9.1 General

The Mauritius Revenue Authority (MRA) is responsible for collecting 80 per cent of all tax revenues and for enforcing tax laws in Mauritius. It manages the following main duties and taxes:

- Corporate and Personal Income Tax
- Tax Deduction at Source on specific types of payment
- Value Added Tax
- Customs Duties
- Excise Duties
- Gambling taxes

Other taxes levied on land transactions and companies are collected by the Registrar General’s Department and the Companies Division of the Ministry of Finance & Economic Development respectively.

The MRA has taken some positive actions during the fiscal year 2007-08 to reduce the level of debts. There has been the introduction of the Tax Payment Incentive Scheme, which has permitted the MRA to recover some Rs 67.9 million and Rs 46.1 million of arrears relating to Income Tax and Value Added Tax respectively.

In the 2006-07 Audit Report I drew the attention of the Customs & Excise Department (CED) to the following issues where corrective measures have been taken:

*Bonded Warehouse/Showroom*

The conversion of Motor Vehicles Showroom into Bonded Showroom was nearing completion.

Licences for non operational warehouses were being revoked.

A vehicle was allocated to the Bond Monitoring Unit for better and extensive control.

Shortcomings identified by my Office regarding Bonded Warehouses were being rectified and appropriate duties collected.
Returning Residents

An on-line link to the Passport and Immigration database has been established to monitor movement of passengers and control on returning residents.

Other Improvements by the CED

CED has embarked on other major projects to enhance control and improve service delivery and trade facilitation.

- A valuation database has been integrated in the Customs Management System to counteract the problem of undervaluation.

- A fast track Blue Channel has been introduced to accelerate cargo clearance by compliant importers.

- One stop shop has been set up at the Mauritius Container Terminal and Sea Food Hub to centralise and co-ordinate all activities among the different government agencies for cargo inspection.

Electronic submission of excise declaration to streamline procedures and reduce compliance costs for excise operators.
Income Tax

9.2 Arrears of Revenue – Income Tax

As of 30 June 2008, there were 5,821 individuals and 1,348 companies classified as small and medium taxpayers (SMTP), owing a total amount of Rs 1,028 million to the MRA. These include debts of Rs 149.8 million and Rs 6.1 million under appeal at the Supreme Court and Privy Council respectively. In addition to these, debts under objection, review or appeal amounted to some Rs 396.7 million.

9.2.1 Court Cases

Ageing of cases under appeal at the Supreme Court is given in Table 9-1

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>No. of assessments</th>
<th>Amount Rs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>46</td>
<td>54,723,196</td>
<td>36.54</td>
</tr>
<tr>
<td>2006-07</td>
<td>62</td>
<td>57,637,300</td>
<td>38.49</td>
</tr>
<tr>
<td>2005-06</td>
<td>12</td>
<td>11,678,534</td>
<td>7.80</td>
</tr>
<tr>
<td>2004-05</td>
<td>5</td>
<td>1,249,893</td>
<td>0.83</td>
</tr>
<tr>
<td>Sub Total</td>
<td>125</td>
<td>125,288,923</td>
<td>83.66</td>
</tr>
<tr>
<td>2003-04</td>
<td>18</td>
<td>8,737,985</td>
<td>5.84</td>
</tr>
<tr>
<td>2002-03</td>
<td>5</td>
<td>9,474,598</td>
<td>6.33</td>
</tr>
<tr>
<td>Sub-total</td>
<td>41</td>
<td>24,462,493</td>
<td>16.34</td>
</tr>
<tr>
<td>Totals</td>
<td>166</td>
<td>149,751,416</td>
<td>100.00</td>
</tr>
</tbody>
</table>

41 assessments for an amount of some Rs 24.5 million were outstanding for over four years.

9.3 No action taken for major transactions

Transactions in respect of major land acquisitions, purchase of motor vehicles above 2000 cc, import transactions from Customs and major contracts from MRA’s database were examined.
The following shortcomings were noted:

- 1,817 taxpayers who had undertaken the above major transactions for a total amount of Rs 3,455,028,267, shown in Table 9-2, during the past years have not submitted returns for the fiscal years ending 30 June 2005, 2006 and 2007. Worthwhile cases need to be identified and an audit carried out.

### Table 9-2 Non Submission of Returns

<table>
<thead>
<tr>
<th>Transactions</th>
<th>Number of cases</th>
<th>Amount Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of land</td>
<td>1,032</td>
<td>2,071,554,083</td>
</tr>
<tr>
<td>Purchase of motor vehicles</td>
<td>572</td>
<td>583,129,846</td>
</tr>
<tr>
<td>Customs transactions</td>
<td>47</td>
<td>255,425,590</td>
</tr>
<tr>
<td>Contracts</td>
<td>166</td>
<td>544,918,748</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,817</strong></td>
<td><strong>3,455,028,267</strong></td>
</tr>
</tbody>
</table>

- Societies and partnerships are not liable to tax but their business partners are subject to tax based on their share of income. No tax audit was done by MRA on the individual partners in instances where societies had undertaken major transactions. In some cases, there were not enough details about the partners, such as name and TAN, in the MRA database.

**MRA’s Reply**

Purchase of motor vehicles include 147 cases for an amount of Rs 368,491,206 relating to 2007 which were outside the scope of tax audit since the years covered during the fiscal year 2007-08 were the four years ending 30 June 2006.

As regards societies, cases of the associates are examined to ensure that their fair share of income from societies is taken in account in their tax computation.

Priority is presently given to cases of societies where no returns have been submitted and where information about their business transactions is available at the office.

### 9.4 Objection and Appeal Section

The Objection and Appeal Section is required to work out and determine cases within four months as from the date an objection is lodged. If not satisfied with the amount at which
the objection has been determined, the taxpayer can appeal to the Assessment Review Committee (ARC) within twenty-eight days from the date of determination.

As per Section 20 (3) of the MRA Act 2004, a panel of the ARC shall endeavour to fix the case for hearing within six months from the date the representations were lodged and give a decision no later than eight weeks from the start of the hearing. The period may be extended in case of exceptional circumstances.

**Observations**

435 assessments for Small and Medium Taxpayers Department with tax held over amount of Rs 349 million were under appeal at the ARC as of 30 June 2008. Out of these, 100 assessments for Rs 70 million were outstanding for more than six years.

As regards Large Taxpayers' Department, 11 assessments with tax held over amount of Rs 201.5 million as of 30 June 2008, were outstanding at the ARC since 2005 and 2006.
Custom and Excise Duty

9.5 Revenue Collection

The Mauritius Revenue Authority (MRA) collects custom and excise duties and value added tax from importers and manufacturers. Total revenue collected during fiscal year 2007-08 amounted to some Rs 22 billion.

Collection of duties and taxes as per Custom Management System (CMS) is effected by cash, cheques, E-payment and credit as detailed in Table 9-3.

<table>
<thead>
<tr>
<th>Mode of Payment</th>
<th>Amount Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>238,523,956</td>
</tr>
<tr>
<td>Cheques</td>
<td>15,342,688,164</td>
</tr>
<tr>
<td>Credit</td>
<td>18,956,150</td>
</tr>
<tr>
<td>E-Payment</td>
<td>6,506,368,670</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22,106,536,940</strong></td>
</tr>
</tbody>
</table>

9.5.1 E-Payment: Rs 6.5 billion

E-Payment facility has been granted to importers whereby upon issue of a Payment Instruction (PI), delivery of goods is allowed pending the payment of duties and taxes which has to be effected on the same day or at latest on the following day. In the case of deferred payments relating to local excise duties, payments had to be effected as follows:

- 7 days in the following month in respect of removals for months of July to May.
- For June, not later than the last day of that month.

Given that PI date was not available in the E-Payment database, audit work was based on date goods were released and payment date.
Observations

Local excise duties/taxes

Several cases were noted where the time limit was not respected. There was a time lag of 8 to 83 days between payment date and removal of goods.

Duties/taxes other than local excise

In several cases, payments were not effected within deadline. 415 bills totalling Rs 18.4 million were settled after 2 to 18 days from date of removal of goods.

Difference between CMS and Bank Statement

There was a difference of Rs17,823,453 between CMS figure and Bank Statement as of 30 June 2008 which was transferred to VAT Item. However, no proper reconciliation was produced to audit.

Conclusion

In view of the above, goods have been removed well before effecting payment of duties, implying that credit facilities have been offered to importers. The deadline for effecting payments has therefore not always been adhered to. There is also the risk that payments might not have been made for goods already released due to the fact that no checks whatsoever were performed to ensure that the PIs have been executed before filing.

MRA’s Reply

Appropriate action will be taken in cases of non-payment or payment made after due date.

The difference between the CMS figure and bank statement was attributed to the fact that banks had not updated the computer system although payments were effected.

Both the MRA and importers will liaise with banks to update the CMS, failing which payment facilities will be withdrawn. Furthermore, daily reconciliations will now be made.

9.5.2 Cash and Cheques - Rs 15.6 billion

In the 2006-07 Audit report, I drew the attention of the Authority on the numerous reprints of receipts whereby the risk of misappropriation of collection was highlighted. Despite management reply to restrict re-print of receipt to one copy only, the following were noted during the period under review:

➢ All cashiers were granted the option to reprint a receipt which has already been issued.
There were numerous cases where receipts were printed more than twice and even up to eight duplicates being issued without proper recording.

Further, as several receipts were drawn for the same amount, there could be the possibility of collecting money without issuing a new receipt.

9.5.3 Unpaid Bills - Rs 57.5 million

My Office carried out an exercise from the IT database (CMS) to ascertain whether revenue has been collected in respect of all bills validated and cleared in fiscal year 2007-08. This exercise excluded bills validated in previous years but cleared in fiscal year 2007-08.

Some 433 Bills of Entries (BOEs) involving duties and taxes of Rs 57.5 million could not be matched with the respective payments. It would appear that no payment has been received for goods already removed. No confirmation could be obtained as to whether these payments had actually been effected.

MRA’s Reply

Appropriate action will be taken to review the process.

9.6 Arrears of Revenue - Rs 51.1 million

The arrears of revenue figure comprises Customs Offence Reports (CORs) on offences committed in breach of any Customs Legislation. According to the statement submitted to the Accountant General, the figure was Rs 51.1 million as of 30 June 2008.

The arrears of revenue figure has been materially understated due to the following:

- Several cases referred to Police, Court and Assessment Review Committee were not included as arrears despite comments on this issue in the previous year’s audit report. These cases amounted to Rs 17.9 million, Rs 15 million and Rs 12.8 million respectively.

- Excise duty of Rs 19.7 million owed by a company was not disclosed in the arrears figure.

- Cases of short payment of duties and taxes detected by the Post Control Audit Unit were not treated as debtors

Differences were noted between opening and closing balances in both half yearly returns submitted to the Accountant General.

In view of the above, the reliability and accuracy of the arrears of revenue figure could not be ascertained.
9.6.1 Analysis of Arrears of Revenue

A breakdown of the figure of Rs 51.1 million is shown in Table 9-4.

Table 9-4 Analysis of Arrears of Revenue

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Amount Outstanding Rs</th>
<th>Pending at Court Rs</th>
<th>Unsettled Rs</th>
<th>Referred to Police Rs</th>
<th>ARC Rs</th>
<th>Legal Service Department Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>7,524,176</td>
<td>5,895325</td>
<td>1,581,066</td>
<td>47,785</td>
<td></td>
<td>47,785</td>
</tr>
<tr>
<td>2006-07</td>
<td>36,159,431</td>
<td>4,489,487</td>
<td>749,106</td>
<td>30,920,838</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005-06</td>
<td>Nil</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004-05</td>
<td>130,230</td>
<td>130,230</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003-04</td>
<td>2,265,125</td>
<td>695,319</td>
<td>292,662</td>
<td>1,277,144</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002-03</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior to 2002</td>
<td>5,048,042</td>
<td>5,048,042</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>51,127,004</strong></td>
<td><strong>5,743,361</strong></td>
<td><strong>10,807,704</strong></td>
<td><strong>3,607,316</strong></td>
<td><strong>30,920,838</strong></td>
<td><strong>47,785</strong></td>
</tr>
</tbody>
</table>

40 CORs totalling Rs 5,048,042 refer to long outstanding court cases which relate to period prior to year 2002.

Included in the unsettled figure were 65 cases amounting to Rs 10,677,474 for which no payment had been effected during the year. Out of a sample of ten cases examined, the following shortcomings were noted:

- Timely action was not taken to realise bank guarantee of Rs 1.5 million in one case. This could indicate a lack of monitoring on the part of MRA.
- In one case, there was no proper follow-up since six years back.
- In two cases, the debtors figure was not amended although payment had been effected.
- In another three cases, no correspondence was seen exchanged between MRA and the ARC/Police/Court after more than one year.
COR Register

Out of a sample of 12 cases examined, it was observed that there was a lack of monitoring and control on the part of MRA. Material amount of duties, taxes and penalties was involved. In one case, the terms of compounding were not even worked out and the amount of penalty was not known. Further, the COR was not found at the COR section and had to be traced back. This might indicate that all CORs might not have been forwarded to the COR Section for appropriate action. Hence, there was the risk that recovery of substantial revenue was either being delayed or might even not being effected.

MRA’s Reply

The system is being reviewed so that, in line with other taxes administered by MRA, a distinction is made between collectible debts and uncollectible debts, and only collectible debts are reported in the statement of arrears of revenue.

Action is being taken to reorganise the COR Unit, to ensure close monitoring and recover collectible debts promptly.

9.7 Post verification of Import Bills of Entry

After clearance, import bills under regime 40, 70 and 90 are channelled to the Deferred Control Unit (DCU) for post verification. The Unit effects in depth checks on bills with CIF value of Rs 50, 000 and above for Seaport and on a random basis for airport.

The aim of such exercise is to:

- ensure compliance with legal provisions and that the correct amount of duties and taxes have been paid;
- detect any irregularity regarding classification, valuation, country of origin and exemptions, amongst others.

The importance of post verification of import bills cannot thus be overemphasized as it provides assurance that revenue collectible has actually been collected or can be recovered in case of any irregularity, taking into consideration the high risk area of under valuation.

9.7.1 Seaport Bills

After examination by the DCU, bills are to be sent to the Filing Section.

Observations

The completeness of import bills submitted to the DCU for post verification could not be ascertained from the CMS.
There were no remarks either on the bills or in the CMS to indicate that these have been reviewed.

526 bills with CIF value of Rs 2.5 billion relating to period July to December 2007 have fallen outside the ambit of the DCU as they have not yet reached the Filing Section as of March 2008.

The Filing Section for seaport operations has been computerised as from April 2006 whereby the number of non examined bills prior to this date could not be ascertained.

My Office also came across three bills, which have been sent directly to the Filing Section without being subject to DCU control. These related to the import of gas oil with CIF value of Rs 124 million.

Hence, all import bills have not been systematically forwarded to the DCU for additional control. This is not satisfactory as the risk of non-compliance with customs laws as well as duty evasions might exist in such cases.

**Recommendation**

Proper control mechanism should be set up to ensure that all import bills have been channelled to the DCU and are subject to additional checks. Remarks should be inserted either in the CMS or on the bills as evidence of review.

**MRA’s Reply**

Action is being taken to trace the 526 bills which have not yet reached the Filing Section. Request has now been made to the IT Unit to develop a programme that will select bills to be forwarded to DCU, based on risk management.

**9.7.2 Airport Bills**

The filing system at the Airport has been computerised as from July 2008. Hence, audit could not carry out the same above exercise for the period under review.

**Observations**

It has not been possible to ascertain whether all cleared bills were available at the Filing Section for post verification.

As at April 2008, bills as far back as July 2007 were not yet reviewed, while for prior months, there were several bills with high CIF value which were not examined.
**Recommendation**

There is a need to clear the backlog of airport bills and to perform checks based on materiality and risk.

**9.7.3 Query Cases**

Queries are raised in cases where importers have not complied with customs legislation. These may result in amendment of bills for additional duties and a Customs Offence Report (COR) being raised in case an offence has been detected.

**Observations**

Queries were not properly monitored. Cases were referred as far back as January 2005 to the Post Clearance and Control Unit (PCCU) for investigation but the outcome is still not known to date, i.e. after more than three years. In other cases, letters were sent to importers since long and reminders not issued afterwards.

For most of these cases, the reasons for query were valuation and classification, which could result in additional duties and taxes.

A sample of 13 bills containing some 80 items relating to valuation queries mentioned above was examined. Independent information was requested from the Valuation Unit in respect of 21 of these items. However in 75 per cent of these cases, no information was available in the database of the Unit. Hence, the risk that such goods have been undervalued cannot be ignored.

**Recommendation**

Proper follow-up of queries remains imperative so as to recover duties and taxes promptly and not entail risk of cases becoming time-barred.

**MRA’s Reply**

Clearing of queries for period January to December 2006, involving 211 cases has recently started. Reminders are actually being issued and in case of non-response, CORs will be opened.
9.8 Landing/Freight Stations – Seaport

9.8.1 Control over movement of containers

Less Container Load (LCL) are usually transferred from Cargo Handling Corporation Ltd (CHCL) to freight forwarding depots or freight stations where they are unstuffed and goods ultimately delivered to consignees after customs formalities.

It is imperative to exercise proper control over the movement of these containers so as to reduce the risk of goods being removed before entering freight stations. Proper control must also be exercised at the level of freight stations as payment of duty is deferred from the time goods are warehoused until customs clearance.

Time taken to reach Freight Stations

All freight stations, except one, are located in the Freezone area but are all within some fifteen minutes reach from CHCL. Whenever a container leaves CHCL for a freight station, a gate pass is issued by CHCL on which the time out is recorded. The Customs officer posted at CHCL checks the agent’s seal number and puts a customs seal. He records both seal numbers as well as time of departure in the CMS.

One measure which Customs has recently taken to enhance control is the introduction of a register at freight stations to record time containers leave CHCL (time out) as per CMS and time they reach the freight stations (time in). A maximum of fifteen minutes was set as standard time for a container to reach freight station. In case abnormal time is taken, the matter has to be reported for examination of goods.

Audit visits at seven freight stations have revealed the following main weaknesses:

- Information was inconsistent in that some freight stations were entering the date container arrived, while others were recording the date goods were being unstuffed.

- It was difficult to ascertain the time actually taken to reach freight stations due to the following:
  - In many cases the ‘time in’ was contradictorily earlier than ‘time out’, still after taking into consideration that the CMS time is ten minutes ahead.
  - ‘Time in’ was recorded as per information gathered from freight agents at some stations while in others this was calculated fifteen minutes ahead as from the ‘time out’ as per CMS.

- According to register, the time taken for transfer of containers to freight stations was unduly long in several cases. Delays ranging from one to three hours were observed. There was no evidence that these cases have been reported to management. No proper explanation was given for such time differences.
Hence, the objective of recording the ‘time in’ and ‘out’ of containers is defeated and the risk of tampering with the contents of the containers during the long transit trips cannot be ignored.

**MRA’s Reply**

Necessary action is being taken to amend information recorded in register to be more meaningful.

### 9.8.2 Unstuffing of Goods

Goods are to be unstuffed in the presence of the Freight Agent and Customs Officer before warehousing. The latter has to ensure that marks and number on the packages tally with the House manifest upon warehousing. In general, all containers must be unstuffed on the same day except for exceptional cases.

**Observations**

A lack of control by Customs at time of unstuffing of goods during site visits at two freight stations was noted.

It was difficult to ascertain the actual date of unstuffing of several containers as the date as per Unstuffing register and CMS differed.

There were three cases where goods were unstuffed five to seven days later. This is not satisfactory. These containers have been lying outside and exposed to the risk of tampering and misappropriation. There were reported cases to Customs where container seals have been tampered with.

**MRA’s Reply**

Reason for difference in unstuffing date is being looked into and necessary corrective action will be taken accordingly.

### 9.8.3 Delivery of Goods /Stock take

No independent physical verification was being performed by the Resident Customs Officer, at least on a test check basis, when goods were issued to consignees.

A physical stock take was also not carried out for a sample of goods in the warehouse.

There was complete reliance on Freight Agent’s lists of Overlying goods.
MRA’s Reply

An Enforcement Team would be set up to enhance control over goods at Freight Stations.

9.8.4 Overlying Goods

Section 61(Part V-Sub III) of the Customs Act 1988 stipulates that all goods not cleared from outstanding manifests may be sold/disposed of within two months from the date landed. These include goods overlying in freight stations as well as containers at CHCL.

Observations

No independent checks were carried out by Customs to ascertain the accuracy and completeness of the lists of overlying goods submitted by freight agents. No exercise was also carried to tally same with lists of bills not jerked by CMS.

During audit visits, 94 vehicles were found overlying in freight stations for period ranging from three months up to five years. It was only following audit visits that some of these were subsequently transferred to the Customs Warehouse. One Mercedes car had remained for at least three years at one station.

No authority was produced to audit regarding the transfer of 17 vehicles from one freight station to another.

Control over overlying goods appears to be inadequate. There is undue delay for the transfer of vehicles to the Customs Warehouse and consequently, this will result in lower sales value.

MRA’s Reply

Management attributed the above situation to lack of storage space at the Customs Warehouse. However, Customs should attempt to secure a larger storage area to cope with this ongoing problem.

No documentary evidence was available for the 17 vehicles mentioned above because they will eventually be transferred to auction.

9.8.5 Overlying Containers at CHCL

According to an independent list obtained from CHCL, some 120 imported containers were overlying for more than 100 days at landing stations.

Included in the above figure are 24 containers, which have remained there for more than five years while three others were above 12 years.
**Observations**

This is against Section 61(Part V-Sub III) of the Customs Act 1988, as Customs has not initiated action in respect of the above containers which have been overlying for such an inordinate time.

Substantial revenue might have been foregone due to deterioration or obsolescence of goods. The more time Customs takes to bring items to auction the lesser will be the disposal value.

**MRA’s Reply**

An exercise carried out by Customs revealed that 30 containers were not entered in CMS whilst seven others which were stated to be full container load as per CHCL were empty as per CMS.

A physical verification will be effected in respect of 36 containers for which Customs had already given clearance.
Value Added Tax (VAT)

9.9 Arrears of Revenue

Total collections of VAT in respect of Large Taxpayers have increased from Rs 5.8 billion in 2006-07 to Rs 6.9 billion in 2007-08, while for Small and Medium Taxpayers (SMTP) total collections increased from Rs 4.3 billion in 2006-07 to Rs 5.2 billion in 2007-08.

Total debts in respect of VAT amounted to some Rs 1.036 billion as of 30 June 2008, comprising Rs 699 million in respect of Large Taxpayers and Rs 337.2 million for SMTP.

9.9.1 Large Taxpayers

Arrears as of 30 June 2008 amounted to Rs 699 million compared to Rs 124.3 million as of 30 June 2007. Some Rs 76.8 million of the arrears of Rs 124.3 million were collected during 2007-08.

The arrears have increased due to assessment under the Voluntary Disclosure Incentive Scheme (VDIS).

Over and above the amount of Rs 699 million, some Rs 13.2 million were not yet enforceable as a result of representations made at the Assessment Review Committee (ARC).

MRA’s Reply

Only Rs 47.5 million out of the Rs 124.3 million arrears outstanding as at 30 June 2007 were still outstanding as at 30 June 2008. The major part of the new debts of Rs 651.5 million were contracted under VDIS. The taxpayers have made arrangements with the MRA to settle their debts under VDIS by instalments.

9.9.2 Small and Medium Taxpayers (SMTP)

Total collections of VAT in respect of SMTP have increased from Rs 4.3 billion in 2006-07 to Rs 5.2 billion in 2007-08.

Debtors Balance.

As of 30 June 2008, a total of some Rs 337.2 million was due by SMTP. Details of arrears for the past five fiscal years are shown in Table 9-5.
The debt had been increasing from Rs 140.5 million in 2003-04 to Rs 337.2 million in 2007-08 or an increase of 140 per cent in five years.

Over and above the amount of Rs 337.2 million, some Rs 461.4 million were not yet enforceable as of 30 June 2008 as a result of representations made at the ARC.

Collection of Previous Years’ Arrears.

A sum of Rs 73.8 million was collected during 2007-08 in respect of arrears of tax amounting to Rs 340.9 million as of 30 June 2007.

The rate of collection was low. The amount of Rs 73.8 million represented 21.6 per cent of arrears as of 30 June 2007.
Gaming Tax

9.10 Arrears of Revenue

As of 30 June 2008, the total of enforceable debts in respect of gaming tax amounted to some Rs 115.4 million.

The arrears collected in 2007-08 amounted to Rs 33.4 million and this represented 32 per cent of arrears figure of Rs 102 million for the fiscal year 2006-07.

Over and above the amount of Rs 115.4 million due as of 30 June 2008, some Rs 78 million were not yet enforceable as these cases were under objection at the ARC.
Sales Tax

9.11 Arrears of Revenue

Value Added Tax was introduced since the year 1998 to replace Sales Tax. Some Rs 52.6 million were owed in respect of sales tax as at 30 June 1998. These amounts are still collectible. As of 30 June 2008, the total of enforceable debts already assessed for payment amounted to some Rs 16 million.

Some Rs 2.5 million were not yet enforceable as these cases were under objection at the ARC.

The rate of collection of Sales Tax is low. The arrears collected in 2007-08 amounted to Rs 1.4 million and this represented seven per cent of arrears figure of Rs 19.6 million for the fiscal year 2006-07.
Hotel and Restaurant Tax

9.12 Arrears of Revenue

The last assessment in respect of Hotel and Restaurant Tax was raised in 2001-02. Some Rs 79.3 million were due as at 30 June 2002. These amounts are still collectible. The outstanding enforceable debt already assessed for payment as of 30 June 2008 amounted to Rs 13.9 million.

As of 30 June 2008, some Rs 51.6 million were not yet enforceable as these cases were under objection at the ARC.

The rate of collection was low. The arrears collected in 2007-08 amounted to Rs 683,091 and this represented 4.5 per cent of arrears figure of Rs 15 million for the fiscal year 2006-07.
Other Taxes

Companies Division

9.13 Arrears of Revenue

As of 30 June 2008, a total amount of some Rs 294 million was due to the Companies Division in respect of company licences and registration fees.

The balances of debtors for the past five years are shown in Table 9-6.

Table 9-6 Debtors for Past Fiscal years

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Debtors Rs m</th>
<th>Increase over Previous year Rs m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>170.7</td>
<td>-</td>
</tr>
<tr>
<td>2004-05</td>
<td>191.2</td>
<td>20.5</td>
</tr>
<tr>
<td>2005-06</td>
<td>232.3</td>
<td>41.1</td>
</tr>
<tr>
<td>2006-07</td>
<td>271.7</td>
<td>39.4</td>
</tr>
<tr>
<td>2007-08</td>
<td>294.0</td>
<td>22.3</td>
</tr>
</tbody>
</table>

The debt of the Companies Division has been continuously increasing from Rs 170.7 million in 2003-04 to Rs 294 million in 2007-08.

The debt has increased by Rs 22.3 million in 2007-08 compared to that of 30 June 2007.

A sum of Rs 12.8 million was collected during 2007-08 in respect of arrears of tax amounting to Rs 271.7 million as of 30 June 2007.

The rate of collection was low. For example the amount of Rs 12.8 million represents 4.7 per cent of arrears.

An age analysis of debtors was again not available in the Return of Arrears of Revenue as of 30 June 2008. Thus, it could not be ascertained whether the debts were long outstanding or not.

The debtors figure of Rs 294 million included fees and fines amounting to Rs 195.9 million and Rs 98.1 million respectively.
Included in the debtors figure was an amount of Rs 166.3 million owed by offshore companies “Global Business Category 1 and 2". It represents 56.6 per cent of the total debtors.

Fees for these types of companies were collected by the Companies Division as from January 2003. As of 30 June 2003, the debtors figure amounted to Rs 39.1 million and rose to Rs 166.3 million as of 30 June 2008, representing an increase of 325 per cent.

**Conclusion**

The Companies Division must review its existing debt collection tools in order to recover debts promptly.

The ageing of debtors must always be compiled and included in the Return of Arrears of Revenue. Ageing of debtors is an important aspect of control over recovery of debts.

Debts owed by offshore companies (Global Business Category 1 and 2) represented 56.6 per cent of total debtors figure. The debts have been increasing year by year at a high rate.

**Companies Division’s Reply**

A sum of Rs 1.6 million was awaiting to be written off. A fresh application for authority for write off of irrecoverable debts for the sum of Rs 11 million including the sum previously applied has been submitted to the Ministry.
Registrar-General’s Department

9.14 Arrears of Revenue

9.14.1 General

In the past, I have been commenting on the large amount of money which was due to the Registrar-General’s Department and which was increasing over the years. However, as of 30 June 2008, arrears of revenue which totalled Rs 170,133,913 had decreased compared to Rs 189,610,683 as at the end of the previous fiscal year.

This decrease was mainly due to an adjustment of the arrears of Campement Site Tax. In fact, a sum of Rs 24,846,788 in respect of surcharge for Campement Site Tax which was wrongly computed since several years had been deducted from the arrears figure. The adjusted figure for 30 June 2007 was therefore Rs 164,763,895. Excluding this adjustment, there was an increase in arrears of Rs 5,370,018 during 2007-08.

Arrears for the past seven years and the respective amount recovered or adjusted in the ensuing fiscal year are given in Table 9-7.

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Amount Rs</th>
<th>Recovered/Adjusted in Ensuing Fin Year Rs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 2002</td>
<td>108,355,930</td>
<td>18,275,384</td>
<td>17</td>
</tr>
<tr>
<td>30 June 2003</td>
<td>130,512,172</td>
<td>15,537,343</td>
<td>12</td>
</tr>
<tr>
<td>30 June 2004</td>
<td>132,948,184</td>
<td>5,831,276</td>
<td>4</td>
</tr>
<tr>
<td>30 June 2005</td>
<td>153,991,872</td>
<td>11,808,319</td>
<td>8</td>
</tr>
<tr>
<td>30 June 2006</td>
<td>166,140,971</td>
<td>6,256,344</td>
<td>4</td>
</tr>
<tr>
<td>30 June 2007</td>
<td>*164,763,895</td>
<td>*14,715,231</td>
<td>9</td>
</tr>
<tr>
<td>30 June 2008</td>
<td>170,133,913</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* After adjustment of Rs 24,846,788.

Recovery of arrears was still slow, with only nine per cent of amount due at 30 June 2007 having been recovered during fiscal year 2007-08.
9.14.2 Irrecoverable Arrears

The figures representing arrears in respect of Registration Duties and Land Transfer Tax as of 30 June 2008 included cases of deceased debtors, time-barred cases and untraceable debtors. Amount due in respect of these cases might not be recovered at all.

Some Rs 12 million were due by about 1,150 untraceable debtors, and some Rs 1 million by 61 deceased debtors. Outstanding duties and taxes relating to deeds drawn between 1992 and 2000 totalling some Rs 3.9 million have become time barred.

Department's Reply

Cases of irrecoverable arrears were being looked into.