



REPUBLIC OF MAURITIUS

MINISTRY OF FINANCE

REPORT

OF

THE REVENUE AUTHORITY

For the year ended 30 June 2003

No. 5 of 2003

*Revenue Authority
Ministry of Finance
Port Louis*

29 December, 2003

*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 2003.

*(A. H. NAKHUDA)
Chairman*

REPORT OF THE REVENUE AUTHORITY

for the year ended 30 June 2003

CONTENTS

CHAPTER	PAGE
1. THE REVENUE AUTHORITY	2
2. CUSTOMS AND EXCISE DEPARTMENT	18
3. VALUE ADDED TAX DEPARTMENT	25
4. INCOME TAX DEPARTMENT	32
5. LARGE TAXPAYER DEPARTMENT	41
6. REGISTRAR-GENERAL'S DEPARTMENT	44
LIST OF TABLES	57
LIST OF FIGURES	59
LIST OF APPENDICES	59

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 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

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 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 2003, the Board of the Revenue Authority was composed of:-

Chairman

Mr. A. H. Nakhuda	Financial Secretary
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Vice-Chairman

Mr. N. Seenuth	Director-General
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Members

Mr. M. Mosafeer	Commissioner of Income Tax
Mr. B. Cunningham	Comptroller of Customs
Mrs. C. Gunnoo	Acting Commissioner for Value Added Tax
Mr. M. Hannelas	Commissioner, Large Taxpayer Department
Miss J. Jata	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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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 2002/03, 19 board meetings were held.

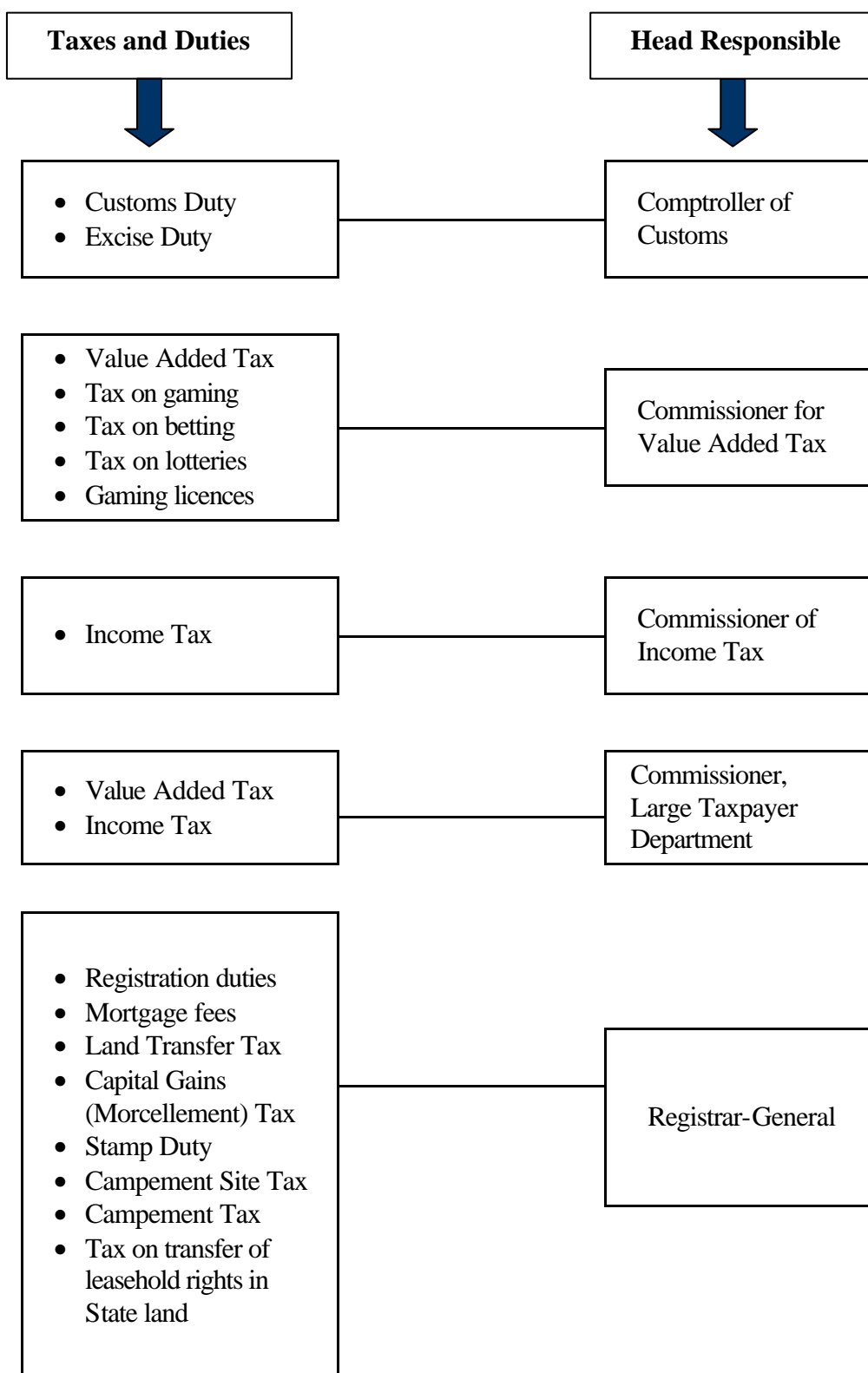
1.7 The Secretariat is also involved in the negotiation and processing of double taxation avoidance treaties and ensures that the legal and diplomatic requirements for their signature, ratification and coming into operation are duly met.

Staffing

1.8 As at 30 June 2003, there were 26 officers, including 10 supporting staff, at the Revenue Authority. Of these, 10 were posted to the Fiscal Investigations Unit and 5 to the Tax Training School.

Taxes and Duties under the Overall Administration of the Board

1.9 As at 30 June 2003, taxes and duties falling under the overall supervision of the Board were:-



Revenue from Taxes and Duties

1.10 Total revenue from taxes and duties falling under the overall administration of the Board amounted to Rs 24,904.9 million. This represented 96.3 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 1999/00 to 2002/03.

Table 1.1: Revenue from Taxes and Duties, 1999/00 to 2002/03

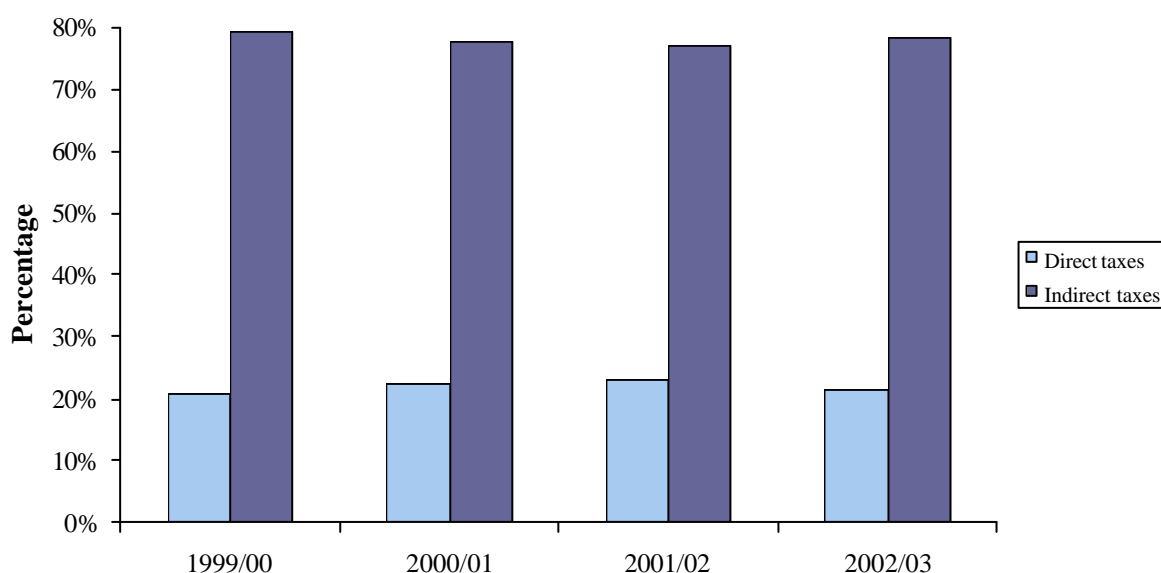
Rs million

	1999/00	2000/01	2001/02	2002/03
Customs and Excise Department	9,094.7	8,456.1	8,201.8	8,854.8
VAT Department	6,527.8	6,687.3	7,823.3*	8,769.9**
Large Taxpayer Department	-	-	-	1,889.8
Indirect taxes	15,622.5	15,143.4	16,025.1	19,514.5
Income Tax Department	2,880.6	3,039.1	3,493.9*	1,975.5
Registrar-General's Department	1,199.9	1,309.6	1,286.8	1,376.9
Large Taxpayer Department	-	-	-	2,038.0
Direct taxes	4,080.5	4,348.7	4,780.7	5,390.4
Total	19,703.0	19,492.1	20,805.8	24,904.9

* The amount includes revenue collected by the Large Taxpayer Department for the period January to June 2002.

** The amount includes VAT collected at importation in respect of Large Taxpayers.

Figure 1.1: Revenue from Taxes and Duties, 1999/00 to 2002/03



Operating Costs of Revenue Departments and the Revenue Authority

1.11 In 2002/03, the operating cost of revenue departments and the Revenue Authority was Rs 339 million. This represented 1.36 per cent of 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 74.16 per cent of total spending. Table 1.2 shows operating expenditure by revenue department for the years 2001/02 and 2002/03.

Table 1.2: Expenditure by Revenue Department, 2001/02 and 2002/03

Rs million

	2001/02	2002/03
Customs & Excise Department	158.9	174.2
VAT Department	32.9	39.4
Income Tax Department	80.7	87.1
Registrar-General's Department	21.5	25.3
Large Taxpayer Department *	0.8	5.6
Revenue Authority	6.8	7.4
Total	301.6	339.0

* The Large Taxpayer Department became operational on 1 January 2002.

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 films and plates for X-Ray, ticketing machines for bus, time recorders and registers, parking meters, vegetable wax, mixture of odoriferous substances, snow-skis and equipment, water sports equipment, golf equipment, tennis, badminton and similar rackets, ice skates and roller skates, dummy spectacles and other goggles, saddlery and harness for animals, sports gloves and mittens, rivets, staples in strips, paper clips, letter clips and similar articles;
- reduction of duties on electrical transformers, converters and inductors, pocket-size disc players and radio disc players, insulator fittings for electrical machines and equipment, typewriting ribbons or other similar ribbons, electrical fittings, sunglasses, primary cells or batteries, vacuum pumps, hand or foot pumps, photographic films and plates and soya milk; and
- increase in the rate of excise duty and specific duty on cigarettes both imported and manufactured locally.

Value Added Tax

- removal of the VAT threshold for registration purposes in respect of 2 other categories of businesses and professionals, namely, general sales agents of airlines and business of car rental;
- streamlining of VAT in respect of the insurance sector and extending its scope to services provided by insurance brokers and insurance salesmen;
- exemption of unprocessed agricultural and horticultural produce supplied on the local market to persons who are not producers thereof;
- exemption of certain agricultural inputs like sharlon shade, green house, shade screens, fertilization and irrigation pumps, drip irrigation and automatic irrigation controllers imported by persons for use in agriculture;
- zero-rating of transport of passengers by sea or air and of atlases;

- provision for levying of VAT on services in respect of credit cards issued by companies other than banks to merchants accepting such credit cards as payment for the supply of goods or services;
- exemption of services provided by banks in respect of credit/debit cards to companies engaged wholly and exclusively in the processing of bets placed on overseas sporting events by persons residing outside Mauritius;
- limiting penalty in respect of repayment of VAT overclaimed to a ceiling of Rs 200,000; and
- introduction of credit for input tax in the case of tax liability for period prior to registration provided proper invoices are available.

Gaming and Betting Taxes

- reduction in the rate of betting tax on win and place bets to 8 per cent and on other bets placed with the Totalisator to 10 per cent; and
- removal of the tax of 2 per cent on winnings and reduction in the rate of tax payable on bets placed with bookmakers and on sweepstakes to 8 per cent.

Income Tax

- child deduction of Rs 50,000 extended to a child receiving full-time post-secondary instruction of at least two years' duration at the Industrial and Vocational Training Board or at a registered training institution;
- introduction of tax deduction in respect of a child placed with foster parents by virtue of a court order;
- definition of the term "emoluments" extended to include allowance under the Rodrigues Regional Assembly (Allowances and Privileges) Act 2002;
- re-definition of the term "related company" as that in the Companies Act 2001;

- provision for net income of a company in the global business sector to be converted into Mauritius currency at the exchange rate in force at the date on which the return of income is submitted instead of at the official exchange rate in force at the date of the annual balance of the accounts of the company;
- membership fees paid to a recognized professional body by professionals in employment allowed as a deduction;
- increase in deduction in respect of expenditure incurred for attending seminars, workshops, symposiums and other training courses from Rs 20,000 to Rs 30,000;
- amendment of the method for apportionment of expenditure relating to exempt income;
- increase in deduction in respect of subscription, examination or course fees or expenses incurred for education or training from Rs 25,000 to Rs 50,000;
- amendment in the method of taxation of freeport companies engaged in different types of activities;
- provision to allow, under certain conditions, the transfer of unrelieved loss of a manufacturing company upon takeover by another company;
- provision to allow special tax credit of up to 60% of investment in spinning companies;
- exemption of income derived by companies engaged in spinning, subject to certain conditions;
- provision to allow a person who is dissatisfied with the determination of the quantum of loss to lodge an objection with the Income Tax Department instead of making representations directly to the Assessment Review Committee;
- reinstatement of interest relief for secured loans raised prior to 1 June 1996 without any limit and for loans raised prior to 1 July 1999 subject to a limit of Rs 250,000;

- addition to list of Tax Incentive Companies of companies engaged in the provision of pre-primary and primary education as well as those licensed under section 14 of the Financial Services Development Act 2001 to conduct business activity in the financial services sector, other than insurance business;
- increase in the ceiling of exemption on severance allowance and retiring allowance from Rs 1 million to Rs 1.4 million;
- increase in the limit of exemption for transport allowance from Rs 5,730 to Rs 6,200;
- grant of annual allowance of 10% on capital expenditure incurred on the setting up of golf courses;
- increase in the monthly PAYE exemption threshold from Rs 6,000 to Rs 7,000; for field workers and non-agricultural workers in the sugar industry from Rs 5,000 to Rs 5,700 during the inter-crop season and from Rs 8,500 to Rs 9,100 during the crop season; and
- requirement for employers with 50 or more employees to submit their PAYE returns and remit the tax withheld electronically.

Registration Duty

- provision for the levy of registration duty on deed of transfer without consideration, on the open market value of the property;
- provision for the levy of registration duty at a fixed duty of Rs50/- in respect of every lot in a morcellement, on registration of a document witnessing the transfer, at a nominal price of one rupee, to an “association syndicale” set up in accordance with articles 664 – 95 and 664 – 96 of the Code Civil Mauricien, in respect of an area occupied by common amenities in the morcellement;

- removal of the clawback provision requiring an individual, who has benefitted from reduction of registration duty on purchase of land for putting up a residential building thereon, to pay the duty exempted in case of failure to put up the building on the land within five years; and
- definition of the term “manufacturing company”.

Campement Tax

- provision for the value of a campement, on a campement site used for agricultural or grazing purposes, to be computed by reference to the market value of the building or structure together with the campement site on which it is situated, the extent of which shall be 1A 25 (0.5276 hectare).

Electronic Filing of Tax Returns and Payment of Tax

1.13 Under the Contributions Network Project (CNP), some 340 taxpayers have already joined the system of electronic filing of returns and electronic payment of VAT, PAYE, corporate tax and customs duties. During the year, Rs 6,097 million have been 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. The law has been amended to require employers with 50 or more employees to submit their PAYE returns and remit tax withheld electronically. Those employers who are VAT registered are also required to submit their VAT returns 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 the 20th of the month immediately following the month in which the tax was withheld.

Fiscal Investigations

1.15 The Fiscal Investigations Unit of the Revenue Authority carried out investigations in 47 cases; 22 cases have been completed and assessments amounting to Rs 35.7 million have been made. Investigation is continuing in 25 other cases.

1.16 The Customs Department carried out investigations in 215 cases of offences relating to wrong declaration, wrong classification, undervaluation of goods, etc. The proceeds of compounded settlements in those cases amounted to Rs 16.4 million. In addition, Customs also effected 4 seizures of heroin involving 5,315.8 grams and detected 9 cases of cannabis involving 1,359.5 grams and 3 cases of psychotropic substances involving 385 tablets. The estimated street value of the drugs seized amounted to Rs 53.7 million.

1.17 The VAT Department completed investigation in 33 cases and assessments amounting to Rs 29.2 million have been raised in 11 cases. At the Income Tax Department, investigation in 113 cases was completed and assessments totalling Rs 79.5 million in tax and penalties have been raised.

1.18 The Investigations Unit at the Registrar-General's Department verified some 16,250 deeds deposited for registration and transcription and discovered shortpayment of duties and taxes in 97 cases amounting to Rs 6.5 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. 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 1.3 gives details of appeals for the year 2002/03.

Table 1.3: Appeals to Tax Appeal Tribunal, 2002/03

	Customs	VAT	Income Tax	Large Taxpayer		Registrar-General	Total
				Corporate Tax	VAT		
Appeals pending at 1 July 2002	38	135*	557**	18	7	5,992	6,747
Appeals lodged between 1 July 2002 and 30 June 2003	8	25	195	8	2	1,860	2,098
	46	160	752	26	9	7,852	8,845
Cases struck out	4	6	24	-	-	199	233
	42	154	728	26	9	7,653	8,612
Appeals determined	11	8	179	9	-	87	294
	31	146	549	17	9	7,566	8,318
Settled by agreement/withdrawn	8	28	150	8	2	1,358	1,554
Appeals pending at 30 June 2003	23	118	399	9	7	6,208	6,764
Cases pending before Supreme Court	-	8	36	-	-	100	144

* 142 appeals were recorded in the previous annual report because 7 files at Large Taxpayer Department were included.

** 575 appeals were recorded in the previous annual report because 18 files at Large Taxpayer Department were included.

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 on 20 February 2003, and will replace 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 period February to June 2003.

Table 1.4: Representations to Assessment Review Committee, February to June 2003

	Customs	VAT	Income Tax	Registrar -General	Total
Cases lodged, 20 February to 30 June 2003	3	19	45	719	786
Cases transferred to Tax Appeal Tribunal	-	-	-	2	2
Total as at 30 June 2003	3	19	45	717	784
Cases withdrawn	-	-	6	2	8
Cases struck out	3	19	39	715	776
	-	-	-	2	2
Cases determined/disposed of	3	19	39	713	774
	2	2	4	246	254
Cases pending at 30 June 2003	1	17	35	467*	520
Appeal before Supreme Court	-	1	-	-	1

* Includes 116 Campement Tax/Campement Site Tax cases.

Tax Training School

1.21 During the year 2002/03, the Tax Training School of the Revenue Authority organized some 38 courses and seminars on various aspects of taxation as well as on management which were attended by 779 officers. The corresponding figures for 2001/02 were 30 and 745 respectively.

1.22 In addition, the School hosted / organized jointly with external agencies 19 courses and seminars which were attended by 401 participants. The corresponding figures for 2001/02 were 3 and 80 respectively.

1.23 Thus, in 2002/03, an aggregate of 57 courses and seminars were held at the School compared to 33 in 2001/02. Table 1.5 shows the number of courses and seminars held since the setting up of the School in April 2000.

Table 1.5: Number of Courses and Seminars held at the School, 1999/00 to 2002/03

Types of course/seminar	Number of courses and seminars			
	1999/00	2000/01	2001/02	2002/03
Customs Courses / Seminars	5	7	10	16
Income Tax Courses	1	2	3	2
VAT Courses / Seminars	2	1	6	21
Courses for Large Taxpayer Department	-	-	1	-
Courses on Registration Duties and Taxes	-	-	2	5
Management Courses	-	2	1	2
General Courses / Seminars	-	3	10	11
Total	8	15	33	57

1.24 In all some 1,180 participants attended courses and seminars held at the school in 2002/03, compared to 825 in 2001/02. Table 1.6 shows the number of participants from different revenue departments who have attended courses and seminars since the setting up of the School.

Table 1.6: Number of Participants in Courses and Seminars, 1999/00 to 2002/03

Department	Number of participants			
	1999/00	2000/01	2001/02	2002/03
Customs and Excise Department	289	521	437	417
VAT Department	95	24	181	346
Income Tax Department	68	126	119	90
Large Taxpayer Department	-	-	36	14
Registrar-General's Department	-	9	40	87
Others	144	29	12	226
Total	596	709	825	1,180

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 the 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.

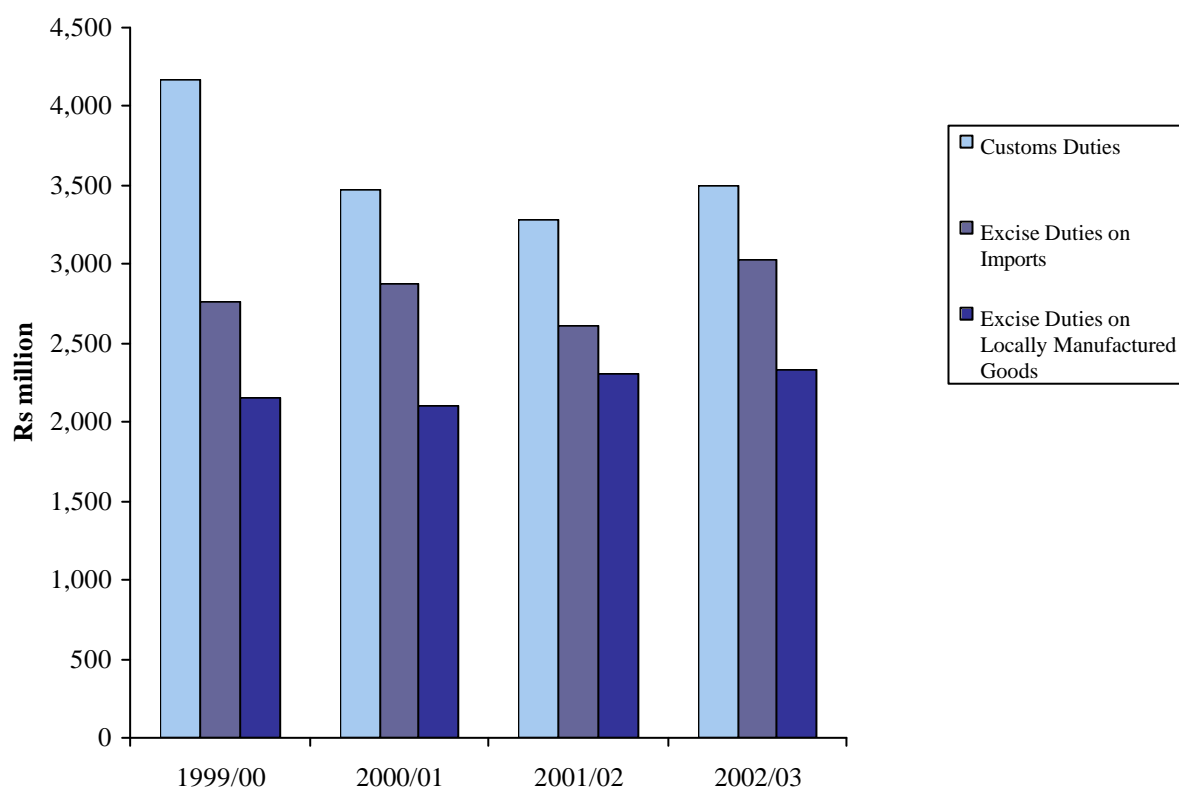
Revenue from Customs and Excise Duties

2.5 Total revenue from customs and excise duties amounted to Rs 8,854.8 million in 2002/03 compared to Rs 8,201.8 million in 2001/02. Table 2.1 and Figure 2.1 show evolution in revenue collection from 1999/00 to 2002/03.

Table 2.1: Revenue from Customs and Excise Duties, 1999/00 to 2002/03 Rs million

Customs and Excise duties	1999/00	2000/01	2001/02	2002/03
Customs duties	4,171.5	3,467.0	3,287.8	3,497.4
Excise duties on imports	2,763.7	2,882.1	2,605.6	3,025.2
Excise duties on locally manufactured goods	2,159.5	2,107.0	2,308.4	2,332.2
Total	9,094.7	8,456.1	8,201.8	8,854.8

Figure 2.1: Revenue from Customs and Excise Duties, 1999/00 to 2002/03



VAT Collection on Imports

2.6 In 2002/03, the Customs Department also collected VAT on imports amounting to Rs 5,656.7 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 2001/02 and 2002/03.

*Table 2.2: Number of Bills of Entry and the Value of Imports and Exports,
2001/02 and 2002/03*

Imports and Exports – Bills of Entry and Value	2001/02	2002/03
Number of bills of entry:		
Imports	195,037	218,394
Exports	98,878	112,707
CIF value of imports (Rs million)	58,423	66,268
FOB value of exports (Rs million)	45,884	51,400
FOB value of bunkers and ship's stores (Rs million)	1,860	2,310

Reform and Modernization of Customs

2.8 During the year, the Customs Department launched a comprehensive programme of reform to transform the Department into a modern and efficient Customs service. Several components of the programme have already been completed.

2.9 Customs procedures and work practices have been improved across the Department. A new import clearance procedure for goods has been implemented and the Customs Management System (CMS) has been reprogrammed to support the new clearance process. New systems and controls are being formulated for the operation of duty-free shops and legal provisions have been made for privatisation of auction sales.

2.10 Improved manifest procedures have been implemented by shipping agents. New procedures for valuation of second-hand motor vehicles have been introduced. Internal control and investigation capabilities have been strengthened in various areas, including duty concessions and exemptions. The targeting of consignments for inspection has been improved through intelligence and risk assessment. New procedures to control cargo moving to Rodrigues have been developed and implemented.

2.11 In an effort to intensify fight against smuggling and other fraudulent practices, a 24-hour Customs Hotline has been put into service. Drugs Teams have been strengthened and Flexible Anti-Smuggling Teams (FAST) have been set up to carry out a surprise verification of containers and spot checks on high-risk flights.

IT Strategy for Customs

2.12 As part of the comprehensive IT Strategy, various improvements have been made to secure/stabilize the current CMS. The system has been upgraded to provide for a Tariff Rulings Database, a Valuation Database, an Intelligence Database and Air Manifests.

2.13 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 in 2005 when the new Customs House is likely to be completed.

Infrastructure Improvements

2.14 In order to support the reforms, Customs Headquarters have been renovated to provide a more congenial environment for staff. Work on the construction of a new Customs House at Mer Rouge is expected to start in early 2004.

2.15 At the Airport, the Red/Green Channel for passengers is being re-designed and the PATS Cargo Warehouse has been improved and refurbished to facilitate the clearance of merchandise brought by passengers for sale. In Rodrigues, the Customs Office has been upgraded and improved.

Strengthening Human Resources

2.16 In the area of human resource management, a new organization structure is under preparation and a transparent system of staff transfer/rotation has been put in place. Technical training has been provided to Customs staff, with certain courses being organized locally by experts in customs valuation, investigations and intelligence and cargo inspection techniques. Senior level managers have been given training in project management in order to better equip them to assist in driving the reform process. Training in basic computer application has been started to enable staff to acquire the necessary computer skills for use in their work.

Changes in Customs Duties

2.17 The rationalization of the structure of customs duty has been pursued during the year. The main changes in customs duties are summarized below: -

Removal of customs duty on: -

- photographic films and plates for X-Ray;
- saddlery and harness of any material for any animal;
- gloves, mittens and mitts specially designed for use in sports;
- rivets;
- fittings for loose leaf binders in files or files of base metal;
- staples in strips of base metal;
- letter clips, corner clips, paper clips and similar articles of base metal and parts;
- ticketing machines of a kind used in bus;

- time registers and time-recorders;
- table stadium timers and time recorders for sporting events;
- parking meters;
- vegetables waxes whether or not refined or coloured;
- mixtures of odoriferous substances of a kind used as raw materials in industry or manufacture of beverages;
- snow-skis and other snow-skis equipment;
- water-skis, surf boards, sailboards and other water sports equipment;
- golf and other golf equipment;
- tennis, badminton and similar rackets;
- ice skates and roller skates;
- tailors' dummies, automata and animated displays for shop windows; and
- spectacles, reading, corrective and protective glasses and other goggles.

Reduction of customs duty to 15% on: -

- soya milk;
- photographic instant print film / polychrome film and plates;
- vacuum pumps;
- hand or foot operated in pumps;
- electrical transformers, static converters and inductors;
- pocket size disc players and radio disc players;
- insulators fittings for electrical machines and equipment; and
- typewriting ribbons or other similar ribbons, inked or otherwise prepared.

Reduction of customs duty to 30% on: -

- toilet articles of plastics for permanent installation on wall and building; and
- electrical fittings like fuses, switches, relays, plugs, etc and other apparatus for protecting electrical circuits.

Reduction of customs duty to 40% on sunglasses.

Reduction of customs duty to 55% on primary cells and batteries.

Change in Excise Duty

2.18 The main change in excise duty at importation concerns cigarettes containing tobacco, which are now dutiable at 215% *ad valorem* plus Rs 780 per thousand.

Staffing

2.19 The number of officers in the Department as at 30 June 2003 was 759, including 164 supporting staff. As at June 2002, the corresponding figures were 766 and 156 respectively.

Training Courses, Seminars and Workshops

2.20 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 include 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) and the German Foundation for International Development (DSE). The courses/seminars covered a wide range of subjects such as harmonization of customs procedures, customs valuation, rules of origin and customs legislation.

2.21 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 and money-laundering.

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 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.

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 Total receipts from VAT, taxes on gaming, betting and sweepstakes and from rum and liquor licence fees amounted to Rs 8,766.2 million in 2002/03. In addition, receipts amounting to Rs 0.7 million from Sales Tax (which has been replaced by VAT as from 7 September 1998) and Rs 3.0 million from Hotel and Restaurant Tax (now abolished) have been collected. Table 3.1 and Figure 3.1 show trend in revenue collection at the VAT Department for the period 1999/00 to 2002/03.

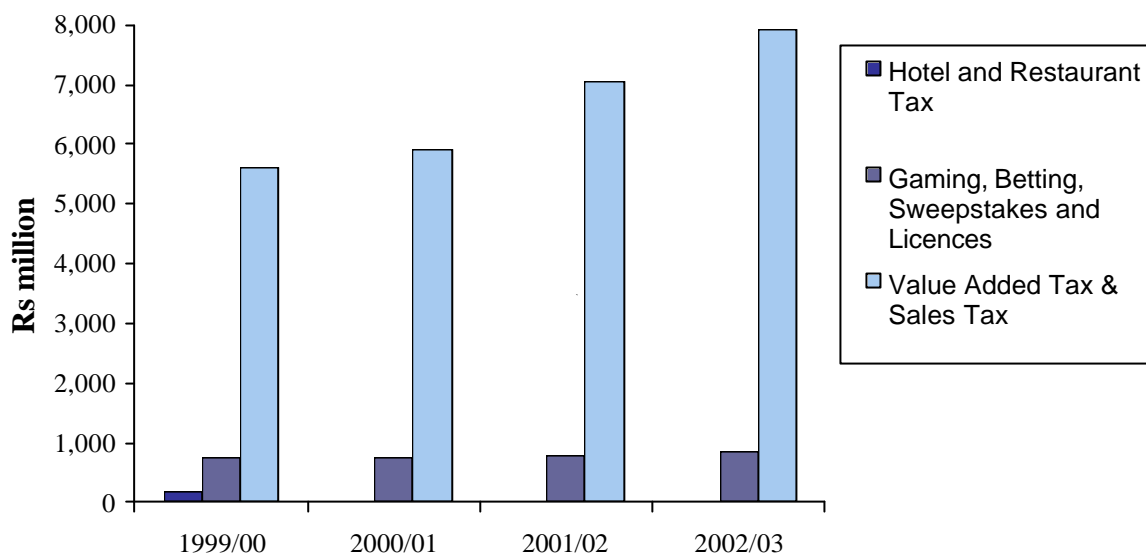
Table 3.1: Revenue from VAT and Taxes/Duties on Gaming and Betting, 1999/00 to 2002/03

Rs million

	1999/00	2000/01	2001/02	2002/03
Value Added Tax	5,595.9	5,919.1	7,049.8	7,921.7*
Sales Tax	8.4	5.4	3.6	0.7
Hotel & Restaurant Tax	176.3	26.7	1.0	3.0
Gaming, Betting and Sweepstakes	694.9	680.2	710.4	785.4
Gaming licences	41.7	45.5	48.1	48.6
Rum & Liquor licences	10.6	10.4	10.4	10.5
Total	6,527.8	6,687.3	7,823.3	8,769.9

* 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, 1999/00 to 2002/03



Registrations

3.8 The number of persons registered for VAT at the VAT Department was 7,077 as at 30 June 2003. Details of registrations for the years 2001/02 and 2002/03 are given in Table 3.2.

Table 3.2: Number of Registrations at the VAT Department, 2001/02 and 2002/03

	2001/02	2002/03
Number of registrations as at 1 July	4,867	5,062
New registrations	565	2,431
Total	5,432	7,493
De-registrations	158	393
	5,274	7,100
Transferred to Large Taxpayer Department	212	23
Number of registrations as at 30 June	5,062	7,077

Repayment of VAT

3.9 During the year 3,110 new claims for repayment of tax of a total amount of Rs 732.1 million were received. Taking into account the 398 claims of an amount of Rs 153.2 million, outstanding for the previous year, the number of cases required to be processed in 2002/03 stood at 3,508. Of these, 3,202 claims were processed during the year and an amount of Rs 722.8 million was repaid. Of the amount repaid, Rs 398.8 million were in respect of capital goods and Rs 324.0 million for zero-rated supplies. Also 306 claims for an amount of Rs 136.5 million were outstanding as at 30 June 2003.

Assessments

3.10 During the year, 131 assessments were raised for a total amount of Rs 173.3 million. These figures include an amount of Rs 42.2 million, representing betting duties and taxes in respect of 24 assessments raised under the Gaming Act.

Betting and Gaming

3.11 As at 30 June 2003, there were 624 licensees under the Gaming Act. The number in the previous year was 585. Table 3.3 gives a breakdown of the number of licensees.

Table 3.3: Number of Licensees under the Gaming Act, 2001/02 and 2002/03

Types of Licence	2001/02	2002/03
Gaming Houses		
Casino	7	7
Gaming House "A"	4	5
Gaming House "B"	4	6
Gaming House "C"	16	16
Coin-operated gaming machine	14	16
Pool Betting		
Pool promoter	2	2
Agent of foreign pool promoter	3	3
Collector	436	475
Sweepstakes & Bets		
Pari mutuel organiser	3	3
Bookmaker	71	65
Totalisator	1	1
Lotteries (Promotional)		
Lottery organiser	24	25
Total	585	624

Rum and Liquor Licences

3.12 As at 30 June 2003, there were 5,306 rum and liquor licensees under Part II of the Second Schedule to the Excise Act 1994. The corresponding figure for the previous year was 5,308. Table 3.4 gives a breakdown of the number of licensees by district.

Table 3.4: Number of Rum and Liquor Licensees by District, 2001/02 and 2002/03

District	2001/02	2002/03
Black River	356	369
Flacq	693	696
Grand Port	572	585
Lower Plaine Wilhems	650	645
Upper Plaine Wilhems	665	649
Moka	331	329
Port Louis	471	462
Pamplemousses	605	603
Rivière du Rempart	639	651
Savanne	326	317
Total	5,308	5,306

Staffing

3.13 As at 30 June 2003, 208 officers, including 66 supporting staff, were employed in the Department. The corresponding figures for 2001/02 were 160 and 48 respectively.

Training Courses and Seminars

3.14 During the year, the Department pursued efforts to make an effective use of training opportunities available at the Tax Training School to upgrade the skills and raise the level of competence of its staff. In addition, some 31 officers attended workshops and seminars on topics such as productivity, improving counter services and IT organized by other agencies.

VAT Ruling

3.15 The Department issued one VAT Ruling (VAT R3) during the year. The VAT Ruling is 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 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 2002/03 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 2002/03 amounted to Rs 1,975.5 million compared to Rs 2,504.8 million in 2001/02. Table 4.1 and Figure 4.1 show evolution in revenue collection from 1999/00 to 2002/03.

Table 4.1: Revenue from Income Tax, 1999/00 to 2002/03

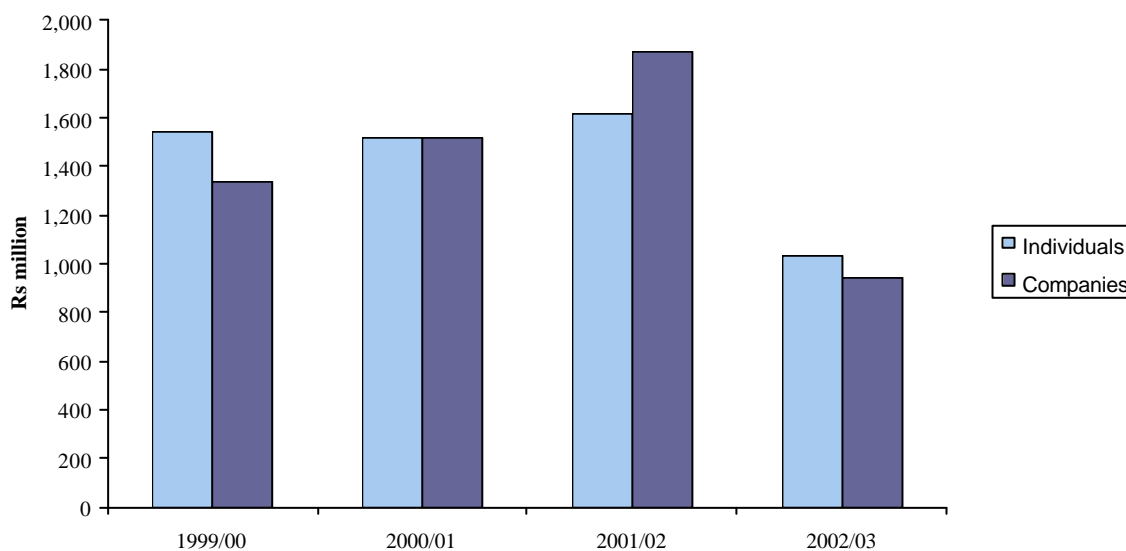
Rs million

	1999/00	2000/01	2001/02	2002/03
Individuals	1,539.7	1,517.9	1,619.0	1,034.5
Companies	1,340.9	1,521.2	1,874.9	941.0
Total	2,880.6	3,039.1	3,493.9*	1,975.5**

* 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 income taxpayers.

Figure 4.1: Revenue from Income Tax, 1999/00 to 2002/03



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. In 2002/03, there were 4,301 registered employers withholding tax under PAYE, compared to 4,504 in 2001/02.

4.8 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.

Collection under PAYE

4.9 The amount of tax collected under PAYE for the years 2001/02 and 2002/03 is shown in Table 4.2.

Table 4.2: Income Tax Collected under PAYE, 2001/02 and 2002/03

	2001/02		2002/03	
	Number of Employees	Amount (Rs m)	Number of Employees	Amount (Rs m)
Tax collected under PAYE	83,532	1,430.7*	76,511	782.1
Tax collected on returns		85.8		115.4
Total tax collected		1,516.5		897.5
Tax refunded	78,331	224.3	81,555	236.3**
Net tax collected		1,292.2		661.2

* Includes tax amounting to Rs 306.5 m collected under PAYE by Large Taxpayer Department.

** The refunds made in 2002/03 relate to tax collected in the year 2001/02.

Out of the total amount of PAYE collected, Rs 52.7 million were received through the electronic payment system.

Collection under CPS

4.10 The amount of tax collected under CPS for the years 2001/02 and 2002/03 is shown in Table 4.3.

Table 4.3: Income Tax Collected under CPS, 2001/02 and 2002/03

	2001/02		2002/03	
	Number	Amount (Rs m)	Number	Amount (Rs m)
No. of self-employed submitting Statements of Income	5,240	83.0	5,125	90.4
No. of self-employed submitting Returns of Income	5,893	114.9	4,522	110.7
Total tax collected		197.9		201.1

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 2001/02 and 2002/03.

Table 4.4: Revenue from PAYE, CPS, Self-assessments and Assessments, 2001/02 and 2002/03

Rs million

	2001/02			2002/03		
	Individuals	Companies	Total	Individuals	Companies	Total
PAYE	1,430.7*	-	1,430.7	782.1	-	782.1
CPS	83.0	-	83.0	90.4	-	90.4
Self-assessments	210.2	1,780.1**	1,990.3	251.0	762.3	1,013.3
Assessments by Department	119.4	94.9***	214.3	147.3	179.2	326.5
Total	1,843.3	1,875.0	3,718.3	1,270.8	941.5	2,212.3
Less refund	224.3	0.1	224.4	236.3	0.5	236.8
Net revenue	1,619.0	1,874.9	3,493.9	1,034.5	941.0	1,975.5

* Includes revenue amounting to Rs 306.5m collected by Large Taxpayer Department which became operational on 1 January 2002.

** Includes revenue amounting to Rs 679.2 m collected by Large Taxpayer Department.

*** Includes arrears of revenue amounting to Rs 3.4 m collected by Large Taxpayer Department.

Number of Self-assessments and Assessments

4.12 The number of self-assessments made by taxpayers and the number of assessments raised by the Department in the years 2001/02 and 2002/03 is given in Table 4.5.

Table 4.5: Self-assessments and Assessments, 2001/02 and 2002/03

	2001/02			2002/03		
	Individuals	Companies	Total	Individuals	Companies	Total
Self-assessments	63,183	2,437	65,620	56,319	2,648	58,967
Assessments	3,185	449	3,634	3,921	423	4,344

Register of Taxpayers

4.13 As at 30 June 2003, there were 309,638 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, 2002/03

	Individuals	Companies	Societes	Successions	Total
As at 1 July 2002	258,469	21,945	3,461	1,321	285,196
Revived and transferred from old register	1,428	49	-	-	1,477
Added during year	22,626	4,234	64	63	26,987
Total	282,523	26,228	3,525	1,384	313,660
Removed during year	3,043	922	24	4	3,993
Transferred to Large Taxpayer Department	-	27	2	-	29
As at 30 June 2003	279,480	25,279	3,499	1,380	309,638

Summary of Tax Payable by Companies

4.14 Table 4.7 shows the number of companies and the amount of tax payable by rate of tax for the year 2002/03.

Table 4.7: Summary of Tax Payable by Companies by Rate of Tax, 2002/03

Corporate Tax by Tax Rates		
Tax Rate	Number of Companies Paying Tax	Net Tax Payable (Rs million)
15%	1,032	648.6
25%	1,641	1,160.2
Other Rates	122	43.5
Total	2,795	1,852.3

- Notes:
1. The figures include the number of companies and tax payable at the Income Tax Department and the Large Taxpayer Department.
 2. The above data are based on self-assessment returns.

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 during the year 2002/03.

Table 4.8: Summary by Industrial Group of Companies, 2002/03

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	276	44	197.8	188.6	29.6	0.3	29.3
<i>of which</i>							
<i>Sugar cane</i>	68	10	10.8	5.8	0.9	0.0	0.9
Manufacturing, mining and quarrying	1,768	449	2,360.4	2,313.3	387.7	30.4	361.5
<i>of which</i>							
<i>Sugar milling</i>	25	3	288.1	280.6	42.1	0.0	42.1
<i>EPZ industries</i>	1,282	320	1,065.5	1,033.0	156.7	29.0	131.8
<i>Other</i>	451	126	1,006.8	999.6	188.9	1.4	187.5
Electricity and water	21	5	28.4	28.4	4.7	0.3	4.4
Construction	357	79	308.5	300.7	53.3	0.4	52.9
Wholesale and retail trade ; repair of motor vehicles, motorcycles, personal and household goods	3,612	946	2,093.4	2,037.9	391.8	15.7	392.6
Hotels and restaurants	382	72	511.8	494.7	74.8	0.4	74.4
Transport, storage and communications	597	154	935.3	924.6	195.6	3.5	193.3
Financial intermediation	1,467	391	10,091.6	9,698.4	1,140.7	609.9	544.8
Real estate, renting and business activities	2,799	518	4,218.2	4,170.7	314.7	142.6	172.7
Public administration and defence; compulsory social security	2	0	0.0	0.0	0.0	0.0	0.0
Education	97	31	16.4	15.4	3.0	0.0	3.0
Health and social work	52	15	16.2	15.0	2.8	0.0	2.8
Other community, social and personal services	435	90	312.4	306.9	23.1	2.8	20.5
Miscellaneous	201	1	0.4	0.4	0.1	0.0	0.1
Total	12,066	2,795	21,090.8	20,495.0	2,621.9	806.3	1,852.3

- 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 figures include the number of companies and tax payable at the Income Tax Department and the Large Taxpayer Department.
 3. The above data are based on self-assessment returns.

Staffing

4.16 The number of officers in the Department as at 30 June 2003 was 396, including 206 supporting staff. The corresponding figures for 2001/02 were 403 and 206 respectively.

Training

4.17 During the year, 19 Inspectors of Taxes successfully followed the Mauritius Tax Inspectors Course run by the Tax Training School. In addition, 4 senior officers followed advanced training courses overseas organised by the Commonwealth Association of Tax Administrators (CATA) and SADC.

Double Taxation Avoidance Treaties

4.18 As at 30 June 2003, the position concerning Double Taxation Avoidance Treaties with the following 43 countries was as follows:–

Double Taxation Avoidance Treaties in force:

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

Negotiations completed but not yet ratified:

- | | | |
|--------------|-----------|-----------|
| • Bangladesh | • Nigeria | • Uganda |
| • Croatia | • Russia | • Vietnam |
| • Lesotho | • Senegal | • Zambia |
| • Malawi | • Tunisia | |

Negotiations on-going:

- | | |
|------------------|--------------|
| • Canada | • Portugal |
| • Czech Republic | • Seychelles |
| • Greece | |

Tax Rulings

4.19 During the year, the Department gave 2 Tax Rulings (TR 29 and TR 30) under the Income Tax Act 1995. The 2 Tax Rulings are reproduced 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 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

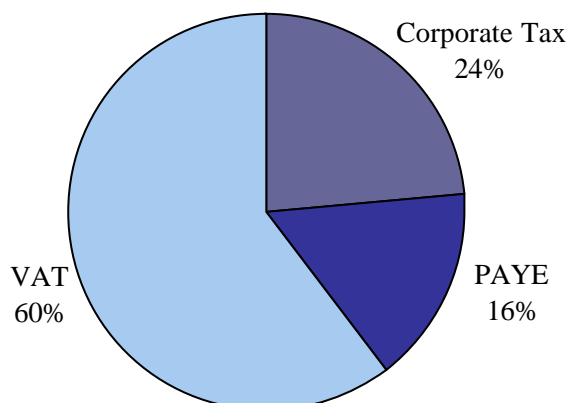
5.2 Total revenue collected from large taxpayers in 2002/03 amounted to Rs 5,139.9 million as compared to Rs 2,130.9 million for the 6-month period, January to June 2002. Table 5.1 and Figure 5.1 show the revenue collected by the Department under Corporate Tax, PAYE and VAT.

Table 5.1: Revenue Collected under Corporate Tax, PAYE and VAT from Large Taxpayers, 2002/03

<i>Rs million</i>				
Mode of payment	Corporate Tax	PAYE	VAT	Total
Electronically	583.8*	526.0	1,597.1	2,706.9
Manually	629.7	298.4	1,504.9	2,433.0
Total	1,213.5	824.4	3,102.0	5,139.9

* Includes Rs 8.6 million representing amount of tax collected by way of set off against VAT repayment.

Figure 5.1: Revenue Collected under Corporate Tax, PAYE and VAT from Large Taxpayers, 2002/03



Register of Taxpayers

5.3 As at 30 June 2003, there were 265 large taxpayers registered with the Department; 236 are registered for VAT and 253 are employers registered for PAYE. Table 5.2 gives details of registered taxpayers.

Table 5.2: Number of Large Taxpayers, 2002/03

	Number
As at 1 July 2002	262
<i>Less</i> transferred to Income Tax Dept and VAT Dept.	26
	236
<i>Add</i> transferred from Income Tax Dept. and VAT Department during the year.	29
As at 30 June 2003	265

Repayment of VAT

5.4 During the year, 785 claims for repayment of VAT for an amount of Rs 1,255.9 million were received. Of these, the Department processed 760 claims and paid out an amount of Rs 1,210.6 million.

Table 5.3: Repayment of VAT, 2002/03

	No. of Claims	Amount (Rs m)
As at 1 July 2002	65	90.0
Received during the year	785	1255.9
<i>Less</i> processed during the year	760	1210.6
As at 30 June 2003	90	135.3

Assessments

5.5 During the year, 23 assessments were raised for a total amount of Rs 35.6 million. Moreover, in 10 other cases which were examined, the amount of tax losses declared has been reduced by Rs 63 million.

Staffing

5.6 The number of officers in the Department as at 30 June 2003 was 42, including 23 supporting staff. The corresponding figures for 30 June 2002 were 29 and 17 respectively.

Training

5.7 During the year, 12 officers of the Department followed courses and seminars held at the Tax Training School. In addition, several officers attended courses held at the University of Technology, the National Institute for Information Technology and the Ministry of Civil Service Affairs & Administrative Reforms on subjects such as quality awareness, public sector improvement, ICT and prevention of corruption. One Assistant Commissioner attended a two-week programme organised by the South African Tax Institute in South Africa.

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;
- Campement Site Tax;
- Campement Tax; and
- Tax on transfer of leasehold rights in State land.

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 Rs 2 per m² to Rs 6 per m².

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, 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 1,376.9 million in 2002/03 as compared to Rs 1,286.8 million in 2001/02. Table 6.1 and Figure 6.1 show trend in revenue collection from registration duty, land transfer tax, stamp duty, campement site tax, campement tax and land conversion tax since 1999/00.

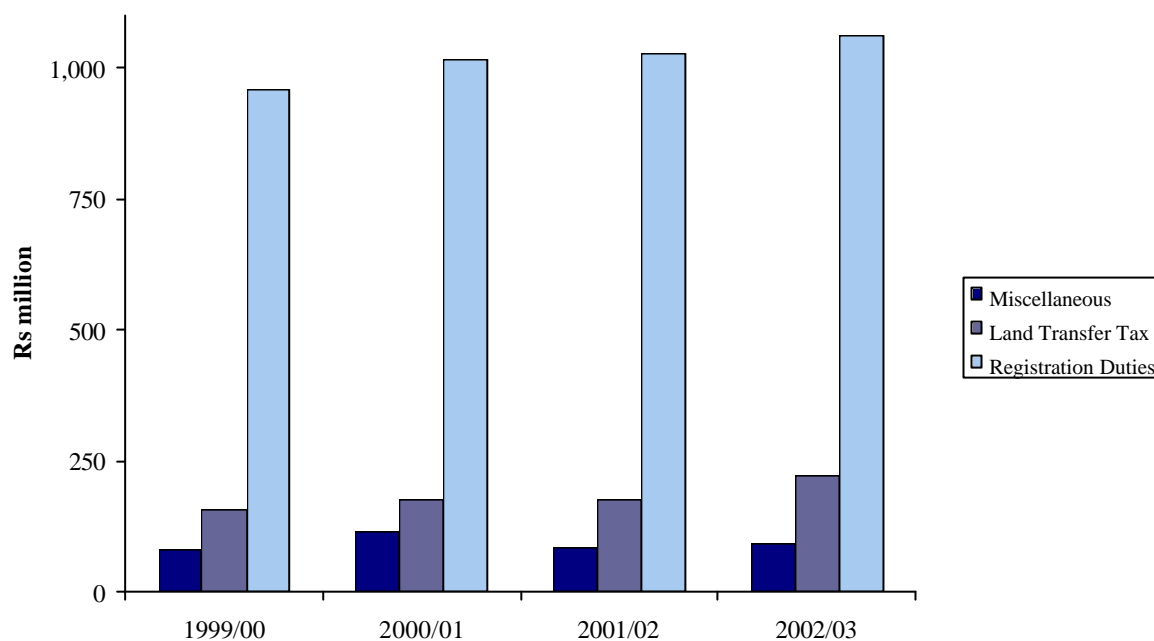
Table 6.1: Revenue from Registration Duty, Land Transfer Tax, Campement Site Tax, Campement Tax and Land Conversion Tax, 1999/00 to 2002/03

Rs million

	1999/00	2000/01	2001/02	2002/03
Registration duty	960.4	1,017.1	1,027.9	1,060.5
Land transfer tax	158.3	175.7	175.4	224.0
Stamp duty	12.0	11.3	12.6	11.4
Campement site tax	26.5	37.5	31.4	23.3
Campement tax	-	-	-	26.9
Land conversion tax	10.5	29.1	10.1	8.4
Other*	32.2	38.9	29.4	22.4
Total	1,199.9	1,309.6	1,286.8	1,376.9

* 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, 1999/00 to 2002/03



Number of Documents Presented for Registration and Registration Duty Collected

6.8 During the year, 182,515 documents were presented for registration compared to 182,115 in the previous year. The Registration duty collected amounted to Rs 1,060.5 million compared to Rs 1,027.9 million in the previous year. The number of documents presented for registration and the amount of registration duty collected in the years 2001/02 and 2002/03 are given in Table 6.2.

Table 6.2: Number of Documents Presented for Registration and Registration Duty Collected, 2001/02 and 2002/03

Type of document	2001/02		2002/03	
	Number of documents	Amount collected (Rs m)	Number of documents	Amount collected (Rs m)
Transfer of immovable properties*	20,826	360.0	22,437	408.7
Transfer of motor vehicles	33,330	536.0	32,081	518.2
Deeds creating mortgage/pledge	8,359	12.0	9,258	14.2
Instruments creating fixed/floating charge	22,701	52.0	23,694	60.0
Leases*	5,571	17.0	7,062	25.5
Transfer of shares in companies	2,920	13.0	2,811	4.8
Other (affidavits, security bonds etc)	88,408	37.9	85,172	29.1
Total	182,115	1,027.9	182,515	1,060.5

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

In addition, there were 1,025 transfers of land qualifying for payment of registration duty at a reduced rate and exempted from payment of land transfer tax, capital gains (Morcellement) tax and transcription fees under the Sugar Industry Efficiency Act 2001.

Transfer of Immovable Property

6.9 A total of 9,550 deeds of transfer of immovable property were transcribed as against 7,367 in the previous year. Details of these transfers are shown in Table 6.3.

Table 6.3: Extent and Value of Immovable Property Transferred, 2001/02 and 2002/03

Value (Rs)	2001/02			2002/03		
	Number of Transfers	Total Extent (hectare)	Total Value (Rs m)	Number of Transfers	Total Extent (hectare)	Total Value (Rs m)
Up to 100,000	1,682	234.0	113.8	2,216	188.2	110.4
100,001 - 300,000	2,640	305.8	555.7	3,217	485.9	686.0
300,001 - 500,000	1,327	104.1	541.9	1,752	267.1	712.9
500,001 - 700,000	530	69.3	325.6	859	113.9	511.7
700,001 - 900,000	376	63.6	303.8	441	80.2	355.1
900,001 - 1,000,000	157	38.7	154.9	174	35.1	170.3
1,000,001 - 2,000,000	433	152.0	619.4	613	175.5	864.7
2,000,001 - 4,000,000	152	79.0	423.8	199	117.6	553.7
4,000,001 - 8,000,000	37	40.8	204.9	56	37.7	317.1
8,000,001 -15,000,000	16	8.0	174.7	9	5.8	102.5
15,000,001 and over	17	4,511.5	1,736.4	14	90.8	546.1
Total	7,367	5,606.8	5,154.9	9,550	1,597.8	4,930.5

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 45.07 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 47,288.2 million compared to Rs 51,890.9 million in the previous year. The amount secured in the years 2001/02 and 2002/03 is shown in Table 6.4.

Table 6.4: Amount Secured by Mortgage Inscription/Charges, 2001/02 and 2002/03

<i>Rs million</i>		
Nature of mortgage/charge	2001/02	2002/03
Conventional mortgage	755.5	725.1
Privileges	2,218.0	1,375.8
Renewal of mortgages	340.2	370.7
Legal mortgages	0.6	2.6
Fixed/floating charges and pledges	48,570.0	44,790.5
Judicial mortgage	6.6	23.5
Total	51,890.9	47,288.2

Documents Transcribed/Inscribed at the Mortgage Office

6.12 A total of 39,992 documents were transcribed/inscribed at the Mortgage Office of the Department during the year compared to 39,337 in the previous year. Details of the documents transcribed/inscribed in 2001/02 and 2002/03 are given in Table 6.5.

Table 6.5: Documents Transcribed/Inscribed, 2001/02 and 2002/03

Nature of documents	2001/02	2002/03
Leases	2,928	3,001
Mortgages and charges	28,608	26,985
Seizures of immovable property	434	456
Transfer of immovable property	7,367	9,550
Total	39,337	39,992

During the year, 11,510 mortgage inscriptions and fixed/floating charges were erased compared to 12,655 in the previous year.

Staffing

6.13 As at 30 June 2003, there were 152 officers in the Department, including 48 supporting staff. The corresponding figures in 2001/02 were 141 and 47 respectively.

Ruling under the Value Added Tax Act 1998**VAT R3****Facts**

1. A company is incorporated in December 2002 to take over retrospectively as from January 2002 the entire business of five companies as a going concern.

It has applied for VAT registration as from 1 January 2003.

2. All the business assets less liabilities excluding borrowings of the five companies are to be transferred to the newly incorporated company and the five companies are to apply for cancellation of registration. However, for the period 1 January 2002 to 31 December 2002 a claim is to be made by the newly incorporated company to each of the five companies for all the revenues received by them on its behalf. Similarly, a claim is to be made by each of the five companies to the newly incorporated company for all the expenses incurred by them for the same period.
3. The five companies are engaged mainly in making zero-rated supplies and make claims for repayment regularly.

Points at issue:

1. Whether the transaction described above falls under section 63(3) of Value Added Tax Act.
2. Whether VAT is chargeable on the claims for refunds of revenues/expenses.
3. Whether VAT credits due to the five companies as at the date of their deregistration will be refunded by the VAT Office.

Ruling

1. The transfer as a going concern of the whole business of each of the five companies to the newly incorporated company falls under section 63(3) of the Value Added Tax Act.
2. The transfer of the five companies as a going concern to the newly incorporated company takes place on 1 January 2003, the date on which the latter has been registered for VAT. No VAT is chargeable on the claims for the refund of revenue accrued and expenses incurred during the period 1 January 2002 to 31 December 2002 as they form part of the arrangement for the transfer.
3. Any amount standing to the credit of each of the five companies as at the date of cancellation of registration is to be repaid after a thorough audit has been carried out on submission of the claims for repayment.

Rulings under the Income Tax Act 1995**TR 29****Facts**

A resident company incorporated in Mauritius holds a Regional Headquarters Certificate. A foreign company and its wholly owned subsidiary hold, each of them, 50% of the shares of the resident company.

All strategic decisions relating to the business of the foreign company and its subsidiary will continue to be made by the respective Board of Directors outside Mauritius.

The resident company will be providing a range of services including management, marketing, financial, coordination and other services to the foreign company and its subsidiary. As part of the service agreement, the resident company may issue sales invoices in the name of the foreign company/its subsidiary. However, pricing and all other terms relating to a transaction are pre-agreed by the foreign company/its subsidiary and the purchaser in a distribution contract. All sales and payments in respect of invoices issued by the resident company are entered in the accounts of the foreign company/its subsidiary.

The resident company will receive an arm's length service fee from the foreign company and its subsidiary in respect of the provision of the above services.

Point at issue

Whether the foreign company/its subsidiary may be considered as having a branch or agency (or other form of permanent establishment) in Mauritius or a source of income taxable in Mauritius.

Ruling (issued in September 2002)

Provided the transactions between the resident company and the foreign company/its subsidiary are carried out at arm's length and the issuing of invoices by the resident company is a pure administrative act, the foreign company and its subsidiary will not be considered as having a permanent establishment in Mauritius or other source of income taxable in Mauritius.

TR 30**A Facts**

A bank holding a Category 2 Banking Licence deals with companies holding Category 1 and 2 Global Business Licences, Freeport Companies and Trusts which carry out qualified global business. The bank provides services to clients from Mauritius in respect of activities carried out outside Mauritius.

Points at issue

- (i) Whether the income from transactions with the entities as described above will be classified as foreign source income.
- (ii) Whether the 80% presumed foreign tax credit will be available.

Ruling (issued in September 2002)

Companies holding Category 1 and 2 Global Business Licences, Freeport Companies and Trusts carrying out qualified global business outside Mauritius are resident in Mauritius. Companies holding Category 2 Global Business Licence are resident in Mauritius by virtue of their being incorporated/registered here except that they are deemed not to be resident only for treaty purposes under Section 76 of the Income Tax Act.

Income derived by the bank from the loan/banking facilities and other services provided to the entities mentioned above are income derived from within Mauritius and not foreign source income. Accordingly, no presumed foreign tax credit will be available.

B Facts

A bank holds a Category 2 Banking Licence. As a result of certain international trading transactions regarding lendings and borrowings or buying and selling of foreign currencies, the bank made certain gains or losses, due to fluctuation in foreign currency rates.

Point at issue

Whether exchange gains or losses would be classified as capital gains/losses or income receipt/allowable expenses.

Ruling (issued in September 2002)

Exchange gains/losses arising on accounts that record a company's ordinary business transactions are taxable or deductible as the case may be. However, exchange gains/losses in connection with transactions involving capital assets are not recognized for income tax purposes.

C Facts

A new tax regime applicable to Global Qualified Corporations has been introduced whereby all such entities would be taxable at the rate of 15% on their income as from the year of assessment starting 01 July 2003. The basis period for the assessment year 2003/04 is normally 01 July 2002 to 30 June 2003. The financial year of a bank holding a Category 2 Banking Licence ends on 31 March. The financial statement for the year ended 31 March 2003, which forms the basis for the assessment year 2003/04 will therefore include foreign source income earned from 01 April 2002 to 30 June 2002.

Point at issue

Whether the bank would have to pay tax on income derived during the period prior to 01 July 2002 at the rate of 15%. Alternatively, whether the income for the financial year ended 31 March 2003 could be apportioned so that the rate of tax in force during the period before and after 01 July 2002 could be applied for calculation of the tax payable and the allowable presumed foreign tax credit.

Ruling (issued in September 2002)

Pursuant to Section 4 of the Income Tax Act 1995, the income assessable for the year of assessment 2003/04 is the income derived during the preceding year ended 30 June 2003. However, as the bank has an approved return date under Section 118 of the Income Tax Act, the income for the financial year ended during that preceding year will form the basis of assessment for the assessment year 2003/04.

Income tax payable for the year of assessment 2003/04 should be computed based on the tax rate applicable for that year of assessment, i.e. 15%. Apportionment of the income of a financial year for calculation of tax payable or presumed foreign tax credit is not applicable.

LIST OF TABLES

Table 1.1:	Revenue from Taxes and Duties, 1999/00 to 2002/03	6
Table 1.2:	Expenditure by Revenue Department, 2001/02 and 2002/03	7
Table 1.3:	Appeals to Tax Appeal Tribunal, 2002/03	14
Table 1.4:	Representations to Assessment Review Committee, February to June 2003	15
Table 1.5:	Number of Courses and Seminars held at the School, 1999/00 to 2002/03	16
Table 1.6	Number of Participants in Courses and Seminars, 1999/00 to 2002/03	17
Table 2.1:	Revenue from Customs and Excise Duties, 1999/00 to 2002/03	19
Table 2.2:	Number of Bills of Entry and the Value of Imports and Exports, 2001/02 and 2002/03	20
Table 3.1:	Revenue from VAT and Taxes/Duties on Gaming and Betting, 1999/00 to 2002/03	26
Table 3.2:	Number of Registrations at the VAT Department 2001/02 and 2002/03	27
Table 3.3:	Number of Licensees under the Gaming Act, 2001/02 and 2002/03	29
Table 3.4:	Number of Rum and Liquor Licensees by District, 2001/02 and 2002/03	30
Table 4.1:	Revenue from Income Tax, 1999/00 to 2002/03	33
Table 4.2:	Income Tax Collected under PAYE, 2001/02 and 2002/03	34
Table 4.3:	Income Tax Collected under CPS, 2001/02 and 2002/03	35

Table 4.4:	Revenue from PAYE, CPS, Self-assessments and Assessments, 2001/02 and 2002/03	35
Table 4.5:	Self-assessments and Assessments, 2001/02 and 2002/03	36
Table 4.6:	Number of Registered Taxpayers at the Income Tax Department, 2002/03	36
Table 4.7:	Summary of Tax Payable by Companies by Rate of Tax, 2002/03	37
Table 4.8:	Summary by Industrial Group of Companies, 2002/03	38
Table 5.1:	Revenue Collected under Corporate Tax, PAYE and VAT from Large Taxpayers, 2002/03	41
Table 5.2:	Number of Large Taxpayers, 2002/03	42
Table 5.3:	Repayment of VAT, 2002/03	42
Table 6.1:	Revenue from Registration Duty, Land Transfer Tax, Campement Site Tax, Campement Tax and Land Conversion Tax, 1999/00 to 2002/03	46
Table 6.2:	Number of Documents Presented for Registration and Registration Duty Collected, 2001/02 and 2002/03	48
Table 6.3:	Extent and Value of Immovable Property Transferred, 2001/02 and 2002/03	49
Table 6.4:	Amount Secured by Mortgage Inscription/Charges, 2001/02 and 2002/03	50
Table 6.5:	Documents Transcribed/Inscribed, 2001/02 and 2002/03	51

LIST OF FIGURES

Figure 1.1:	Revenue from Taxes and Duties, 1999/00 to 2002/03	6
Figure 2.1:	Revenue from Customs and Excise duties, 1999/00 to 2002/03	19
Figure 3.1:	Revenue from VAT and Taxes/Duties on Gaming and Betting, 1999/00 to 2002/03	27
Figure 4.1:	Revenue from Income Tax, 1999/00 to 2002/03	33
Figure 5.1:	Revenue collected under Corporate Tax, PAYE and VAT from Large Taxpayers, 2002/03	41
Figure 6.1:	Revenue from Registration Duty, Land Transfer Tax, Campement Site Tax, Campement Tax and Land Conversion Tax, 1999/00 to 2002/03	47

LIST OF APPENDICES

Appendix A:	Ruling under the Value Added Tax Act	53
Appendix B:	Rulings under the Income Tax Act	54