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**6.1 Office Accommodation - SICOM Tower**

At paragraph 7.1 of the Audit Report for the 18-month period 1 January 2015 to 30 June 2016, I mentioned that on 20 May 2015, a Lease Agreement was entered into between SICOM Ltd and Government of Mauritius, represented by the Ministry of Finance and Economic Development (MoFED) for the renting of 161,036 square feet of office space at the SICOM Tower, a building situated in Ebene and comprising ground floor plus 14 others, to house Ministries/ Departments/ Government Agencies/ Institutions for an initial period of 10 years. Initially, Floors 8 to 14 were earmarked for the use of the Ministry of Financial Services, Good Governance and Institutional Reforms (MoFS), whereas Ground Floor and Floors 1 to 7 were to be occupied by MoFED.

In March 2016, following changes in Ministerial portfolio which resulted in MoFED’s decision not to move to SICOM Tower in Ebene, office space was assigned to other Ministries/ Departments.

***6.1.1 Rental Charges***

For 2016-17, rental charges totalling Rs 59,310,683 were paid to SICOM Ltd out of Vote 28.1: “Centrally Managed Initiatives of Government” – Item 2203: “Rent”. These excluded outstanding rental charges amounting to Rs 7,409,958 as at 30 June 2017 claimed by SICOM Ltd. Details are given in Table 6-1.

*Table 6-1 Outstanding Rental Charges as at 30 June 2017*

|  |  |
| --- | --- |
| **Floor** | **Outstanding Rental Charges**  **as at 30 June 2017**  **Rs** |
| Level 10 | 5,630,497 |
| Ground Floor | 1,012,360 |
| Level 1 | 767,101 |
| **Total** | **7,409,958** |

*Source: Ministry’s records*

Floor 10 of the SICOM Tower was assigned and handed over to the Financial Intelligence Unit (FIU) in April 2016 and has remained unoccupied for more than one year up to July 2017.

For this Floor, rental charges have been claimed by SICOM Ltd but were never paid.

***Ministry’s Reply***

Since SICOM Ltd had already handed over the floor to Government, there is a contractual obligation to pay rent whether occupied or not. Arrangements will be made for payment of the outstanding rental fee due for Level 10.

The FIU, accommodated on Level 10, has informed that given its nature of work which is highly sensitive and complex, and for security reasons, the relocation of FIU from one area to another takes more time as compared to other Ministries/Departments. Moreover, the works had to be stopped on two occasions due to acts of vandalism and robbery on Level 10.

As regards Ground Floor (Rs 1,012,360) and Level 1 (Rs 767,101), SICOM Ltd has been requested to waive the rental fee due. However, SICOM Ltd has so far not submitted any further claim pertaining thereto.

***6.1.2 Unoccupied Office Space***

Following decision of MoFED to keep its offices in Port Louis, Levels 3, 4 and 5 of the SICOM Tower were handed over to the Ministry of Financial Services (MoFS) on   
30 May 2016to accommodate the London Court of International Arbitration (LCIA), the Mauritius International Court of Arbitration (MIAC) and the Permanent Court of Arbitration.

More than nine months later, at end of February 2017, the three floors (Levels 3, 4 and 5) handed over to MoFS and for which rental were being paid by MoFED were still unoccupied.

The unutilised Floors 4 and 5 were allocated to the Ministry of Communication, Technology and Innovation in March 2017 to house departments falling under its purview. Level 3 has, on the other hand, been earmarked for Metro Express Ltd and has remained unoccupied till June 2017.

In the absence of clear indication as to when Metro Express Ltd would be operational, MoFED has allocated part of office space on Level 3 to the Britam Commission of Inquiry for a period of occupancy of six months with effect from 1 July 2017. Similarly, the Mauritius Multipurpose Infrastructure Ltd, incorporated by Government to administer the development of Multi-sports Complex Project to be used for the forthcoming Indian Ocean Island Games has been offered a period of occupancy of one year on Level 3.

Some Rs 17.4 million had been paid as rental up to June 2017 for the three unoccupied floors at the SICOM Tower since fit out works have been completed and keys handed over for periods ranging from 13 to 17 months. No value for money has been obtained for such expenditure.

MoFED, being responsible for payment of monthly rental, should ensure that judicious use is being made of rented office space and proper allocation be made to Government bodies in need of office space.

***Ministry’s Reply***

Since SICOM Ltd had already handed over the floor to Government, there is a contractual obligation to pay rent whether occupied or not.

The fact that MoFED has not moved to SICOM Tower has caused some disruption, in so far as the office space has taken time to be re-allocated to Ministries in need of office space. The decision not to move to SICOM Tower was beyond the control of MoFED at that point in time.

Regarding Levels 3, 4 and 5, the MoFS has informed that several meetings/consultations were held by the Ministry with LCIA-MIAC for the establishment and operations of the Hearing Centre. The design from the LCIA-MIAC was being awaited to decide on the area to be occupied.

***6.1.3 Claims for Fit Out Works***

For its scheduled relocation to Ebene, MoFED requested SICOM Ltd to carry out certain fit out and other additional works. Claims totalling Rs 29,214,832 in respect of works undertaken for MoFED were submitted by SICOM Ltd.

As no provision for this expenditure was made in the previous year’s Estimates, a part payment of only Rs 9,947,021 was effected during that year. An additional amount of   
Rs 10,827,201, representing claims certified by Ministry of Public Infrastructure (MPI) was paid to SICOM Ltd in April 2017.

As of October 2017, a sum of Rs 8,440,611 was still outstanding in respect of fit out works and other additional works requested by MoFED at SICOM Tower, as shown in the Table 6-2.

*Table* *6-2 Outstanding Amount in respect of Fit Out Works and Other Additional Works*

|  |  |
| --- | --- |
|  | **Rs** |
| Professional and Development Fees | 1,181,049 |
| Interior Design Fees | 2,164,198 |
| Works requested by MoFED and not approved by MPI | 2,490,927 |
| Electrical Works | 1,917,865 |
| Sliding and Folding Partitioning | 686,572 |
| **Total** | **8,440,611** |

*Source: Ministry’s records*

* As far as the Professional and Development Fees were concerned, MPI had already informed that it was not in a position to assess same;
* The Interior Design Fees were in respect of works requested by MoFED and were not approved by MPI;
* In respect of Electrical Works, the Energy Services Division could not proceed with the assessment as some documents were missing. The drawings submitted by SICOM Ltd for electrical works were tailor-made instead of contractual - they were above standard requirements since they were requested by MoFED to accommodate offices of the Minister and senior officers;
* The Sliding and Folding Partitioning was requested by MoFED to be installed in Conference Rooms on three floors and had already been procured by SICOM Ltd, but were still in the custody of the Contractor appointed by SICOM Ltd as they were no longer required.

***Ministry’s Reply***

The claims previously not assessed by the MPI have been submitted anew to the latter. However, should the claims not be certified by MPI again, MoFED will have no other alternative than to discuss and come to an agreement with SICOM Ltd prior to settling the claims. The MPI has been contacted and they have verbally informed that the file is presently on the process and a written reply will be made available.

**6.2 Advance Account – MauBank Holdings**

At paragraph 7.2.1 of the Audit Report for the period 1 January 2015 to 30 June 2016,   
I mentioned that in September 2016, an amount of Rs 6 million was injected in MauBank Holdings Ltd as equity to enable the Company to meet its operating expenses. Since no provision was made for this purpose in the Budget Estimates 2016-17, funds were reallocated from Vote “Contingencies and Reserves” to Item “Shares and Equity Participation - MauBank Holdings Ltd”, and the sum charged to this Item.

Similarly, in November 2017, MauBank Holdings Ltd requested an additional amount of Rs 3 million to meet its operating expenses for the period November 2017 to January 2018. On 28 November 2017, same was provided to the Company by way of Advance to the Consolidated Fund. It was agreed that this amount would be cleared by the Company upon generation of income from its investments.

**Mauritius Revenue Authority**

**6.3 Revenue Collection**

Revenue collected by the Mauritius Revenue Authority (MRA) (excluding Customs and Excise) during 2016-17 totalled Rs 57.2 billion, that is an increase of 8.5 per cent over that of 2015-16. The MRA had also been able to meet its revised budgetary estimates of Rs 56.9 billion. Tax revenue from Value Added Tax (VAT) and Income Tax (Individuals, Companies and Body Corporates) totalling Rs 50.7 billion represents 88.8 per cent of total collection of Rs 57.2 billion. Details are as shown in Table 6-3.

*Table* *6-3 MRA - Revenue Collection*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Taxes** | **Actual**  **Collection** | **Revised Estimates** | **Actual**  **Collection** | **Actual**  **Collection**  **Increase (Decrease)**  **%** |
| **2015-16** | **2016-17** | **2016-17** |
| **Rs** | **Rs** | **Rs** |  |
| Income Tax - Individuals | 7,620,773,556 | 8,670,000,000 | 8,661,474,933 | 13.66 |
| Income Tax - Companies & Bodies Corporate | 10,458,691,224 | 11,569,000,000 | 11,881,052,571 | 13.60 |
| Tax Deduction at Source (TDS) | 1,096,452,981 | 1,190,000,000 | 1,236,186,349 | 12.74 |
| Value Added Tax | 28,804,959,528 | 30,230,000,000 | 30,231,215,733 | 4.95 |
| Taxes on Specific Services and Gambling | 1,925,190,291 | 1,905,000,000 | 1,891,290,624 | (1.76) |
| Passenger Fee on Air Tickets | 1,230,468,443 | 1,690,000,000 | 1,651,539,540 | 34.22 |
| Environment Protection Fee | 402,607,080 | 380,000,000 | 382,504,623 | (4.99) |
| Advertising Structure Fee | 63,903,650 | 70,000,000 | 57,588,713 | (9.88) |
| Special Levy on Banks | 771,495,905 | 850,000,000 | 845,843,866 | 9.64 |
| Solidarity Levy on Telecommunication Co’s | 307,889,627 | 355,000,000 | 313,261,686 | 1.74 |
| MRA - Penalties | 21,999,176 | 30,000,000 | 23,763,401 | 8.02 |
| **Total** | **52,704,431,461** | **56,939,000,000** | **57,175,722,039** | **8.50** |

*Source: Accountant General’s Report*

**6.4 Statement of Arrears of Revenue**

The MRA is required to submit a Statement of Arrears of Revenue to the Accountant General (AG) on a half yearly basis. The Statement of Arrears includes ‘an aged list of Collectible Debts’ together with ‘Non-Collectible Debts’ and ‘Total Book Balances’ by tax type.

The arrears figure included in the AG’s report is based on Collectible Debts generated by the Systems, Applications and Products (SAP) software used by the MRA. The Collectible Debts comprise taxes, penalties and interests due for payment at year end and also cases that are disputed at either the Supreme Court or the Privy Council.

Non-Collectible debts represent tax claims pending under Objection at the MRA, cases lodged at the Assessment Review Committee (ARC) and also those cases where assessments have been raised but objections can still be lodged within the statutory time limit of 28 days described as sum otherwise not due.

Table 6-4 gives a breakdown of Collectible and Non-Collectible Debts as of 30 June 2017.

*Table* *6-4 Collectible and Non-Collectible Debts*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Collectible Debts (Included in AG's Annual Report as Arrears)** | | **Non- Collectible Debts** | |
|  | **No of Debtors** | **Amount (Rs)** | **No of Debtors** | **Amount (Rs)** |
| Arrears of Revenue including cases pending at Supreme Court & Privy Council | 39,790 | 7,374,003,498 | N/A | N/A |
| Pending under objection | N/A | N/A | 660 | 4,066,602,846 |
| Pending at ARC | N/A | N/A | 1,410 | 10,345,245,038 |
| “Sum otherwise not Due” | N/A | N/A | 1,099 | 1,025,022,134 |
| **Total Book Balances** | **39,790** | **7,374,003,498** | **3,169** | **15,436,870,018** |

*Source: Statement of Arrears of Revenue submitted to Accountant General*

The total disputed amount of Non-Collectible Debts, of some Rs 14.4 billionsubject to Objection and ARC, is fairly substantial and represents nearly twice the Collectible Debts.

67 per cent of the total of ‘non-collectible’ debts were in respect of 3,065 cases lodged at the ARC by 1,410 debtors.

***6.4.1 Cases at the Assessment Review Committee***

The MRA Act stipulates, amongst others, thatany person who is aggrieved by a decision, determination, notice or claim may within a period of 28 days, lodge with the ARC, written representations, specifying the reasons for asking for a review.

The Act also provides that the representations made by an aggrieved person shall be dealt with as expeditiously as possible and a panel shall endeavour to fix the case for hearing within six months from the date the representations were lodged; and to give its decision on the representations no later than eight weeks from the start of the hearing.

However, an age analysis of cases at ARC as at 30 June 2017 showed that cases were not being determined within the prescribed time limit. As shown in Table 6-5, 1,436 cases for an amount of Rs 5,913,400,002 were lodged at the ARC prior to 2016. This represented 57 per cent of the total assessed amount, pending at the ARC as at 30 June 2017.

*Table* *6-5 Age Analysis of Cases Pending at ARC*

|  |  |  |  |
| --- | --- | --- | --- |
| **Period Lodged** | **No of Cases** | **Assessed Amount**  **(Rs)** | **%** |
| 1999-2010 | 84 | 115,506,999 | 1.12 |
| 2011-2015 | 1,352 | 5,797,893,003 | 56.04 |
| January 2016 –  June 2017 | 1,629 | 4,431,845,036 | 42.84 |
| **Total** | **3,065** | **10,345,245,038** |  |

*Source: Records of MRA*

***MRA’s Reply***

Appeal cases are not under the purview of the MRA but that of the ARC. The MRA is therefore not in a position to comment on the number of cases pending at the ARC, the amount involved or the non-determination of cases within the six month statutory period.

With a view to reducing the number of appeal cases at ARC:

* An Alternative Tax Dispute Resolution (ATDR) Panel had been set up under the MRA Act to deal with applications for review made by any person who had been assessed to Income Tax, VAT or Gaming Tax and who had objected to the assessment or appealed at the ARC, where the amount of tax payable under dispute exceeded   
  Rs 10 million;
* The Expeditious Dispute Resolution Tax Scheme (EDRTS) had also been set up under the MRA Act, to review assessments raised for Income Tax, VAT and Gaming Tax, where the tax claimed under the assessments did not exceed Rs10 million.

As of 31 December 2017:

* 99 applications for an assessed amount of Rs 2.8 billion had been received at the ATDR Panel. 29 of these applications, where the assessed amount was   
  Rs 930 million, had already been finalised for an amount of some Rs 290 million;
* 405 cases with an assessed amount of Rs 358.9 million had been received under the EDRTS. 93 of these cases had been finalised for some Rs 22 million, against an assessed amount of Rs 80.5 million.

Further, 323 cases, which were pending before the ARC, have been finalised through pre-hearing negotiations by MRA during the period July to December 2017.

***6.4.2 Collectible Debts - Rs 7,374,003,498***

Arrears of revenue of the MRA, (excluding Customs and Excise), have increased from   
Rs 5,845,669,373 as of 30 June 2016 to Rs 7,374,003,498 as of 30 June 2017, as shown in Table 6-6.

*Table* *6-6 Tax Arrears*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Taxes** | **As of 30 June 2015** | **As of 30 June 2016** | **As of**  **30 June 2017** | **% of Total Arrears** |
| **Rs** | **Rs** | **Rs** | **at June 2017** |
| Income Tax ( Individuals, Companies & Body Corporates) | 2,279,207,916 | 2,698,626,602 | 3,433,219,577 | 46.56 |
| Value Added Tax | 2,446,532,741 | 2,580,182,097 | 3,316,573,419 | 44.98 |
| Betting & Gaming Tax | 210,853,007 | 186,756,326 | 166,256,204 | 2.25 |
| Environment Protection Fee (EPF) | 29,824,374 | 16,527,801 | 44,015,303 | 0.6 |
| Pay As You Earn (PAYE) | 152,840,157 | 164,874,596 | 183,402,662 | 2.48 |
| TDS | 101,939,241 | 103,788,901 | 116,726,415 | 1.58 |
| Others | 76,869,266 | 92,906,036 | 111,802,904 | 1.52 |
| ***Sub Total*** | ***5,298,066,702*** | ***5,843,662,359*** | ***7,371,996,484*** |  |
| Sales Tax | 2,007,014 | 2,007,014 | 2,007,014 | 0.03 |
| **Total** | **5,300,073,716** | **5,845,669,373** | **7,374,003,498** |  |

*Source: Accountant General’s Report*

***Observations***

* *Main Debtors*. As of 30 June 2017, debts pertaining to Income Tax (Individuals, Companies & Body Corporates) and VAT debtors totalling Rs 6,749,792,996, represent 91.5 per cent of total arrears;
* *Sales Tax.* As of 30 June 2017, a total amount of Rs 2,007,014 owed by five debtors, was still outstanding. Since 2013, there has not been any movement for these debts which dated back to 1993-94;
* *Age analysis of Debtors*. Table 6-7 depicts an age analysis of Debts as of 30 June 2017.

*Table* *6-7 Age Analysis of Debts*

|  |  |  |
| --- | --- | --- |
| **Period** | **Arrears as of 30 June 2017** | **% of Total Arrears** |
| 1993-1999 | 165,003,061 | 2.24 |
| 2000-2009 | 1,036,658,702 | 14.06 |
| 2010-June 2015 | 3,946,050,630 | 53.51 |
| July 2015-June 2017 | 2,226,291,105 | 30.19 |
| **Total** | **7,374,003,498** |  |

*Source: Collectible Debt Report - Debt Management Unit*

16.3 per cent related to debts prior to 2010 while approximately 53.5 per cent represented amount outstanding between 2010 and June 2015.

* + - A further analysis of the arrears stratified by amount and number of taxpayers is depicted in the Table 6-8.

*Table* *6-8 Arrears of Revenue Stratified by Amount*

|  |  |  |  |
| --- | --- | --- | --- |
| **Range**  **(Rs million)** | **Number of Taxpayers** | **Amount**  **(Rs)** | **% of Total Amount** |
| Less than 10 | 39,666 | 3,545,762,176 | 48.08 |
| 10 -50 | 107 | 2,265,969,943 | 30.73 |
| 50 - 100 | 12 | 833,582,116 | 11.30 |
| 100 - 200 | 4 | 485,938,551 | 6.60 |
| 200 – 250 | 1 | 242,750,712 | 3.29 |
| **Total** | **39,790** | **7,374,003,498** |  |

*Source: Collectible Debt Report - Debt Management Unit*

* As of 30 June 2017, Rs 3,828,241,322 were owed by only 124 taxpayers. This represented nearly 52 per cent of the total arrears of Rs 7,374,003,498;
* Of the 124 taxpayers, 107 owed a total of Rs 2,265,969,943 in the range of   
  Rs 10 million and Rs 50 million while 17 taxpayers owed MRA a total of   
  Rs 1,562,271,379, which is approximately 21.2 per cent of total debts.

***6.4.3 Recovery of Arrears***

Arrears are recovered either from settlements made voluntarily by taxpayers or efforts taken by the MRA, using various enforcement tools provided under Tax Acts. The rate of debt recovery against opening arrears of 1 July 2016 is shown at Table 6-9.

*Table* *6-9 Rate of Recovery of Arrears of Tax*

|  |  |  |  |
| --- | --- | --- | --- |
| **Period** | **Arrears as of 30 June 2016**  **(Rs)** | **Total Collections 2016-17**  **(Rs)** | **% recovery of Arrears** |
| 1993-1999 | 175,835,911 | 715,255 | 0.41 |
| 2000-2009 | 1,007,044,218 | 12,897,241 | 1.28 |
| 2010-2015 | 3,714,586,463 | 331,190,273 | 8.92 |
| January to June 2016 | 948,202,781 | 450,597,317 | 47.52 |
|  | **5,845,669,373** | **795,400,086** | **13.61** |

*Source: Statement of Arrears of Revenue Submitted to Accountant General*

* During 2016-17, recovery of arrears totalled Rs 795,400,086. This represented   
  13.61 per cent of opening arrears of Rs 5,845,669,373;
* As depicted in above Table, old debts are still difficult to recover. For debts prior to 2000, only 0.4 per cent of total arrears of Rs 175,835,911 was settled. For debts between 2000-2009 and 2010-2015, the rate of recovery of arrears was merely 1.28 per cent and 8.92 per cent respectively;
* For debts relating to the period January to June 2016, the rate of recovery of arrears was nearly 48 per cent. A total amount of Rs 450,597,317 was recouped out of the total arrears of Rs 948,202,781;
* Although some 88 and 45 per cent of arrears for Environment Protection Fee and PAYE were settled during 2016-17, debt collection was fairly insignificant for the other types of taxes. Table 6-10 refers.

*Table* *6-10 Recovery of Arrears by Tax Type*

|  |  |  |  |
| --- | --- | --- | --- |
| **Tax Type** | **Arrears of Revenue at 30 June 2016**  **(Rs)** | **Total Collections (Rs)** | **% Recovery of Arrears** |
| Environment Protection Fee | 16,527,804 | 14,598,196 | 88 |
| PAYE | 164,874,596 | 73,418,189 | 45 |
| VAT | 2,580,182,100 | 406,861,392 | 16 |
| Betting & Gaming | 186,756,324 | 17,771,776 | 10 |
| Income Tax | 2,698,626,604 | 270,887,672 | 10 |
| Tax Deducted at Source | 103,788,602 | 8,123,867 | 8 |
| Advertising Structure Fee | 84,116,274 | 3,444,988 | 4 |

*Source: MRA’s records*

***MRA’s Reply***

As regards Collectible Debts due prior to 30 June 2015, taxpayers may take benefit of the Tax Arrears Settlement Scheme whereby all interests and penalties will be waived provided the taxpayer enters in an agreement for settlement of the debt by 31 March 2018 at latest and the total amount is settled on or before 31 May 2018.

The ATDR Panel, the EDRTS Scheme and the Tax Arrears Settlement Scheme have been introduced to address both the stock of debt and the collection of arrears. The impact of the implementation of these measures based on cases finalised to date, will be a reduction in the stock of debts (Collectible & Non-Collectible) by some Rs 1.1 billion if the concerned taxpayers meet their commitments, as per the agreement signed with the MRA.

***6.4.4 Debt Management***

Tax debts can either be paid voluntarily by the taxpayer or be collected through enforcement action. Whenever a debt is not settled within the due date, reminders are issued to the taxpayer requesting him to settle the tax due, together with accrued penalties and interests. In case the amount due following reminders is not paid, enforcement actions are then taken to recover the tax due.

During 2016-17, final claims were issued in 9,578 cases whereby the tax amount totalled Rs 3,602,324,465. In addition, agreements were also reached in 975 cases for a total tax amount of Rs 359,956,894.

The various enforcement actions provided under various Tax Acts taken by the MRA during 2016-17 are listed in Table 6-11

*Table* *6-11 Enforcement Tools Used during 2016-17*

|  |  |  |
| --- | --- | --- |
|  | **No** | **Assessed Amount**  **(Rs)** |
| Attachment Order (Salary) | 44 | 1,441,994 |
| Attachment Order | 2,806 | 922,896,828 |
| Distress Warrants | 38 | 60,751,241 |
| Inscription | 757 | 1,416,181,970 |
| Renewal | 200 | 828,713,173 |
| Objection To Departure | 20 | 26,566,739 |
| Prosecution | 4 | 13,447,849 |
| Prior Notice Contrainte | 35 | 143,693,210 |

*Source: Figures Submitted by Debt Management Unit*

The effectiveness of the above Enforcement Tools could, however, not be measured. I was informed that the current Debt Management Module did not fully cater for prompt retrieval of information in that respect and that a solution would be proposed in the new upgraded Tax Revenue Management Module of SAP system, which was expected to be implemented around June 2017.

***Observations***

* As of November 2017, the Debt Management module has still not been improved;
* The database of debts could not be searched by, for example, the number of recovery actions initiated, the time taken between enforcement actions and the amount recovered following these recovery actions.

***Recommendation***

The Debt Management module of the MRA should be upgraded to enhance monitoring and ensure prompt recovery of arrears, using the various Enforcement Tools provided for in the MRA Act.

***MRA’s Reply***

The SAP software has a Debt Recovery Module which needs to be analysed in depth to ascertain whether it meets MRA’s requirements. As the investment would be quite substantial, the MRA would consider the acquisition of the module after having obtained confirmation that the module addresses the shortcomings in the current module and that it may be customised to meet MRA’s requirements.

**Customs**

* 1. **Arrears of Revenue**

***6.5.1 Return of Arrears of Revenue as of 30 June 2017***

Arrears of revenue comprise Customs and Excise Duties, Taxes, Penalties, and Interests outstanding in respect of goods that have already been delivered, and of offences detected in breach of Customs Legislations, where Customs Offence Reports (CORs) have been raised.

As of 30 June 2017, total arrears stood at some Rs 687.9 million, of which only some   
Rs 51.1 million (7.4 per cent) were accounted for in the Treasury Statement of Arrears of Revenue and classified as collectible, while the remaining Rs 636.8 million were classified as “*Under Dispute*” (Rs 480.1 million - 69.8 per cent) and “*Pending Adjustments*” (Rs 156.7 million - 22.8 per cent). An age analysis of the total arrears of revenue is shown in Table 6-12.

*Table* *6-12 Age analysis of Arrears of Revenue*

|  |  |  |
| --- | --- | --- |
| **Years/Period** | **No. of cases** | **Balance as of 30 June 2017**  **Rs** |
| 1998-2006 | 31 | 85,655,452 |
| 2007-2009 | 226 | 104,582,056 |
| 2010-2012 | 92 | 149,083,617 |
| 2013-2015 | 164 | 320,034,278 |
| January 2016-June 2017 | 177 | 28,513,591 |
| **Total** | **690** | **687,868,994** |

*Long Outstanding Debts*

* An analysis of the total arrears of revenue figure of Rs 687.9 million revealed that   
  Rs 210.4 million (30.5 per cent), representing 266 cases, were long outstanding from seven to 19 years, as shown in Table 6-13. Had all avenues been explored on a timely basis for the recovery of the arrears, these would not have remained outstanding for such long period.

*Table* *6-13 Long Outstanding Debts*

|  |  |  |  |
| --- | --- | --- | --- |
| **Year COR**  **Raised** | **No. of**  **Cases** | **Balance as**  **of 30 June 2017**  **Rs** | **Number of**  **Years**  **outstanding** |
| 1998-2006 | 31 | 85,655,452 | 19 to 11 |
| 2007-2010 | 235 | 124,752,614 | 10 to 7 |
| **Total** | **266** | **210,408,066** |  |

* Of the total arrears of revenue figure of Rs 687.9 million, some Rs 164.8 million   
  (24 per cent) representing 355 debtors were classified as “*Pending Review*”, as shown in Table 6-14. In the Returns of Arrears of Revenue, some Rs 156.7 million were shown as “*Pending Adjustments*”. The difference of some Rs 8.1 million could not be explained.

*Table* *6-14 Pending Review Cases*

|  |  |  |
| --- | --- | --- |
| **Classification** | **Number of debtors** | **Amount**  **Rs** |
| Pending Review | 9 | 6,178,762 |
| Pending Review-Claim | 3 | 3,137,680 |
| Pending Review-No Further Action (NFA) | 9 | 2,062,849 |
| Pending Review-NFA Legal Service Dept. | 37 | 49,392,549 |
| Pending Review-Accused Abroad | 49 | 3,825,611 |
| Pending Review-Customs Offence Report Raised | 1 | 1,325,916 |
| Pending Review-Fined at Court | 3 | 133,428 |
| Pending Review-Time Barred | 244 | 98,768,652 |
| **Total** | **355** | **164,825,447** |

*Time Barred Cases*

* As of 30 June 2017, 244 cases totalling some Rs 98.8 million were already time barred. No written off exercise has been carried out for these cases since the past three years. Thus, the total arrears of revenue figure of Rs 687.9 million as of 30 June 2017 has been overstated. For instance, 29,533 T-shirts for a total amount of Rs 776,570, were missing from Bonded Warehouse since 2008. The case was time barred since 6 January 2013.
* At paragraph 7.6.2 of the Audit Report for the 18-month period 1 January 2015 to   
  30 June 2016, mention was made that a claim for an amount of Rs 48,922,714 was issued to a Company following unlawful removal of goods from Bonded Warehouse in August 2007. Due to lengthy processing time, the claim was time barred in 2014. A COR was thereafter issued on 16 January 2015 and the case was referred to the Office of Director of Public Prosecutions (DPP) on 7 December 2016, nine years after the offence. Meanwhile, the Company had gone into receivership.
* Three time barred cases totalling Rs 3,160,427, inclusive of annual interest of   
  Rs 94,762, were wrongly classified as collectible debts and accounted for in the Treasury Statement of Arrears of Revenue as at 30 June 2017.

*Court Cases*

As of 30 June 2017, debts totalling Rs 68,795,377 in respect of 39 cases, relating to period 1998 to 2016, were referred to Court. There was no evidence that follow up was done for these cases until 20 December 2016, when an enquiry was made with the Police Department. As per the latter’s reply dated 18 January 2017, the status was as shown in Table 6-15.

*Table* *6-15 Status of Court cases*

|  |  |  |
| --- | --- | --- |
| **Detail** | **No. of cases** | **Amount**  **(Rs)** |
| Accused fined at Court | 3 | 701,129 |
| On Appeal | 2 | 9,521,589 |
| Agreement in Court | 2 | 349,224 |
| Disposal of goods in progress | 1 | 1,369,227 |
| At Court | 31 | 56,854,208 |
| **Total** | **39** | **68,795,377** |

Despite judgment was already delivered since 2009 in respect of a debtor owing   
Rs 481,070, it was only on 9 November 2017 that another follow up was done with the Police Department. The case was already time barred, but was still appearing in the total arrears of revenue figure as of 30 June 2017.

***Recommendation***

There is a need to set up a Committee to review all “*Pending Review*” cases so as to clear the list of long outstanding debts and time barred cases. All avenues should be explored to recover maximum debts within reasonable time.

***Management’s Reply***

Internal Audit of the MRA is scrutinising all these cases, as provided in the MRA Act. On 15 December 2017, the Board of MRA has approved the writing off of 256 cases for a total amount of Rs 108,484,479 of Customs debts which have become irrecoverable.

Following the recommendation of the MRA Board, a Debt Review Committee has been set up to examine, review and recommend adjustment to Customs debts due to errors or lack of evidence for prosecution as determined by the Legal Services Department of the MRA.

***6.5.2 Evasion of Duties and Taxes – Rs 33,983,974***

12 luxury cars were detained in Customs Warehouse since 2012 due to evasion of Duties and Taxes totalling some Rs 33.9 million. CORs were raised during period 2012 to 2014 and they were referred to the Police Department for prosecution. Of the 12 cases, only three were referred to Court while for the remaining nine cases, Police enquiry was still on-going.

Due to lengthy enquiry time and idleness of these luxury cars during the past five years, their market values have been reduced. Moreover, they were occupying valuable space in the Customs Warehouse.

***Recommendation***

The Police Department should be requested to speed up investigation, to avoid these luxury cars being subject to further wear and tear due to idleness and to resolve the storage problem at Customs Warehouse.

***Management’s Reply***

CORs have been raised and the cars have been detained as exhibits. In three cases after completion of the investigation, the cases have been referred to the DPP. In the remaining nine cases, Police is still investigating. The reply is still being awaited.

In order to expedite matters, MRA will schedule meetings with the Authorities where Customs cases have been referred to.

***6.5.3 Imported Yacht***

At paragraph 7.6.2 of the Audit Report for the 18-month period 1 January 2015 to 30 June 2016, mention was made that the HS Code of a yacht imported by a Company was wrongly classified, resulting in an underpayment of VAT amount of Rs 11,405,620. As of 30 June 2017, the amount due totalled Rs 23,265,902, inclusive of penalties and interests.

In April 2013, the Company produced documentary evidence that ownership of the yatch had been transferred to another Company. However, both Companies had been dissolved in June 2014 and June 2015 respectively. In November 2016, the Attorney General’s Office (AGO) advised to reinstate both Companies and to have a “*Saisie Conservatoire*” of the yacht.

As of November 2017, the two Companies have not yet been reinstated and a “*Saisie Conservatoire*” applied. Due to lengthy processing time, the yatch has been detained in the Port area for the past five years.

***Recommendation***

Appropriate action should be taken to reinstate both Companies and “*Saisie Conservatoire”* of the yacht applied to avoid further delay in recovery of the outstanding amount.

***Management’s Reply***

On 30 October 2017, the State Law Office (SLO) has been requested to provide an update of the status of the Company. The SLO informed that information provided by MRA was being perused in view of the intended application and MRA will be informed of any development.

On 30 January 2018, a further update of the status of the Company has been requested from the SLO.

**6.6 Overlying Vehicles and Containers**

As per the Customs Act “*Where any goods are landed and are not claimed or removed within 2 months of being landed, the Director-General may cause the goods to be sold by public auction or public tender, as the Director-General may determine, after giving public notice of the sale.”*

***6.6.1 Overlying Vehicles***

*At Mauritius Multipurpose Terminal*

During a visit effected by my Officers on 19 September 2017, four cars were seen in deplorable state at Mauritius Multipurpose Terminal (MPT), three of which were imported during period May 2013 to December 2015. There was no information in the Customs Management System (CMS) in respect of the fourth car (*Toyota Starlet*). They have not been transferred to the Customs Warehouse, in compliance with the Customs Act.

*At Freight Stations*

At 30 November 2017, 10 vehicles detained by the Commercial Fraud Unit (CFU), were kept at three Freight Stations since 2015. The vehicles were detained on ground that regulations regarding imported vehicles were not complied with. In fact, new cars were declared as second hand in the BOE. Also, cars of less than 18 months were imported, contrary to the Consumer Protection (Control of Imports) Regulations.

There was no module in CMS to cater for the recording of detained goods. In fact, these vehicles appeared as already delivered in CMS since their duties and taxes had already been paid. This weakness in the CMS could result in illegal removal of vehicles from Freight Stations.

***Recommendations***

* Overlying vehicles, including the detained ones should be transferred to Customs Warehouse;
* The CMS should be reviewed to incorporate data in respect of detained goods.

***Management’s Reply***

The four vehicles are subject to Court cases, Police investigation or disposal. For safe custody of these exhibits, they have been moved from MPT to the Customs Warehouse on 15 February 2018.

Customs is carrying out a feasibility study with respect to the development of a “detain module” in CMS to address this issue.

***6.6.2 Overlying Containers at Mauritius Multipurpose Terminal***

At paragraph 7.4.1 of the Audit Report for the 18-month period 1 January 2015 to 30 June 2016, mention was made that 140 containers were overlying at Cargo Handling Corporation Ltd (CHCL) for periods ranging from one to 15 years. These had been transferred to MPT in September 2016 and action was being taken to transfer same to Customs Warehouse. As of 3 November 2017, 18 containers were still overlying at MPT.

*Beers*

10 containers, which were stuffed with beers in bladders, were overlying since 2012. It was only in December 2016 that a sample of the beers was taken by the Ministry of Health and Quality of Life (MoHQL) for analysis purpose. On 7 February 2017, the Ministry reported that the beers were found unfit for consumption and thus, recommended for their destruction.

*Malt Alcoholic Spirit*

As per the Master Manifest, 10 barrels of *“Malt Alcoholic Spirit”* were imported on   
18 February 2012. However, the barrels were labelled as “*Refined Glycerin Chemically Pure*” for industrial use only. Despite the container had been overlying for some five years, no analysis of the product has been performed and the discrepancy in description has not been investigated. Further delay in taking appropriate action would result in the product being expired.

***Recommendations***

* Customs should comply with the Customs Act to avoid incurring additional costs for destruction of these expired products;
* Liquid items, such as spirits and beers, should be removed from MPT and stored under appropriate temperature. These should be disposed of within a reasonable time.

***Management’s Reply***

Of the 18 containers, two have already been sent for destruction on 12 January 2018, two have been transferred to the Customs Warehouse following finalisation of an agreement for destruction with a distillery. With respect to the remaining 14 containers as at February 2018, action will be taken in due course.

Four of the 10 containers of beer bladders have already been disposed of by destruction in December 2017 and the remaining containers will be disposed of by mid-2018.

The 10 barrels labelled as glycerin have been transferred to the Customs Warehouse in November 2017. The MoHQL has been contacted for the product to be analysed and Customs will take action based on the result of the analysis.

With effect from 24 July 2017, the Customs Act has been amended whereby cost of destruction of abandoned goods or any condemned goods has to be borne by the importer.

**6.7 Overlying Goods at Freight Stations**

***6.7.1 Site visit effected on 9 August 2017***

Several expired goods were found overlying in three Freight Stations.

*Herbal products*

A large quantity of herbal products, namely toothpastes and Ayurvedic medicines, among others, which were imported since 2011, were overlying for the past six years, that is, well beyond the prescribed period of two months. The herbal products have already expired and were leaking.

*Salvage Drums*

Seven salvage drums found in a Freight Station were not recorded in the CMS. According to the Freight Station’s records, these drums contained chemicals which were overlying for more than 10 years. The exact contents of the drums were not known. There is a risk that the products have already expired, and hence, represent a potential health hazard.

*Insecticides, Medical Products, amongst others*

Large quantities of different insecticides, medical products, e-cigarettes, batteries, amongst others, were overlying for more than 10 years in a Freight Station. No action was taken during the past years to transfer same for auction sales, in line with the relevant Section of the Customs Act.

The insecticides and medical products had expired and they were not kept in appropriate conditions, with the ultimate risk of being a health hazard.

***Recommendation***

Appropriate measures should be taken in respect of the expired herbal, chemical and medical products, and insecticides. Customs should ensure that these products are destroyed according to prescribed regulations.

***Management’s Reply***

For all the expired goods, MRA Customs is liaising with the contractor of the Ministry of Social Security, National Solidarity, and Environment and Sustainable Development to perform a survey for their ultimate disposal in early 2018.

The insecticides and medical products did not get necessary clearance from the relevant authorities. Being prohibited and potentially dangerous, the goods were not transferred to the Customs Warehouse as they could contaminate other saleable goods.

***6.7.2 Site Visit effected on 11 October 2017***

Dangerous Goods (DGRs) were found overlying in a Freight Station at Plaisance Air Transport Services Ltd (PATS).

*Commint Oil Essence*

30 kg of commint oil essence, classified as DGRs, were found overlying since July 2006. The expiry date could not be verified due to its dangerous nature. Although the Ministry of Social Security, National Solidarity, and Environment and Sustainable Development was requested on 11 August 2017, to dispose of the DGRs, they were still kept at the Freight Station.

*Liquid Solutions*

Four kg of disinfectant liquid solutions and 113 kg of another liquid (description not available), both classified as DGRs, were overlying since 2008 and 2010 respectively. Expiry dates were not available on most of the overlying liquid solutions.

***Recommendation***

Customs should ensure that these dangerous products are destroyed according to prescribed regulations.

***Management Reply***

Customs is liaising with the relevant Ministries/Authorities for the destruction of all the hazardous/expired goods. Surveys have been carried out by the contractor of Ministry of Social Security, National Solidarity, and Environment and Sustainable Development on   
9 November 2017. All costs of destruction of these hazardous products will be borne by the Ground Handling Agents.

**6.8 Containers not in Customs Management System**

At paragraph 7.4.2 of the Audit Report for the 18-month period 1 January 2015 to 30 June 2016, mention was made that 35 containers were overlying at MPT since prior to 1996. No information about the containers was available in CMS and no Customs seal was found on most of them.

During a visit effected by my Officers on 29 August 2017, some of the containers were seen in a deplorable state, with the doors and roofs completely rusted. They were stuffed with high value items, namely a second hand car, motorcycles, several boxes of new spare parts for autocycles and bicycles, large quantity of bicycle wheels, and several cartons of Scotch Whisky, amongst others. At 30 November 2017, 23 of the 35 containers were still overlying at MPT.

***6.8.1 Motorcycles & Autocycle Spare parts***

74 motorcycles of make “*Zaki*” and several cartons of autocycle spare parts were imported in October 2003. 42 of those motorcycles were classified as “*Wanderer*” and the remaining 32 as “*Safari”*. They were declared as having an engine capacity of 49.8 c.c. Upon examination of two motorcycles by the Mechanical Engineer of the Ministry of Public Infrastructure and Land Transport (MPI), the engine capacity of “*Wanderer*” was found to be 100 c.c. and that of “*Safari*” as 125 c.c. A COR was raised on 8 October 2003 and the case was referred to the Police Department for prosecution. On 17 February 2012, the Court ordered that the two motorcycles which had been examined, be forfeited and destroyed.

Despite the fact that judgment was already delivered since five years, no appropriate action was taken for the remaining 72 motorcycles. Moreover, no decision has been taken regarding the autocycle spare parts which had been overlying since 14 years. Further delay in taking appropriate action would impact negatively on the market value of these products, and hence, might result in significant loss of revenue.

***6.8.2 Highland Chief Scotch Whisky***

16,836 bottles of Highland Chief Scotch Whisky, imported on 8 March 2000, were detained by Customs Investigation Unit at CHCL. In November 2001, the case was referred to the Police Department for investigation and prosecution. On 3 December 2004, the Office of the Director of Public Prosecution advised for no further action.

* The container stuffed with the bottles of whisky, had not been transferred to Customs Warehouse as per the Customs Act but remained at CHCL. However, as per Police survey carried out on 8 December 2005, 11,406 bottles of whisky had been illegally removed from the container. Duties and taxes foregone amounted to Rs 1,965,578;
* No decision has been taken for the remaining 5,430 bottles of whisky which were overlying for 13 years and it was only in July 2017 that a sample was taken by a distiller for analysis. However, as per the latter’s reply, the product was not in accordance with standards.

***Recommendation***

Overlying containers should be transferred to Customs Warehouse as per the Customs Act. Detained containers should be securely kept under Customs control. In the event of inadequacy of space, Customs should consider acquiring additional space for the extension of the Customs Warehouse.

***Management’s Reply***

27 containers have already been removed from the list of 35 following appropriate actions taken (sent for auction, destroyed and removed by Police).

With regard to the 72 remaining motorcycles and autocycle parts, same have been transferred for auction sales on 11 December 2017 and will be disposed of after obtaining legal advice from SLO.

MRA Customs contacted many distillers for the possibility of recycling/disposal of the bottles of whisky.

Based on established procedures, all detained goods under Customs control are now systematically transferred to the Customs Warehouse depending on availability of space. Additional space has been rented to extend the capacity of the Customs Warehouse.

**6.9 Freeport Zones**

The Customs Freeport Section is responsible for the overall control of all Freeport goods entering and leaving the Freeport Zones.

***6.9.1 Scanning***

Visits carried out by my Officers in the Freeport Zones at the Seaport and Airport on   
2 August and 1 September 2017 respectively, revealed a lack of Customs controls on goods imported by licensed Freeport Operators.

Instead of reinforcing Customs control, the revised Standard Operating Procedure (SOP) Manual, applicable as from May 2017, makes no provision for the scanning of imported containers prior to their release to Freeport Zones. For the year 2017, only 34 out of 2,379 imported containers (1.4 per cent) have been scanned. Hence, there is a high risk that prohibited goods might transit through the Freeport Zones without being detected.

***6.9.2 Medical Products***

As per the list of stocks submitted by a Freeport Operator, a large quantity of 45 different expired medical products, including some 70,300 tablets, 14,200 soaps, 16,000 units of jelly tubes, were kept at the Freeport Zones since five years.

As of 30 November 2017, no action was taken against the Freeport Operator for the destruction of these expired medical products.

***Recommendations***

* Customs controls, such as scanning and examination of containers should be reinforced in the Freeport Zones;
* The SOP Manual should be amended to include scanning of containers prior to their release to Freeport Zones.
* Appropriate action should be initiated for the destruction of the expired medical products.

***Management’s Reply***

It is to be noted that all containers removed from the landing place to a Freeport Zone is monitored on the Online Tracking System (OTS). Customs controls in the Freeport are based on risk management. Accordingly, high risk goods are subject to scanning and other enforcement at the time of import into Freeport. This is supplemented by a close monitoring of movement of goods from/to Freeport in the OTS.

**Corporate and Business Registration Department**

**6.10 Revenue Collection**

The Corporate and Business Registration Department was collecting revenue for registration/license fees and fines throughdifferent modes of payment, such as online, cash, cheques, credit card, and deposits (either Mauritian Rupees or US Dollar) from its clients. As per Corporate Business Registration Information System (CBRIS) report, total revenue collected for 2016-17 amounted to some Rs 310.7 million, whilst as per Treasury Abstract (TA), revenue reported was some Rs 324.5 million. There was thus an overall difference of Rs 13.8 million between the two records, and no reconciliation exercise was carried out to clear the difference.

**6.11 Arrears of Revenue**

As of 30 June 2017, the arrears of revenue of the Department amounted to some   
Rs 134 million. Arrears for the past six accounting periods and the respective amounts written off and recovered in the ensuing financial periods are as per Table 6-16.

*Table* *6-16 Arrears, Write Off and Recovered Amounts*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Arrears as at** | **Arrears**  **(Rs m)** | **Ensuing Financial Period** | | | |
| **Write off (Rs m)** | **%** | **Recovered (Rs m)** | **%** |
| 31 December 2012 | 364 | 164 | 45 | 40 | 11.0 |
| 31 December 2013 | 234 | 53 | 23 | 14 | 6.0 |
| 31 December 2014 | 229 | 90 | 39 | 11 | 4.8 |
| 30 June 2015 | 155 | - | - | 8 | 5.2 |
| 30 June 2016 | 167 | 47 | 28 | 8 | 4.8 |
| 30 June 2017 | 134 |  |  |  |  |

*Source: Returns of Arrears*

At paragraph 7.9 of the Audit Report for the 18-month period 1 January 2015 to 30 June 2016, it was highlighted that the decrease in arrears was mainly due to the write off of significant amount of arrears. Total arrears written off during the period 1 January 2013 to 30 June 2017 had thus reached some Rs 354 million, inclusive of Rs 47 million written off in 2016-17.

As regards recovery of arrears, it was still slow, with only Rs 8 million representing about 4.8 per cent of the Rs 167 million due at 30 June 2016 having been recovered during the ensuing financial year ended 30 June 2017. Further, the rate of recovery for each of the past five periods ranged between 4.8 and 11 per cent of the total arrears.

***6.11.1 Debt Recovery System***

At paragraph 7.9.1 of the Audit Report for the 18-month period 1 January 2015 to 30 June 2016, mention was made that the measures, that is issue of reminders prior to compounding of offences, to recover the arrears seemed inadequate and ineffective given the large sum of debts being written off and the low rate of recovery of the long outstanding debts. For 2016-17, the Department has not yet implemented other measures for recovery of the outstanding arrears.

Further, the deadline for payment of registration fees for 2017 was 20 January 2017. In March and April 2017, reminders were sent to companies, which had failed to pay registration fees for 2017. Thereafter, compounding exercise was carried out with those companies, which still defaulted. As at October 2017, some 2,000 companies with outstanding fees totalling Rs 5,747,450 had not responded to this compounding exercise, and would be removed from list of operating companies.

***6.11.2 Age List of Debtors***

An analysis of the arrears of Rs 134 million as at 30 June 2017 is given in Table 6-17.

*Table* *6-17 Analysis of Debtors*

|  |  |  |  |
| --- | --- | --- | --- |
| **Financial Period** | **Amount Outstanding (Rs m)** | | |
| **Fees** | **Fines** | **Total** |
| Up to Dec 2013 | 52.1 | 22.0 | 74.1 |
| Jan-Dec 2014 | 6.6 | 3.2 | 9.8 |
| Jan-Jun 2015 | 9.6 | 4.7 | 14.3 |
| Jul 2015-Jun 2016 | 9.7 | 5.0 | 14.7 |
| Jul 2016-Jun 2017 | 14.0 | 7.1 | 21.1 |
| **Total** | **92.0** | **42.0** | **134.0** |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*Source: Age debtors list as at 30 June 2017*

As at 30 June 2017, over and above the Rs 354 million already written off, arrears of revenue of some Rs 65.8 million, that is about 49 per cent of the outstanding figure of   
Rs 134 million were also awaiting write off.

Further, recovery of debts up to 31 December 2013 totalling some Rs 74.1 million and representing more than 55 per cent of the total outstanding debts seemed remote. Hence, the measures to recover the sums due from the debtors should be strengthened and enforced instead of having recourse to write off of debts.

***Department’s Reply***

There is a very efficient system of recovering arrears in place at the Department. Compounding of offences have reduced arrears of revenue significantly and has proved to be an efficient and effective method of collecting revenue.

On 13 October 2017, approval has been sought from the Director of Internal Control for the write off of irrecoverable debts of Rs 65,816,518.

**Registrar-General’s Department**

**6.12 Arrears of Revenue - Rs 369.3 million**

In several past audit reports, mention was made that revenue management remained a high risk area for the Registrar General Department (RGD) due to lengthy procedures involved in finalising re-assessment cases under objections, as well as dealing with defaulting debtors. Debtors arise when additional registration duties are claimed by the RGD following re-assessments by the Government Valuer and the amount due is not promptly settled. Out of the total amount of Rs 369.3 million of arrears of revenue as at 30 June 2017, some Rs 348 million related to registration duties/taxes on land transactions, that is, 94 per cent.

*Table* *6-18 Arrears of Revenue for the period 1 January 2012 to 30 June 2017*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Year**  **2012** | **Year 2013** | **Year 2014** | **1 Jan 2015 to 30 June 2016** | **Year**  **2016-17** | **Total for Jan 2012 to June 2017** |
|  | **Rs m** | **Rs m** | **Rs m** | **Rs m** | **Rs m** | **Rs m** |
| **Balance at 1 Jan /1 July** | **213** | **290** | **331** | **440** | **359** | **213** |
| Less Adjustment to Debits | 14 | 40 | 24 | 135 | 28 | 241 |
| Less Write Off | - | 1 | 10 | 29 | - | 40 |
| Less Collections | 19 | 27 | 32 | 30 | 40 | 148 |
| ***Sub total*** | ***180*** | ***222*** | ***265*** | ***246*** | ***291*** | ***(216)*** |
| New Debtors | 110 | 109 | 175 | 113 | 78 | 585 |
| **Balance 31 Dec /30 June** | **290** | **331** | **440** | **359** | **369** | **369** |

*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*

*Source: Return of Arrears of Revenue*

* The debtors’ position has not much improved over the past 66 months as shown in Table 6-18. Debtors’ balances have increased from Rs 213 million to Rs 369 million between January 2012 and June 2017. Out of the new debtors of Rs 585 million, some Rs 148 million were recovered, and adjustments due to either write-off or objections lodged totalled Rs 281 million;
* Between 1 July 2016 and 30 June 2017, arrears of revenue have increased from   
  Rs 359 million to Rs 369 million. New debtors amounted to Rs 78 million whereas only Rs 40 million were recovered. As at 30 June 2017, some Rs 159.3 million were long overdue for more than four and a half years;
* Campement Owners owed some Rs 17.6 million as at 30 June 2017. Only an amount of Rs 1.4 million had been recovered from them during 2016-17. Some Rs 6.8 million were outstanding for more than 10 years, for which no payment was received in   
  2016-17;
* Debtors’ balances of some Rs 287.9 million as at 30 June 2017 were being kept manually. No detailed list was available for the remaining debtors’ balances totalling Rs 81.4 million, processed in the MeRP computerised system;
* 17 companies and 10 individuals owed amounts of Rs 51.8 million and   
  Rs 23.3 million as at 30 June 2017 compared to Rs 55.2 million and Rs 37.3 million as at 30 June 2016, respectively. The decrease in the debtors’ balances was mainly due to accounting adjustments.

**6.13 Debtors - Rs 562.3 million**

Following re-assessments by the Government Valuer, additional duties were claimed by the RGD from buyers/sellers. These have been excluded from the list of debtors at 30 June 2017. The amount involved was some Rs 562.3 million, as detailed below:

* 1,672 cases of untraceable debtors totalled some Rs 53.6 million as at 30 June 2017;
* As at 30 September 2017, there were 1,611 cases of objections lodged and awaiting to be determined at the Objection Unit (OU) of RGD; these concerned 4,613 buyers and sellers for an amount of Rs 286.4 million;
* Prior to May 2015, there were 1,032 cases totalling Rs 222.3 million that were yet to be determined at the Assessment Review Committee (ARC) as at 31 October 2017.

**6.14 Re-assessment of Immovable Properties**

Once the values of immovable properties are declared and registered at RGD, they are subject to re-assessment at the Valuation Department. After Government Valuer’s   
re-assessment of the property has been obtained, RGD’s Valuation Unit then issues the notice of service to the buyers/sellers to claim for the additional duties and taxes.

* If dissatisfied by the RGD’s notice to pay additional duty or tax, the buyer/seller can make an objection, within 28 days of the date of the notice;
* If still unsatisfied with the decision of the OU, the person may appeal to the ARC to determine the open market value of the property;
* If still unsatisfied with the decision of the ARC, the person can make an appeal to the Supreme Court.

In 2016-17, RGD referred 9,950 cases, with a total declared value of some Rs 43.8 billion to the Valuation Department for re-assessment of immovable properties, out of which, 2,874 cases with a declared value of some Rs 5.1 billion were re-assessed.

***Observations***

* Out of the total of 2,874 cases, 2,293 cases were re-assessed upwards from a total declared value of some Rs 3.7 billion to a total amount of some Rs 6 billion;
* The remaining 581 cases, with a total declared value of Rs 1.4 billion, had no   
  re-assessment value in the MeRP system as at 30 June 2017. Of those remaining cases, eight cases of a total declared value of Rs 15.3 million have been ‘closed’, that is, settled;
* 525 cases were settled up to 19 September 2017. No payments were received in   
  815 cases. During 2016-17, 1,146 and 304 cases were lodged at the OU of RGD and ARC respectively;
* We have matched the 2,874 cases reassessed with the list of debtors as at 30 June 2017 and out of 1,000 cases totalling Rs 45 million, only an amount of Rs 9.3 million was recovered whereas the remaining amount of Rs 35.7 million was still outstanding.

**6.15 Objection Unit**

The OU consists of two representatives of the RGD and a representative of the Valuation Department who acts as Chairperson. All cases of objections lodged at the OU must be dealt with within four months for those made as from 15 June 2015, compared to six months for prior cases. Any failure by the OU to deal with an objection within the prescribed period shall be considered to have been allowed by the RGD.

Between April 2015 and September 2017, there were 3,817 cases of objections, with tax/duty totalling Rs 408 million that were lodged by 6,817 buyers/sellers. Of these,   
2,036 cases were settled for a total amount of Rs 176 million by 3,562 buyers/sellers.

***Observations***

* 1,503 cases under objections for 2,747 buyers/sellers involving a total amount of   
  Rs 167 million have not yet been heard by the OU. Out of the 1,503 cases, there were 545 cases that were deemed to have been allowed, that is lapsed, as the objections have not been heard within the prescribed period. The loss of Government revenue amounted to some Rs 66 million, that were owed by 967 buyers/sellers for the   
  545 cases;
* 278 cases of objections for 508 buyers/sellers have already been heard but still had to be settled as at 30 September 2017. Amount involved totalled some Rs 60 million;
* In 2016-17, 483 objection cases were lodged at the OU, involving   
  1,734 buyers/sellers with additional tax claimed totalling Rs 172.8 million. Only five cases were settled. The status of the remaining 478 cases was not known;
* No proper Register was kept to record all cases under objections, together with their current status.

**6.16 Assessment Review Committee Cases**

* At paragraph 7.14.2 of the Audit Report for the 18-month period 1 January 2015 to   
  30 June 2016, I reported two cases totalling Rs 105 million that were under objection at the ARC since October 2014. No further outcome was known as at January 2018, that is, more than four years later;
* As at 31 October 2017, there were 1,428 cases that were yet to be determined at the ARC, of which 1,032 cases, totalling Rs 222.3 million were long outstanding, some as far back as 2007 as shown in Table 6.19.

*Table* *6-19 Total number of ARC cases prior to May 2015*

|  |  |  |
| --- | --- | --- |
| **Period** | **No of cases** | **Rs Million** |
| Prior to December 2007 | 149 | 6.1 |
| 2008-2011 | 534 | 52.0 |
| 2012- May 2015 | 349 | 164.2 |
| **Total** | **1,032** | **222.3** |

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*Source : Monitoring File of Valuation Unit*

**6.17 Referred to Judiciary- Contrainte**

Failure on the part of a debtor to pay the amount due could lead to a ‘Contrainte’, which is a formal legal action used by the RGD as a last resort for the recovery of debts. The RGD issues a ‘Contrainte’ by first sending same to the Attorney General’s Office (AGO) for vetting. A Judge Order follows to justify the ‘Contrainte’ which orders the debtor, through an Usher’s service, to pay the amount owed to the RGD.

A Judge’s Order permits the seizure of a movable or immovable property and its sale, if a person does not comply with the Usher’s service or does not appeal against it within   
10 days.

***Observations***

* The RGD processed 1,001 ‘Contrainte’ involving debts for an amount of   
  Rs 92.7 million during the period October 2013 to June 2017, excluding 603 other ‘Contrainte’ prior to October 2013 for which the monetary values were not known;
* As at 30 June 2017, 187 cases were settled and Rs 29.5 million have been collected. 22 cases totalling Rs 1.7 million had lapsed due to passing away of debtors. The remaining 792 cases amounting to Rs 79.2 million were not yet finalised as at 30 June 2017;
* Out of the above 792 outstanding cases, Judge’s Orders were still being awaited for 396 cases involving Rs 41 million of which 233 cases were for over three years;
* Judge’s Orders were received in 505 cases totalling Rs 46.8 million. Usher’s service was yet to be effected for 225 cases totalling Rs 25.7 million.

***Conclusion and recommendation***

Recovery of arrears and finalising of objection cases are not being given much consideration despite the significance of arrears involved.

As mentioned in the Audit Report for the 18-month period 1 January 2015 to 30 June 2016, the establishment of a Valuation Roll will be a good solution for the RGD to manage its revenue. For instance, the value of immovable property will be available prior to registration of the deed document. The lengthy procedures of re-assessment, inscription, determination of cases under objection and debtors’ management will be significantly eliminated. Besides, avoiding the risk of loss of revenue and collecting the right amount of tax or duty at time of registration, this would also save public funds and time in dealing with re-assessment cases.

***Department’s Reply***

This Office strongly concurs with the proposal for the establishment of a Valuation Roll and appreciates your valuable suggestion.

*Arrears of Revenue*

* It is proposed to create a Recovery Unit to be headed by an in-house Attorney-at-Law. This will speed up legal action for recovery;
* In an effort to recoup all arrears of revenue, Government has come forward with an Arrears Payment Scheme where, as incentive, the penalty is waived if payment is effected before an appointed date;
* A request for a list of Campement Site owners where lessees have opted for the new lease from Ministry of Housing and Lands has remained unattended up to now. It is proposed to take up the matter at higher level with Ministry of Finance and Economic Development.

*Objection Unit*

RGD has no control on the OU. The latter is chaired by a representative of the Valuation Department. It is proposed that the composition of the OU be reviewed and it should be chaired by an independent person knowledgeable in that field and two Assessors, one representative from RGD and one from Valuation Department.

*Assessment Review Committee*

* No provision has been made in the law for ARC to hear a case within a specific time limit.

RGD has no control on the activities of the ARC. We only send a representative to make out the cases on the scheduled day;

* A list of lodged cases is provided by ARC on our request on a monthly basis. It is envisaged to enhance our system to incorporate all these information.

*Contrainte*

* Once we refer a case to the AGO to initiate “contrainte”, this Office has no more control on the procedural aspect of the case;
* A policy decision needs to be taken at higher level as to whether procedures for seizure of property should be initiated as it has been observed that despite the services of contrainte procedures, debtors do not turn up.

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