as at 1 July 2003	3	3	-	-	6
Added during year	19,414	3,207	102	93	22,816
Total	**300,574**	**28,547**	**3,601**	**1,473**	**334,195**
Removed during year	1,284	902	11	9	2,206
Transferred to Large Taxpayer Department	-	37	-	-	37
Accounted in excess in balance as at 1 July 2003	-	-	2	-	2
As at 30 June 2004	**299,290**	**27,608**	**3,588**	**1,464**	**331,950**

Summary of Tax Payable by Companies

4.14 Table 4.7 shows the number of companies and the amount of tax declared and payable by rate of tax for the year 2003/04.

Table 4.7: Number of Companies and Tax Payable by Rate of Tax, 2003/04

Corporate Tax by Tax Rates		
Tax Rate	**Number of Companies Paying Tax**	**Net Tax Payable (Rs m)**
15%	1,453	782.8
25%	1,896	407.1
Total	**3,349**	**1,189.9**

Returns Submitted and Tax Paid by Industrial Group of Companies

4.15 Table 4.8 gives a summary, by industrial groups, of number of companies submitting returns and paying tax together with the amount of tax payable for the year 2003/04.

Table 4.8: Summary by Industrial Group of Companies, 2003/04

		COMPANIES PAYING CORPORATE TAX					
Industry Group	**Number of Companies Submitting Returns**	**Number of Companies Paying Tax**	**(Rs m) Profit or Loss as adjusted for tax purposes**	**(Rs m) Chargeable Income**	**(Rs m) Tax Payable**	**(Rs m) Tax Credit**	**(Rs m) Net Tax Payable**
Agriculture and fishing	271	44	96.4	84.9	13.3	0.0	13.3
of which							
Sugar cane	64	13	35.6	30.9	4.6	0.0	4.6
Manufacturing, mining and quarrying	1,740	459	1,100.2	1,146.9	182.0	1.6	180.4
of which							
Sugar Milling	16	4	104.9	87.0	13.1	0.0	13.1
EPZ Industries	1,261	332	665.7	726.1	116.4	1.6	114.9
Other	463	123	329.6	333.8	52.5	0.06	52.4
Electricity and water	15	7	18.5	26.6	5.0	0.5	4.5
Construction	417	99	252.4	231.5	40.0	11.8	28.2
Wholesale and retail trade; repair of motor vehicles, motorcycles & personal and household goods	3,947	1,085	1,122.5	1,095.4	221.3	48.6	174.5
Hotel and restaurants	416	75	80.9	78.8	12.8	0.0	12.8
Transport, storage & communications	601	158	495.7	487.2	87.3	24.8	62.8
Financial intermediation	2,893	508	9,402.2	9,206.2	1,407.8	1,069.3	338.9
Real estate, renting & business activities	3,335	741	7,195.3	7,102.5	1,096.8	759.4	337.2
Public administration & defence: compulsory social security	8	2	0.05	0.05	0.01	0.0	0.01
Education	122	40	20.6	19.5	3.4	0.0	3.4
Health and social work	61	17	12.6	12.4	2.3	0.2	2.1
Other community, social & personal services	557	112	212.4	212.0	39.8	8.0	31.8
Miscellaneous	400	2	0.3	0.3	0.05	0.02	0.03
Total	**14,783**	**3,349**	**20,010.0**	**19,704.2**	**3,111.8**	**1,924.2**	**1,189.9**

Notes: 1. Section 72 of the Income Tax Act 1995 limits the aggregate amount of tax credits to such an amount that would not reduce the tax payable after such tax credits to less than 15 percent of the chargeable income of the company.
2. The above data are based on self-assessment returns.

Staffing

4.16 The number of officers in the Department as at 30 June 2004 was 339, including 182 supporting staff. The corresponding figures for 2002/03 were 396 and 206 respectively.

Training

4.17 During the year, 7 senior officers followed advanced training courses overseas organised by the Commonwealth Association of Tax Administrators (CATA), Inland Revenue Authority of Singapore (IRAS) and SADC.

Double Taxation Avoidance Treaties

4.18 As at 30 June 2004, the position concerning Double Taxation Avoidance Treaties with the following 46 countries was as follows:–

Double Taxation Avoidance Treaties in force:

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

Negotiations completed but not yet ratified:

- Bangladesh
- Barbados
- Lesotho
- Nigeria
- Russia
- Senegal
- Tunisia
- Uganda
- Zambia

Negotiations on-going:

- Canada
- Czech Republic
- Greece
- Iran
- Malawi
- Portugal
- Seychelles
- United Arab Emirates
- Vietnam

Tax Rulings

4.19 During the year, the Department gave 5 Tax Rulings (TR 31 to TR 35) under the Income Tax Act 1995. The 5 Tax Rulings are reproduced at Appendix B.

5. LARGE TAXPAYER DEPARTMENT

Responsibilities

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

Revenue from Corporate Tax, PAYE and VAT

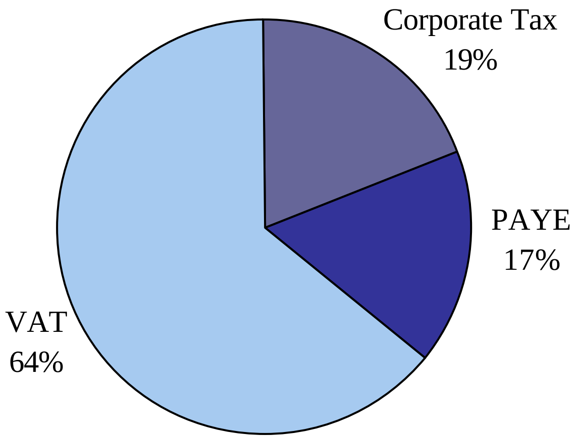
5.2 Total revenue collected from large taxpayers in 2003/04 amounted to Rs 5,686.1 million as compared to Rs 5,139.9 million for the year 2002/2003. Table 5.1 and Figure 5.1 show the revenue collected by the Department under Corporate Tax, PAYE and VAT.

Table 5.1: Revenue Collected under Corporate Tax, PAYE and VAT from Large Taxpayers, 2003/04

Rs million

	Corporate Tax	PAYE	VAT	Total
Electronically	894.2	763.1	2,695.9	4,353.2
Manually	197.7	177.6	957.6	1,332.9
Total	**1,091.9**	**940.7**	**3,653.5**	**5,686.1**

Figure 5.1: Revenue Collected under Corporate Tax, PAYE and VAT from Large Taxpayers, 2003/04



Register of Taxpayers

5.3 As at 30 June 2004, there were 300 large taxpayers registered with the Department; 262 were registered for VAT and 294 were employers registered for PAYE. Table 5.2 gives details of registered taxpayers.

Table 5.2: Number of Large Taxpayers, 2003/04

	Number
As at 1 July 2003	265
Less transferred to Income Tax Dept and VAT Dept.	0
Add transferred from Income Tax Dept. and VAT Department during the year.	35
As at 30 June 2004	**300**

Repayment of VAT

5.4 During the year, 804 claims for repayment of VAT for an amount of Rs 1,508.1 million were received. Taking into account the 90 claims of an amount of Rs 135.3 million, outstanding for the previous year, the number of cases required to be processed in 2003/2004 stood at 894. Of these, the Department processed 797 claims and paid out an amount of Rs 1,359.5 million. Of the amount repaid, Rs 197.8 million were in respect of capital goods and Rs 1,161.7 million for zero-rated supplies. Also 97 claims for an amount of Rs 292.8 million were outstanding as at 30 June 2004

Assessments

5.5 During the year, 38 assessments were raised for a total amount of Rs 83 million. Moreover, in 10 other cases which were examined, the amount of tax losses declared was reduced by Rs 308.9 million.

Staffing

5.6 The number of officers in the Department as at 30 June 2004 was 41, including 2 officers on secondment to the Implementation Team of the Mauritius Revenue Authority as from 01 April 2004 and 20 supporting staff. The corresponding figures for 30 June 2003 were 42 and 23 respectively.

Training

5.7 During the year, 14 officers of the Department followed courses and seminars held at the Tax Training School. 2 Assistant Commissioners attended courses organized by SADC in South Africa. In addition, several officers attended courses, seminars and workshops held by the Ministry of Finance on ICT training for Finance Cadre, the Customs Department on Management Training, the Ministry of Civil Service Affairs & Administrative Reforms on Induction courses for Clerical Officers, the Ministry of Telecommunications & Information Technology on information security, the Central Information Systems Division on Oracle & Data Flow Concepts, ACCA Mauritius on the regulation of accountancy services and public sector accountability , the National Productivity and Competitiveness Council on Business Process Management and Customer Care and Excellence in the Public Sector and the ICAC on prevention of corruption.

Summary of Tax Payable by Companies by Rate of Tax

5.8 Table 5.3 shows the number of companies and the amount of tax declared and payable by rate of tax for the year 2003/04.

Table 5.3: Number of Companies and Tax Payable by Rate of Tax, 2003/04

Corporate Tax by Tax Rates		
Tax Rate	**Number of Companies Paying Tax**	**Net Tax Payable (Rs m)**
15%	42	257.5
25%	85	814.1
Total	**127**	**1,071.6**

Returns submitted and Tax Paid by Industrial Group of Companies

5.9 Table 5.4 gives a summary, by industrial groups, of the number of companies submitting returns and paying tax together with the amount of tax payable for the year 2003/04.

Table 5.4: Summary by Industrial Group of Companies, 2003/04

Industry group	Number of Companies Submitting Returns	COMPANIES PAYING CORPORATE TAX					
		Number of Companies Paying Tax	(Rs m) Profit or Loss as adjusted for tax purposes	(Rs m) Chargeable Income	(Rs m) Tax Payable	(Rs m) Total Tax Credits	(Rs m) Net Tax Payable
Agriculture and fishing	11	2	91.8	91.8	13.9	0.1	13.8
of which							
Sugar cane	6	0	0.0	0.0	0.0	0.0	0.0
Manufacturing, mining and quarrying	80	35	1,145.1	1,048.4	195.5	0.2	195.3
of which							
Sugar milling	7	2	90.0	29.6	4.4	0.0	4.4
EPZ industries	39	9	227.5	191.5	28.7	0.0	28.7
Other	34	24	827.6	827.3	162.3	0.2	162.1
Electricity and water	4	0	0.0	0.0	0.0	0.0	0.0
Construction	16	5	293.2	250.9	39.9	0.0	39.9
Wholesale and retail trade; repair of motor vehicles, motorcycles, personal and household goods	79	48	1,101.2	1,092.9	270.5	2.0	268.5
Hotels and restaurants	23	5	292.8	292.8	45.6	0.0	45.6
Transport, storage and communications	19	10	1,025.1	1,006.3	225.3	0.8	224.5
Financial intermediation	26	16	1,147.9	1,147.9	274.0	9.9	264.1
Real estate, renting and business activities	14	4	48.9	48.9	12.2	0.0	12.2
Public administration and defence; compulsory social security	0	0	0.0	0.0	0.0	0.0	0.0
Education	0	0	0.0	0.0	0.0	0.0	0.0
Health and social work	0	0	0.0	0.0	0.0	0.0	0.0
Other community, social and personal services	3	2	35.7	30.8	7.7	0.0	7.7
Miscellaneous	0	0	0	0	0	0	0
TOTAL	**275**	**127**	**5,181.7**	**5,010.7**	**1,084.6**	**13.0**	**1,071.6**

6. REGISTRAR-GENERAL'S DEPARTMENT

Responsibilities

6.1 The Registrar-General's Department which is administered by the Registrar-General who also acts as Conservator of Mortgages is responsible for the collection of:–

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

The Department is also responsible for the Land Conversion Tax leviable under the Sugar Industry Efficient Act 2001.

The preservation of all mortgages is vested in the Conservator who, in addition to the transcription of deeds and inscription of privileges and mortgages, has to levy the fees in connection therewith.

The Land Registry provides publicity regarding land ownership and obligation, against payment of a prescribed fee payable either daily or monthly.

Registration Duty

6.2 The registration of deeds and documents presented to the Department attracts either a fixed registration duty of Rs 50 or proportional duty ranging from 0.1 per cent to 12 per cent or donation duty ranging from 10 per cent to 45 per cent together with a 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 payable by the transferor on the transfer of immovable properties.

- Capital Gains (Morcellement) Tax is levied on the transfer of any lot in a morcellement on the excess of the sale price of the lot over the purchase price together with costs of infrastructure works and notarial costs at the rate of:–

  (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 han 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 han 15 years from date of acquisition of the property.

- Land Transfer Tax is computed at the rate of 5 per cent on the sale price where the transfer takes place after 5 years from date of acquisition and at the rate of 10 per cent where the transfer takes place within 5 years from date of acquisition.

Tax on Transfer of Leasehold Rights in State Land

6.4 A tax of 20 per cent payable by the transferor and the transferee in equal proportion is levied on the 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 situated in a zone specified in Part 1 of the Fifth Schedule to the Land (Duties and Taxes) Act as an annual tax varying from Rs 2. per m^2 to Rs 6. per m^2.

Campement Tax

6.6 Campement Tax introduced on 1 July 2002 is levied at the rate of 0.5 per cent on the open market value of campements after deducting therefrom the campement site tax. However, an owner of a campement being used as the sole residence of the owner and the open market value of which is less than Rs 5 million is exempted from this tax.

Revenue

6.7 Total receipts from registration duty, land transfer tax, capital gains (Morcellement) tax, mortgage fees, stamp duty, campement site tax, campement 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 1,468.9 million in 2003/04 as compared to Rs 1,376.9 million in 2002/03. Table 6.1 and Figure 6.1 show the trend in revenue collection from registration duty, land transfer tax, stamp duty, campement site tax, campement tax and land conversion tax since 2000/01.

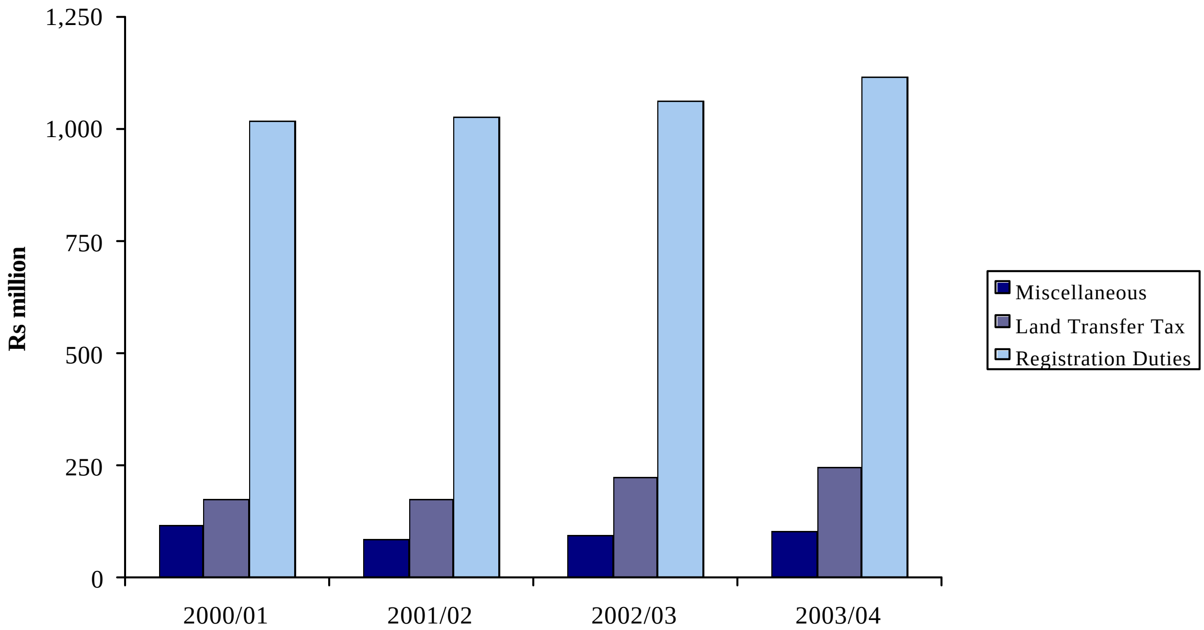
Table 6.1: Revenue from Registration Duty, Land Transfer Tax, Campement Site Tax, Campement Tax and Land Conversion Tax, 2000/01 to 2003/04

Rs million

	2000/01	2001/02	2002/03	2003/04
Registration duty	1,017.1	1,027.9	1,060.5	1,117.0
Land transfer tax	175.7	175.4	224.0	248.0
Stamp duty	11.3	12.6	11.4	13.0
Campement site tax	37.5	31.4	23.3	28.6
Campement tax	-	-	26.9	34.5
Land conversion tax	29.1	10.1	8.4	7.5
Other*	38.9	29.4	22.4	20.3
Total	**1,309.6**	**1,286.8**	**1,376.9**	**1,468.9**

* 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 from Registration Duty, Land Transfer Tax, Campement Site Tax, Campement Tax and Land Conversion Tax, 2000/01 to 2003/04



Number of Documents Presented for Registration and Registration Duty Collected

6.8 During the year, 209,185 documents were presented for registration compared to 182,515 in the previous year. The Registration duty collected amounted to Rs 1,117.0 million compared to Rs 1,060.5 million in the previous year. The number of documents presented for registration and the amount of registration duty collected in the years 2002/03 and 2003/04 are given in Table 6.2.

Table 6.2: Number of Documents Presented for Registration and Registration Duty Collected, 2002/03 and 2003/04

Type of document	2002/03		2003/04	
	Number of documents	**Amount collected (Rs m)**	**Number of documents**	**Amount collected (Rs m)**
Transfer of immovable properties*	22,437	408.7	22,687	492.2
Transfer of motor vehicles	32,081	518.2	40,911	449.2
Deeds creating mortgage/pledge	9,258	14.2	6,809	14.5
Instruments creating fixed/floating charge	23,694	60.0	27,196	92.2
Leases*	7,062	25.5	5,844	23.9
Transfer of shares in companies	2,811	4.8	6,451	11.1
Other (affidavits, security bonds etc)	85,172	29.1	99,287	33.9
Total	**182,515**	**1,060.5**	**209,185**	**1,117.0**

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

Transfer of Immovable Property

6.9 A total of 9,200 deeds of transfer of immovable property were transcribed as against 9,550 in the previous year. Details of these transfers are shown in Table 6.3.

Table 6.3: Extent and Value of Immovable Property transferred, 2002/03 and 2003/04

Value (Rs)	2002/03			2003/04		
	Number of Transfers	Total Extent (hectare)	Total Value (Rs m)	Number of Transfers	Total Extent (hectare)	Total Value (Rs m)
Up to 100,000	2,216	188.2	110.4	1807	192.0	112.2
100,001 - 300,000	3,217	485.9	686.0	3041	926.4	647.2
300,001 - 500,000	1,752	267.1	712.9	1623	242.1	660.8
500,001 - 700,000	859	113.9	511.7	888	119.7	538.4
700,001 - 900,000	441	80.2	355.1	615	76.3	498.1
900,001 - 1,000,000	174	35.1	170.3	187	34.0	182.2
1,000,001 - 2,000,000	613	175.5	864.7	697	177.9	981.4
2,000,001 - 4,000,000	199	117.6	553.7	221	159.4	615.4
4,000,001 - 8,000,000	56	37.7	317.1	77	90.2	431.1
8,000,001 -15,000,000	9	5.8	102.5	24	61.6	263.6
15,000,001 and over	14	90.8	546.1	20	336.9	793.5
Total	**9,550**	**1,597.8**	**4,930.5**	**9,200**	**2,416.5**	**5,723.9**

Succession Dues collected and the Number of Successions declared

6.10 No succession dues were collected during the year as these dues have been abolished. An amount of Rs 30,906 was collected in respect of successions declared during previous years.

Amount secured by Mortgage Inscription/Charges

6.11 The total amount secured by mortgage inscription/charges was Rs 37,904.3 million compared to Rs 47,288.2 million in the previous year. The amount secured in the years 2002/03 and 2003/04 is shown in Table 6.4.

Table 6.4: Amount secured by Mortgage Inscription/Charges, 2002/03 and 2003/04

Rs million

Nature of mortgage/charge	2002/03	2003/04
Conventional mortgage	725.1	643.0
Privileges	1,375.8	1,321.0
Renewal of mortgages	370.7	342.7
Legal mortgages	2.6	0.7
Fixed/floating charges and pledges	44,790.5	34,520.6
Judicial mortgage	23.5	1,076.3
Total	**47,288.2**	**37,904.3**

Documents Transcribed/Inscribed at the Mortgage Office

6.12 A total of 65,030 documents were transcribed/inscribed at the Mortgage Office of the Department during the year compared to 39,992 in the previous year. Details of the documents transcribed/inscribed in 2002/03 and 2003/04 are given in Table 6.5.

Table 6.5: Documents Transcribed/Inscribed, 2002/03 and 2003/04

Nature of documents	2002/03	2003/04
Leases	3,001	5,844
Mortgages and charges	26,985	34,005
Seizures of immovable property	456	513
Transfer of immovable property	9,550	24,668
Total	**39,992**	**65,030**

During the year, 14,300 mortgage inscriptions and fixed/floating charges were erased compared to 11,510 in the previous year.

Staffing

6.13 As at 30 June 2004, there were 160 officers in the Department, including 65 supporting staff. The corresponding figures in 2002/03 were 152 and 48 respectively.

Training Courses and Seminars

6.14 During the year, 65 officers of the Department followed courses and attended seminars at the Tax Training School with a view to enhancing their skills and broadening their outlook. In addition several officers of the General Service Cadre followed induction courses and courses in Information Technology held at the University of Technology. 15 officers are following part time courses leading to the Diploma in Law and Management at the University of Mauritius as from February 2004 and they have successfully completed the first semester.

Appendix A

Rulings under the Value Added Tax Act 1998

VAT R4

Facts:

Following amendments brought to the Value Added Tax Act by the Finance Act 2003, services provided by an insurance broker are subject to VAT with effect from 1 October 2003 and insurance brokers are compulsorily required to be registered for VAT irrespective of the turnover of their taxable supplies.

Point at issue:

Whether insurance brokers should charge VAT to policyholders or to insurers.

Ruling:

To the extent that an insurance broker arranges insurance business with insurers, the broker therefore makes a taxable supply to the insurers.

VAT should accordingly be charged by the broker to the insurer on the amount of the commission/fees receivable from the insurers.

VAT R5

Facts

A proposed leasing company is to be incorporated as a category 1 Global Business Licence Company (GBL 1) to carry out offshore leasing activities. The activities fall under the definition of financial services or financial business activities as specified in Part II of the First Schedule to the Financial Services Development Act 2001.

Point of issue

Whether VAT is chargeable on the international leasing activities carried out by a GBL 1 company and which are provided outside Mauritius.

Ruling

Item 50 of the First Schedule to the Value Added tax Act provides for the exemption of certain financial services including such other financial services as may be prescribed.

The prescribed financial services are as laid down in the Sixth Schedule to the regulations of the Value Added Tax Act (GN 87 of 1998).

With regard to leasing, items 30(a) and 38 of the First Schedule to the Value Added tax Act provides for the exemption of charges under a finance lease agreement and aircraft leasing respectively.

However, item 6(a) of Fifth schedule to the Value Added Tax Act provides for the zero-rating of –

> "The supply of services to a person who belongs in a country other than Mauritius and who is outside Mauritius at the time the services are performed".

In the circumstances, no VAT is to be charged on international leasing activities of the GBL 1 company supplied to persons not resident in Mauritius and who are outside Mauritius at the time the services are performed.

Appendix B

Rulings under the Income Tax Act 1995

TR 31

Facts

A foreign company, registered in Mauritius and forming part of a Multinational Group present in many countries all over the world provides marketing, technical services (including installation and maintenance) and post-marketing assistance but is not allowed to accept and conclude any contract with any client nor is it involved in the provision of services to clients in Mauritius. The Multinational Group provides services on a global rather than territorial basis and revenue can be generated in one country but the related costs incurred elsewhere. The company applies a pre-determined cost plus percentages to various categories of costs, irrespective of the actual amount of revenue generated in a territory.

Point at issue

Whether the application of a cost plus basis method could be used for computing the company's chargeable income in Mauritius.

Ruling (issued in September 2003)

The computation of chargeable income varies from one country to another depending on the level of activities and financial risk undertaken by the entities concerned. Cost plus basis is an acceptable method to arrive at the chargeable income as the company is providing some limited services which support the group's core activity.

TR 32

Facts

A shareholder holding the majority of shares in a company engaged in building services contemplates to sell all his shares to another potential new shareholder at a substantial amount in excess of the nominal value thus realising a capital gain. The existing shareholder does not trade in shares and this transaction is a one-off event.

Point at issue

Whether the gains accruing from the sale of shares are taxable in the hands of the seller.

Ruling (issued in November 2003)

The gains derived from the sale of shares are not subject to income tax by virtue of the exemption provided under Item 1 of Part IV of the Second Schedule to the Income Tax Act.

TR 33

Point 1 : Taxation of Exchange Differences

Facts

A company incorporated in Mauritius holds a Category 1 Global Business Licence (GBL 1) for the purpose of holding investments of a group overseas. It intends to invest primarily in securities in some countries denominated in a currency other than its reporting currency viz US Dollars (USD).

At year end, the company may have in its balance sheet amounts due to and from brokers in different countries. The company may also have surplus cash in the bank account in these countries in the relevant underlying currencies for a number of reasons.

The debtors, creditors and cash balances at year end denominated in a currency other than the reporting currency will need to be translated at year end rates in accordance with generally accepted accountancy principles. This would result in exchange differences which would be taken to the statement of operations as results for the year.

Point at issue

Whether the exchange differences resulting from the above would be considered as a deduction or income, as the case may be, in computing the company's chargeable income.

Ruling (issued in November 2003)

The calculation of profits for tax purposes should start with a consideration of the accounts drawn up in accordance with accepted principles of commercial accounting.

If the accounts of the GBL 1 company prepared in accordance with the Companies Act and generally accepted accountancy principles have to take account of translation profits and losses then these profits and losses should also be taken into account for tax purposes unless there are particular reasons relevant to the case in question, including whether they are in respect of capital items, for taking a different view.

In deciding what is the generally accepted accountancy principle for this purpose, regard should be had in particular to IAS 21 – "The effects of changes in Foreign Exchange Rates" and to published accountancy practices.

Point 2 : Availability of tax sparing credit

Facts

The GBL 1 company would invest in an overseas company (Co A) which is resident in a State with which Mauritius has a Double Taxation Avoidance Agreement. Co A operates in the Free Trade Zone and would accordingly benefit from certain tax incentives. It would thus enjoy a tax holiday for the first 5 years of operations and would pay tax at a concessionary rate for the next five years.

In the initial years of profitability when the full tax exemption is available, Co A proposes to retain the bulk of distributable profits for future plans and operations and distribute to the GBL 1 company only a small proportion.

Depending on future performance and actual results on budget, Co A proposes to distribute all surpluses in later years out of retained earnings accumulated over the 5 initial years. At that time the tax rate in force would be the reduced or concessionary rate.

Point at issue

Whether tax sparing credit would be available in the later years in respect of dividends received from profits earned in earlier years, which would but for the tax incentives have been taxed at the normal rate.

Ruling (issued in November 2003)

In accordance with the Double Taxation Avoidance Agreement in force between Mauritius and the State concerned and the current provisions of the Income Tax (Foreign Tax Credit) Regulations 1996, tax sparing credit would be available to the Mauritian company in respect of dividends received from an investee company in that other State paid out of that investee company's current and/or prior year profits.

TR 34

Facts

A Mauritian citizen who is a Chartered Accountant returned to Mauritius after having spent more than 10 years abroad. She joined a Chartered Accountancy firm and worked there for some 15 months and afterwards took up employment in a company holding a Management Licence issued under Section 24(2) of the Financial Services Development Act 2001.

Point at issue

Whether the Mauritian citizen can be considered as a specified Mauritian employee as defined at Item 14(b)(i) of Part II of the Second Schedule to the Income Tax Act for the 50% tax exemption on emoluments.

Ruling (issued in January 2004)

The company licensed as a Management Company is not authorised to conduct any of the business activities referred to in Item 25 of Part IV of the First Schedule to the Income Tax Act. Hence, the Mauritian citizen cannot be considered as a specified Mauritian employee and is therefore not entitled to the 50% tax exemption on emoluments.

TR 35

Facts

A company is mainly engaged in the construction of golf courses of international standard. The construction of a golf course includes among other `works' the levelling of land, landscaping, the construction of drainage system, the preparation of soil, construction of the basement for the purpose of installation of irrigation equipment and concrete works.

Point at issue

Whether the company engaged in the construction of golf courses is liable to income tax at the rate of 15%.

Ruling (issued in April 2004)

The company cannot be considered as a manufacturing company as defined in Section 2 of the Income Tax Act 1995. As it does not qualify as a tax incentive company, it is liable to income tax at the normal rate of 25%.

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