**6.1 Tourist Villages Project**

***Introduction***

Since 2006, Government intended to set up five Tourist Villages around the island to enhance growth in the tourism sector, and at the same time to give opportunities to small operators. The objectives of the Tourist Villages Project were:

* to offer shopping outlets, restaurants and leisure facilities that would cater for tourists;
* to provide spaces that would be reserved mostly to SMEs and the promotion of Mauritian arts and crafts;
* to be a powerful instrument to democratise the tourism industry.

To fulfill the objectives of the Empowerment Programme that also included the setting up of five Tourist Villages around the island, Government set up a Steering Committee to implement the Programme.

***6.1.1 Implementation Team set up by Ministry of Finance and Economic Development***

In October 2006, the Ministry of Finance and Economic Development(MOFED) set up an Implementation Team comprising seven representatives from the private sector, three Officers of MOFED and a representative of the Ministry of Tourism to oversee the implementation of the above mentioned Tourist Villages Project.

A state owned company was designated as the Implementing Agency for the project in October 2006.

*Project Financing*

Following Government approval, the Tourist Villages Company Ltd (TVCL) was incorporated in June 2007. A private firm was appointed as Company’s Secretary.

Government injected funds totaling Rs 315 million in the share capital of the TVCL between June 2007 and June 2009.

Funds raised for the share capital were partly applied for the construction of Belle Mare and Mahebourg Tourist Village Projects. Following completion of the projects in September 2013, the Company refunded Government a sum of Rs 145 million.

***6.1.2 Belle Mare Tourist Village Project (BMTV)***

The Belle Mare Tourist Village project, constructed over leasehold land of an extent of 21,000 m2 has a total rental space of 1,352 m2and comprises 35 shops, seven food courts, an auditorium, a museum and an administrative block. On 31 March 2015, TVCL reported to MOFED that the BMTV has never been operational, that is 42 months after its completion in September 2011.

The market value of the property of BMTV was estimated at Rs 194 million as of
31 December 2012. Little has been collected in terms of rental of shops, that is Rs 149,030 between 2010 and 2012.

From documentation available at the MOFED, the following were noted:

*Construction Phase*

In February 2008, TVCL informed the Ministry that the cost estimate was revised from
Rs 100 million to Rs 120 million. The architectural design competition was finalised in October 2007. Tenders for consultancy services for mechanical, electrical, civil and structural works at Belle Mare were floated in October 2007, whereas tenders for construction works were scheduled to be launched in May 2008. TVCL completed the construction of the first Tourist Village at Belle Mare at a total cost of some Rs 185 million in September 2011.

*Operations Management*

The monthly minimum operating cost would be Rs 1 million. TVCL would have to charge SMEs a minimum rental of Rs 1,300 per m2 to ensure its viability. It is unlikely that small entrepreneurs will be in a position to pay such a rental given that lower rentals are charged by other owners in the vicinity. It was found that it would be more appropriate to consider disposing of the BMTV.

*Disposal Procedure*

Subsequently, Government approved that a competitive tendering exercise be carried out for the disposal of BMTV. The State Investment Corporation (SIC) invited Expression of Interest for the disposal of BMTV in April 2012, but no responsive bid was received.

***Observations***

* No feasibility study report for the BMTV was available at MOFED though it was a major project.
* The contract for the procurement of works was for some Rs 185 million. There was no approval of this major contract by the Central Procurement Board although the State Owned Company designated as the Implementing Agency was listed as a public body under the Public Procurement Act.
* No documents were available at the Ministry regarding the procurement exercise for the main contractor, payment details, and managing the construction project. These included bids, contract, Handing Over Certificate between the State Owned Company and TVCL and Final Accounts.
* As per financial statements of TVCL for year ended 31 December 2013, the Company has cumulative net profits (retained earnings) of Rs 29.8 million, resulting mainly from interests received totalling some Rs 71.5 million. However, details and nature of the Debtors figure of Rs 27.8 million could not be ascertained.
* Lease terms for rental were of 12 months renewable upon mutual agreement. Given that these villages were set up to help local artisans by leasing out space, little has been collected in terms of rental of shops.

***6.1.3 Mahebourg Tourist Village***

In addition to the BMTV, the Company has also invested Rs 5.9 million for the setting up of the Mahebourg Tourist Village (MTV). The MTV Project was to cater for 11 individual craftsmen and two associations from south of the island.

***Observations***

* The total figure for investment in MTV Project of Rs 5.9 million as per the Company’s financial statements for the year ended 31 December 2011 was written off as a loss.
* For both projects, significant Government funds and resources of some Rs 170 million were not properly managed. Public funds have also been tied up in these unutilized assets for more than four years now.

***Ministry’s Reply***

* In May 2007, Government was informed that there was no need for a feasibility study given that the Belle Mare region is surrounded by hotels and the site is easily accessible to tourists as per criteria established.
* All the Directors of the TVCL had resigned. A new Board has recently been constituted. One of the responsibilities of the Board will be to look into the future of Belle Mare Village, including the possibility of transferring all assets to an appropriate Government owned entity or disposing same through open bidding exercise.

**Mauritius Revenue Authority**

**Customs**

**6.2 Transfer of goods to Auction Sales**

Section 61(1) of the Customs Act provides that where goods are landed and are not claimed or removed within two months of being landed, the Director-General may cause the goods to be sold by public auction or public tender, as he may determine, after giving public notice of the sale.

***Observations***

***6.2.1 Overlying goods at freight Stations***

A scrutiny of the Un-stuffing Register of two freight stations revealed that as of June 2015, 78 vehicles, as well as several other items, such as spare parts, fittings, construction materials and garments have been overlying beyond the prescribed delay of two months, as per Customs Regulations. Some of these goods have even remained at the freight stations since four years back.

The overlying vehicles comprised imported second hand cars of various makes and models. These vehicles were in good condition with an average market value ranging from
Rs 350,000 to Rs 600,000. Had these vehicles been sold in accordance with Section 61(1) of the Customs Act, Government could have benefited from additional revenue of some
Rs 30 million.

Most of the overlying vehicles at freight stations were imported by dealers who were delaying payment of customs duties while someof them were already benefiting from deferred payment facilities for Bonded Warehouses, under Section 67 of the Customs Act.

***Management’s Reply***

Auction sales are carried out at Customs warehouses. However, the existing Customs warehouses do not provide enough space to display a large volume of goods for sale. Action has been initiated to look for additional space for storage and auctioning of goods.

A high proportion of goods that are sent for auction do not fetch the reserve price that is laid down in the legislations, and have to be auctioned again at a second/third attempt.

Over the past five years, auction of vehicles have yielded, on average, some Rs 142,600 per vehicle. The estimates of Rs 350,000 to Rs 600,000 are on the high side.

***NAO’s Comment***

The average price fetched over the past five years cannot be used due to the concept of time value of money.

***6.2.2 Overlying Vehicles at New Container Terminal of Mauritius (NCTM)***

A site visit was carried out by my Officers on 3 June 2015 at the NCTM. 15 vehicles were found overlying there for more than five years and have been subject to deterioration, thereby affecting their sale value. No records were available at the Seaport Operations Section regarding the ownership of these vehicles and the reasons for their non-clearance. One of the vehicles was a high value luxury car. Had timely action been taken by Customs, significant proceeds could have been obtained from the sale of these vehicles.

***Management’s Reply***

MRA will organize dedicated auction sales for motor vehicles by September 2015.

***6.2.3 Overlying Containers at Cargo Handling Corporation Ltd (CHCL)***

There were 99 imported containers which were overlying for more than six months at CHCL, including 26 containers, which have remained there for a period ranging from two to four years. These containers held valuable items such as vehicles, plumbing materials and new spare parts. Given that Customs has not taken prompt action for disposal of these unclaimed containers, there is the likelihood that substantial revenue might have been foregone. Further delay in selling these goods will negatively impact on their disposal value.

***Management’s Reply***

An action plan has already been prepared to proceed with the timely transfer and disposal of overlying goods.

***6.2.4 Detained Goods at Customs Warehouse***

There were several items lying at the Warehouse which had been identified by Customs for destruction since January 2013. These included electronic wastes, medical products and hazardous waste. However, no action has been taken to date, that is, after more than two years, for their disposal.

***Management’s Reply***

No appropriate site was available for the destruction of goods. Sites for destruction of hazardous goods and for waste recycling have been identified as per paragraph 124-125 of Budget Speech 2015 and the Mauritius Revenue Authority will do needful.

***Recommendations***

* Proper control should be exercised on overlying goods.
* Timely remedial action should be taken to transfer goods to the auction sales to maximize revenue as long outstanding items are likely to bring in lesser revenue.
* There is a need to carry out a complete survey of overlying containers and goods at freight and landing stations. A realistic period/interval to carry out such surveys has to be set out by Customs for the timely transfer of items to auction for disposal.
* Procedures should be initiated for disposal of hazardous waste in a timely manner.

***Management’s Reply***

* Proper mechanism will be put in order that overlying goods are transferred for auction sale in a timely manner as per law and established procedures.
* The number of auctions to be carried out by Customs will be increased substantially.
* In order to safeguard revenue, the MRA will consider offering for auction, on a priority basis, goods which have higher market value and are easily saleable.
* With a view of expediting the disposal of overlying goods, an e-auction sales project is being developed.
* Following the Finance Act 2015, the MRA will use its new powers under the Customs Act to liquidate unclaimed goods and free capacity in customs warehouses.

**6.3 Customs – Return of Arrears of Revenue - Rs 621,225,740**

Arrears of Revenue consist of duties and taxes together with penalties and interests payable in respect of claims raised and Customs Offence Reports (CORs). These debts are classified as collectible and non-collectible.

The Arrears of Revenue as at 31 December 2014 were reported at Rs 621.2 million, of which only some 11 per cent (Rs 66.5 million) were accounted as recoverable. Debts totaling Rs 554.7 million have been reported as non-collectible as these debts have not yet been compounded since the debtors were not agreeable to settle the amount claimed as shown in the Table 6-1.

*Table 6-1 Ageing of debtors in respect of COR and Claims outstanding
as at 31 December 2014*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Total No of cases** | **COR** | **Claim** | **Total Amount** |
| **Collectible Rs** | **Non-Collectible** | **Collectible** | **Non- Collectible** |  |
|  | **Rs** | **Rs** | **Rs** | **Rs** |
| 2010 & previous years | 92 | 3,621,702 | 133,339,403 | - | 139,458,426 | 276,419,531 |
| Year 2011 | 198 | 37,197 | 5,505,481 | - | 2,622,022 | 8,164,700 |
| Year 2012 | 119 | 50,000 | 147,910,170 | 1,841,526 | 6,997,845 | 156,799,541 |
| Year 2013 | 125 | 300,000 | 20,661,117 | 2,749,624 | 22,125,282 | 45,836,023 |
| Year 2014 | 181 | 1,291,449 | 38,811,265 | 56,612,537 | 37,290,694 | 134,005,945 |
| **Total** | **715** | **5,300,348** | **346,227,436** | **61,203,687** | **208,494,269** | **621,225,740** |

***Observations***

***6.3.1 General***

* The Statement of Arrears was drawn up manually as debts prior to 2012 totalling some
Rs 284.6 million were not included in the Customs Management System (CMS).
* The total amount of debts raised in respect of claims for period 2012 to 2014 as per Return of Arrears of Revenue differed from the balance of debts in the CMS by
Rs 61.5 million. No reconciliation exercise was carried out to tally these two figures.

***Management’s Reply***

* At the time of creation of the COR Module in 2010 and CDMS Module in 2012, a cut-off date was established by the MRA. All unsettled CORs and claims prior to the above periods were to be maintained and monitored in an excel database.
* All the figures submitted in the Statement of Arrears have been manually checked and reconciled. MRA is prepared to look into system problems which may result in the discrepancies highlighted.

***6.3.2 Accuracy of the Figure - Rs 621,225,740***

The accuracy of the figure for arrears of revenue as per the Return submitted to the Accountant General could not be ascertained for the following reasons:

* Included in the figure of Rs 346,227,436 was an amount of some Rs 51.1 million which had been earmarked for write off as Court judgment has already been delivered or the Customs Legal Services Department has recommended to set aside these cases.
* Further to paragraph 6.2 of the Annual Report for the year ended 31 December 2013, deferred payment in respect of Maurice Ile Durable (MID) levy, excise duties and VAT payable by State Trading Corporation (STC) relating to the financial year ending
31 December 2014 and amounting to Rs 364.5 million was not included in the Return of Arrears of Revenue.

***Management’s Reply***

* Debts will be reduced in the Statement of Arrears of Revenue where decisions/judgments have been given by the legal institutions. For other types of debts which need to be reduced, an administrative mechanism will be put in place.
* Section 8(2) of the Customs Act 1988, provides for deferred payment by the State Trading Corporation within a period of 30 days. Therefore the sum of Rs 364.5 million is considered as a deferred payment.

***6.3.3 Recovery of debts /long outstanding debts***

* Long outstanding non-collectible debts pertaining to period prior to 2011 were
Rs 273 million which represented 44 per cent of total arrears of revenue. Recovery of those prior years debts appeared to be remote due to the following:
* During 2014, only a sum of Rs 2.6 million was collected representing less than one per cent of total debts relating to the period prior to 2011. For the years 2012 and 2013, sums of Rs 857,224 and Rs 441,948 respectively were collected.
* Total repayment in respect of previous years’ debts was only Rs 24.3 million, that is less than 4 per cent of total debts of Rs 621.2 million.
* Included in the non-collectible debts of Rs 273 million was an amount of
Rs 174.6 million in respect of debts for period prior to 2010, for which Court proceedings for recovery of duties and taxes had not been instituted as at 31 December 2014.

***Management’s Reply***

Debts can only be collected after a Court decision has been delivered. Thus, the slow recovery is quite normal and also beyond the control of MRA. Conscious of the time taken for debt to materialise once at Assessment Review Committee (ARC) and Court, the MRA has requested and obtained additional powers such as inscriptions, attachment orders etc in 2015 through the Finance Act.

***6.3.4 Debt Management***

Claims and CORs initiated by different units were registered in CMS and forwarded to Debt Management Unit for follow up. Out of a total of 715 debtors reported as at 31 December 2014, 591 cases amounting to Rs 413.8 million were still under process at the Legal Services Department (LSD) or the Debt Management Unit at Customs and the Attorney General’s Office (AGO).

***Observations***

* There were delays in the processing of debts to be sent to Court. Thus, over 80 per cent of debtors were not compounded or sent to Court.
* Delay in processing of claims may lead to cases being time barred and debts irrecoverable after five years, in line with Section 148(1). Further, Section 15 (1B) (a), which was amended in 2013, stipulates that any claims arising with respect to a validated bill of entry, in respect of goods already cleared by Customs, should be made by the Director General within three years from the date of the validated bill of entry. As per this provision, claims in respect of all bills issued in 2013 will thus become time barred in 2016.
* Several cases were referred to the AGO or ARC since more than ten years back. However, no reminder was issued to these Offices regarding status of the debts during 2014. No correspondence was also sent to the Police regarding status of the cases referred thereto or whether these cases have already been filed.

***Management’s Reply***

* No Attorney was available at the MRA and these cases had to be referred to the AGO for recovery. Unfortunately, the cases were not lodged. Since March 2015, three claims have been forwarded to a private Attorney for plaints to be lodged.
* MRA has put in place a monitoring system to ensure that cases are dealt with within the stipulated time limit.
* A working arrangement is being put in place for the exchange of information between the different Legal Institutions and the MRA.
* Regular meetings are being held with the Debt Management Unit and the LSD for the proper administration of debts and claims.

**Registrar-General’s Department**

**6.4 Revenue Collection**

During 2014, some Rs 5.9 billion were collected as revenue by Registrar General’s Department (RGD). The core system of RGD was computerized since 19 May 2014. However, no computerized daily Cash Book Report and transactions listings could be generated from the system for the period 19 May to 31 December 2014.

According to the Revenue Collection Report, provided by RGD’s IT Unit, total collections amounted to some Rs 2,894.4 million, whilst the net revenue reported in the Treasury Accounting System (TAS) was Rs 3,687.5 million for the same above period. No reconciliation exercise was carried out to explain the difference of Rs 793.1 million.

***Department’s Reply***

The Registration of Deeds and Documents System captures all revenue collections at RGD and is shown in the Daily Analysis Collection Report. Collections for period 19 May to
31 December 2014 amounted to Rs 3,499.7 million whereas the TAS figure indicated
Rs 3,674.0 million. Some departments collect revenues on behalf of RGD and adjustments are made at the level of the Treasury.

**6.5 Debtors**

According to records maintained by the Valuation Section of the RGD, debtors totalled
Rs 438 million whilst in the Statement of Arrears of Revenue, for inclusion in the Accountant General’s Report, the amount recorded as due was Rs 440 million, that is, a net difference of Rs 2 million as at 31 December 2014.

***Department’s Reply***

The amount recorded in the Statement of Arrears of Revenue for inclusion in the
Accountant General’s Report should have been Rs 439 million. The difference of
Rs 1 million will be adjusted in the current financial year after an indepth analysis on previous debts.

***6.5.1 Debtors Management at RGD***

*Financial Review of Arrears of Revenue – Rs 440 Million*

Arrears of revenue remained a high risk area. Total debtors balances stood at Rs 440 million at 31 December 2014 compared to Rs 331 million at 31 December 2013, that is, an increase of 33 per cent. This is shown in Table 6-2.

*Table 6-2 Movements of Arrears of Revenue from 2010 to 2014*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2010** | **2011** | **2012** | **2013** | **2014** |
|  | **Rs million** | **Rs million** | **Rs million** | **Rs million** | **Rs million** |
| Balance at 1 January | 181 | 196 | 213 | 290 | 331 |
| Adjustment to Debits | 3 | (5) | (14) | (40) | (24) |
| Collections | (13) | (12) | (19) | (27) | (32) |
| Write Off |   |   |   | (1) | (10) |
| ***Sub Total*** | ***171*** | ***179*** | ***180*** | ***222*** | ***265*** |
| New Debtors | 25 | 34 | 110 | 109 | 175 |
| **Balance 31 December** | **196** | **213** | **290** | **331** | **440** |

*Source: Return of Arrears of Revenue and Past Audit Reports*

An ageing analysis of arrears of revenue of Rs 438 million as at 31 December 2014 obtained from the Valuation Section of RGD showed long outstanding debtors as shown in Table 6-3.

*Table 6-3 Ageing Analysis of Arrears of Revenue*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **To Dec 2009** **Rs** **million** | **2010** **Rs****million** | **2011 Rs****million** | **2012** **Rs million** | **2013** **Rs million** | **2014** **Rs million** | **Total** **Rs million** |
| Registration Duty | 52.5 | 3.5 | 3.1 | 9.0 | 21.0 | 71.6 | 160.7 |
| Land Transfer Tax | 29.8 | 6.0 | 7.6 | 26.7 | 32.2 | 77.4 | 179.7 |
| Leasehold Rights Tax | 2.1 | 0.2 | 4.1 | 2.5 | 16.4 | 10.9 | 36.2 |
| Capital Gains Tax | 11.6 |  |  |  |  |  | 11.6 |
| Campement Site Tax | 10.8 | 0.8 | 0.6 | 0.6 | 1.6 | 0.3 | 14.7 |
| Campement Tax | 3.7 | 0.3 |  |  |  |  | 4.0 |
| Short on Deed | 11.8 |  |  | 15.7 | 0.1 |  | 27.6 |
| Incorrect Declaration | 3.5 |  |  |  |  |  | 3.5 |
| **Total** | **125.8** | **10.8** | **15.4** | **54.5** | **71.3** | **160.2** | **438.0** |

*Source: Valuation Unit: Arrears July-December 2014 Individual*

* The arrears arose because additional taxes raised after the valuation exercise were not being settled since several years.
* Debtors’ position had not much improved. Between 1 January 2010 and 31 December 2014 total Debtors balances have increased from Rs 181 million to Rs 440 million. During the past five years, new debtors totalled Rs 453 million, but amount recovered from debtors totalled some Rs 103 million. Debtors of some Rs 91 million have been written off as adjustment.

***6.5.2 Debt Recovery***

There is a low rate of recovery of debtors. From January 2010 to December 2014, Amounts recovered were between Rs 12 million and Rs 32 million, that is, between six per cent and nine per cent of balance due at start of the year.

***6.5.3 Significant Companies and Individuals as Debtors***

569 companies and 6,388 individuals owed RGD some Rs 219.3 million and
Rs 218.7 million respectively as at 31 December 2014, as shown in Table 6-4.

22 companies and 16 individuals each owing above Rs 1 million to RGD owed a total of
Rs 223.3 million and which account for 51 per cent of the total arrears figure.

*Table 6-4 Amount due by Companies and Individuals*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Category of Debtor** | **No. of Debtors** | **%****No. of Debtors** | **Amount Due** **Rs million** | **%** **of Amount Due** |
| Company  | 569 | 8% | 219.3  | 50% |
| Individual  | 6,388 | 92% | 218.7  | 50% |
| **Total** | **6,957** | **100%** | **438.0** | **100%** |

Of the 6,957 debtors, 5,996 of them (86 per cent) owed up to Rs 50,000 each and for a total amount of Rs 80.8 million as of 31 December 2014. Table 6-5 refers.

*Table 6-5 Range of amount due by Companies and Individuals*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Amount Range** | **Companies** | **Individual** | **Total Debtors** |  |
|  | **No. of Debtors** | **Amount Rs million** | **No. of Debtors** | **Amount Rs million** | **No. of Debtors** | **Amount Rs million** | **%****Due** |
| Rs 1 m and above | 22 | 174.8 | 16 | 48.5 | 38 | 223.3 | 51 |
| Rs 0.5 m- <Rs 1m | 18 | 12.4 | 22 | 14.3 | 40 | 26.7 | 6 |
| Rs 0.1m- <Rs0.5m | 99 | 20.2 | 276 | 51.8 | 375 | 72.0 | 17 |
| Rs 50,000 - <Rs0.1 m | 76 | 5.3 | 432 | 29.9 | 508 | 35.2 | 8 |
| Rs 10,000 - <Rs 50,000 | 230 | 5.9 | 2,725 | 60.4 | 2,955 | 66.3 | 15 |
| Rs 1 - <Rs 10,000 | 124 | 0.7 | 2,917 | 13.8 | 3,041 | 14.5 | 3 |
| **Total** | **569** | **219.3** | **6,388** | **218.7** | **6,957** | **438.0** | 100 |

***6.5.4 Debtors Campement Owners***

337 Campement Owners owed taxes for a total amount of Rs 18.9 million as of 31 December 2014, including some Rs 1.9 million for debts relating to years 1982 to 2002.

***6.5.5 Controlled Environment for the Management of Debtors at the RGD***

The legislation provides for the procedures that RGD needs to follow in case of reassessment and measures to be taken for non- payment of additional tax/duty.

Normal recovery of debt involves mainly the departments of Valuation, Enforcement Unit and Objection Unit of RGD. The RGD also has the support of the Valuation Office, Ministry of Finance and Economic Development (MOFED), the Judiciary, the Attorney General’s Office (AGO), the Commissioner of Police (COP), the Companies Division, etc for the management of debtors. It has to report to the Accountant General on debtors figures every semester.

Despite the measures taken by RGD, arrears of revenue were still on the high side because time taken to recover payment was long.

***Department’s Reply***

Section 44 of the Land Duties and Taxes Act provides that a case is time barred after the expiry of five years from the date on which the deed was registered or from the date of the decision of the Assessment Review Committee. This office has made a proposal to the MOFED to extend the time limit from five to 10 years.

***6.5.6 Untraceable Debtors***

There was no proper follow up on Untraceable Debtors by RGD Officers. No report from the COP was available. The register of untraceable debtors was not updated.

***Department’s Reply***

Section 36 of the Registration Duty Act has been amended by the Finance Act 2015 to include the Postal Code in the address of each party to the deed. The Register for Untraceable Debtors and the list in soft copy are records of cases where Notices could not be served. On receipt of the reply from COP, the report is classified in the respective file and the procedures are continued in the case file. Due to lack of staff no proper follow up on Untraceable Debtors in the soft copy could be carried out.

***6.5.7 Non-compliance with Financial Instructions relating to ‘Arrears of Revenue’***

Contrary to financial instructions issued by MOFED, no Revenue Register, Manual of Instructions, proper management information system and revenue analysis were maintained to ensure timely follow-up of receivables and for subsequent enforcement action.

***Department’s Reply***

Qualified staff for Debt Management is needed to follow instructions given in the Financial Instructions on ‘Losses, Arrears of Revenue, Write-off and Advances’ for compliance by Ministries/Departments. The more recruitment will be done, the higher will be the running costs of the department without any guarantee that the debt will be recovered.

There is an effective mechanism put in place at the Mauritius Revenue Authority (MRA) to recover debts. Another option is to outsource the debt recovery to MRA.

***6.5.8 Examination of Files***

A sample of 15 files relating to companies owing some Rs 122.4 million was examined.

* Two companies, the buyer and seller of a property, owed a total of Rs 105 million since November 2014.
* The seller who owed Rs 52.5 million has not raised any objection to the amount assessed by the Valuation Department. It has not yet settled its debt despite it has quite recently encashed a large sum of money from the above transaction. The seller was in the process of liquidation since October 2013.
* The buyer, also indebted to the RGD for Rs 52.5 million has not raised any objection to the amount assessed by the Valuation Department within the deadline. He has lodged an objection to the Assessment Review Committee afterwards, that has yet to be determined.
* The time taken to determine objection cases by the Valuation Department was too long.
* No proper follow-up was made. Reminders were not sent in six cases, whereas for the other nine cases, reminders were sent only once.

***Department’s Reply***

Finance (Miscellaneous Provisional) Act 2015 (Act No. 9 of 2015) has amended the Land Duties and Taxes Act and provides that all cases pending before the Objection Unit will have to be dealt with before 1 September 2015 and those where objections have been lodged after 1 June 2015 will be dealt with within four months.

***6.5.9 Cases Referred to Judiciary – Contrainte***

From October 2013 to December 2014, 675 cases totalling Rs 73.3 million were referred for legal action.

***Observations***

* 81 cases totalling Rs 5.9 million were settled in full.
* Seizures were effected in 17 cases involving a total amount of Rs 1.7 million.
* 447 cases totalling Rs 38.3 million were awaiting for Judge’s Orders.
* No Service Orders were effected in 75 cases totalling some Rs 12.7 million for which Judge’s Order had already been obtained.
* Of 62 cases amounting to Rs 8.9 million for which service orders were effected, part payments were effected in three cases and in two cases only, seizure procedures have been initiated.

***Recommendations***

* The systemic problems leading to increasing debtors have not been resolved despite the continuous improvements in the system of registration of immovable properties. There is need for paradigm shift, and to be forward looking for a less complex, but more effective system. The Valuation Department may produce regular Valuation Rolls. LAVIMS needs to be updated regularly by capturing all properties being registered. Alternatively, a Professional Valuer’s report needs to be produced at time of registration. However, Regulations would be required for registration of Professional Valuers, as for other Professionals in Mauritius.
* Attachment Orders need to be enforced. Some companies, though indebted, have significant assets on their Balance Sheets for which RGD could impose necessary recovery measures, such as Attachment Orders on bank balances and Property, Plant and Equipment.

***Department’s Reply***

In the Finance Act 2015 provision has been made to allow the RGD to enforce payment through Attachment Orders.

This Office reiterates its recommendation for the establishment of Valuation Roll whereby the value of immovable property will be available prior to registration. This office is strongly in favour of Valuation Roll.

Valuation of property prior to Registration is a matter of policy decision. Same will be implemented once a policy decision is taken.