

Keeping abreast of tax matters

Tax Times

December 2011

*Our newsletter features
a variety of practical
guidelines, tax law updates,
news briefs and definitions
of local and international
taxation*

Foreword

This new edition of Tax Times brings to you a number of articles on both local and international taxation.

To keep our readers abreast of the latest developments in VAT, we comment on the claw back of any input VAT claimed in respect of a building which is then being sold as part of a business. This is an increasingly common issue for taxpayers.

Our international taxation topic covers the Indian Direct Tax Code and the potential impact on the Mauritius financial sector.

We also provide an insight on limited partnership where we comment on the possible tax treatment of a general partnership and whether any carried interest is a share of profit or a reward for services performed.

Our readers may find in our “Events Pages” some exciting events that were held during the year like the tax workshops, our annual Budget Breakfast seminar with The Honourable C. G. Xavier-Luc Duval, Minister of Finance and Economic Development, held on Monday 7 November, and the Africa Launch of the Paying Taxes 2012 report on 14 November, an event organized jointly by the World Bank and PwC.

The editorial team wishes you a happy reading, a happy Christmas and a happy New Year 2012.

Best regards

The Editorial Team

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Tax Practice

Claw back of input VAT on buildings upon sale of a business

By Bobby Yerkiah, Tax Manager

In Mauritius, the VAT system provides that a person may claim a credit for input tax suffered on goods or services used in the course, or furtherance of, a business that is making or plans to make taxable supplies.

When a VAT registered person is undertaking the construction of a new building, he may claim input VAT on the cost of the building when submitting his VAT return, on the basis that the person would use the building in the furtherance of his business and make taxable supplies in the future. Any input tax credit would then be recovered under the capital goods repayment scheme, whereby input tax credit greater than Rs 100,000 in respect of items of a capital nature may be refunded.

A building qualifies as a long term asset and for VAT purposes, a useful life of 20 years is applicable. Under the VAT Act, the sale of a commercial building is exempt, unless the sale is between a VAT registered property developer and a VAT registered person. On this basis, the transaction would be subject to VAT at the normal rate of 15%. In the case where the seller is VAT registered, but not a property developer, the transaction is exempt irrespective of whether the purchaser is VAT registered or not. Under Section 21(7) (a), if input VAT has

been taken as a credit in respect of a building and such building is sold to another person before 20 years, the VAT legislation allows for the proportional claw back of any input tax credit claimed.

Section 21(7) (a) seeks to prevent a person to benefit from input VAT recovery if the building is not used in the furtherance of the business during its full useful life of 20 years. Therefore, if a person sells the building in the nineteenth year, the building will not be used to produce taxable supplies for one remaining year, and a proportionate amount representing $1/20^{\text{th}}$ of the input VAT claimed will be clawed back.

However, Section 63(3) provides that “where a registered person, who ceases to carry on business, sells or otherwise transfers his business as a going concern to another person, he shall not submit a return and pay the tax as required under Section (63)(2)(a), but the purchaser or transferee of the business shall be deemed to be a taxable person and shall forthwith register as a registered person”. Therefore, when a business is sold as a going concern, the claw back of input VAT would not apply.

The rationale behind what constitutes going concern falls beyond the scope of this article and the focus will be on the reason for granting a claw back exemption in the case of a going concern transaction.

There is a wealth of tax cases and rulings on the issue of going concern but, still, it is not always clear when a sale or transfer of a business would be categorised as a going concern. The concept of going concern is broad, ranging from the most restrictive definition, that is, the whole business should be sold and nothing should be left behind, to a more flexible one where part of the balance sheet items may be kept. Unfortunately, the MRA uses the most restrictive definition of going concern, which is an impediment to many business transactions.

The principle behind the going concern provision is that the person who is acquiring the business will continue to make taxable supplies with no break in the activities and there would be no VAT loss for the tax authority. A sale of business and a sale of building may be entirely different and unrelated matter. Therefore, to impose a going concern criterion in the context of a sale of a building is highly restrictive.

In our opinion, the going concern principle should not be a prerequisite for granting the claw back exemption. For example, in a case where a VAT registered person sells a building as opposed to his business to another VAT registered person, and where such a person makes taxable supplies, there is equally no VAT loss to the tax authorities, as the purchaser will continue to use the building in the furtherance of his VAT registered business.

Further, as indicated above, the VAT Act prescribes that any sale of building between VAT registered persons are VAT exempt and therefore the VAT Act does not allow the VAT registered seller to charge VAT on the transaction. Had VAT been chargeable, this would only have an impact on the cash flow.

Therefore, irrespective of whether there is a going concern, we are of the view that if a building is sold before 20 years and is used by the purchaser subsequently to make taxable supplies, the claw back effect should equally not apply as the building would continue to generate output VAT. Given the number of issues faced by taxpayers, a change in the VAT law in this respect is desirable.

Did You Know?

Gain derived by a resident of Mauritius from the sale or transfer of an immovable property, or any interest in an immovable property, situated outside Mauritius is exempt from Mauritius income tax.

Tax Treaties

Mauritius-India Route – Implications of the Indian Direct Tax Code

By Cathie Hannelas

In April 2012, the Direct Tax Code (DTC) is scheduled to replace the current Indian Income Tax Act 1961. The DTC is likely to contain a new General Anti Avoidance Rule (GAAR) which will empower the Commissioner of Income Tax to declare a transaction void if it lacks commercial substance or is designed to avoid tax, and therefore deny treaty benefits to the taxpayer.

The GAAR provisions may not be invoked in every case but only if, in addition to obtaining a tax benefit, an arrangement is also covered by one of the following four conditions:

- a) it is not at arm's length;
- b) it represents misuse or abuse of the provisions of the DTC;
- c) it lacks commercial substance;
- d) it is entered or carried on in a manner not normally employed for bona fide business purposes.

The proposed DTC includes the “later in time” principle, which means that if there is a conflict between the DTC and the treaty, the legislation which is the most recent will prevail. Thus, the GAAR provisions may override the treaties, regardless of the fact that, under international law, treaties are binding.

The Mauritius-India Double Taxation Agreement

The Double Taxation Agreement (DTA) between Mauritius and India was signed in 1983. One of the key features of the DTA is that Mauritius has the exclusive right to tax capital gains derived by companies resident in Mauritius on the sale of any assets in India (excluding immovable property).

There is no capital gains tax in Mauritius and therefore, Mauritius residents are not subject to capital gains tax, neither in Mauritius, nor India.

In view of the legislation in Mauritius and other factors such as the low cost of doing business, the robustness of Mauritius' regulatory framework and quality of supervision, the Mauritius-India route has been widely used by investors to invest in India. Mauritius has ranked first among the key Foreign Direct Investment (FDI) contributors in India for many years and the latest statistics (from April 2000 to April 2011) published by the Ministry of Commerce and Industry of India in June 2011 shows that Mauritius has maintained its position. Refer to the map on page 5.

Given the significance of the investment flows, the Mauritius-India route has in a number of occasions been challenged by the Indian Tax Authorities on the grounds that Mauritian companies are mere conduit companies. However, in 2003, the Supreme Court of India, in the Union of India vs. Azadi Bachao Andolan case, confirmed that if a Mauritian company holds a valid Tax Residency Certificate from the Mauritius Tax Authorities, it should be eligible to benefit from the Mauritius-India treaty. Since then, there have been numerous other cases brought

to Court by the Indian Tax Authorities but the principles set out in the Azadi Bachao Andolan case has always prevailed.

From a Mauritian perspective

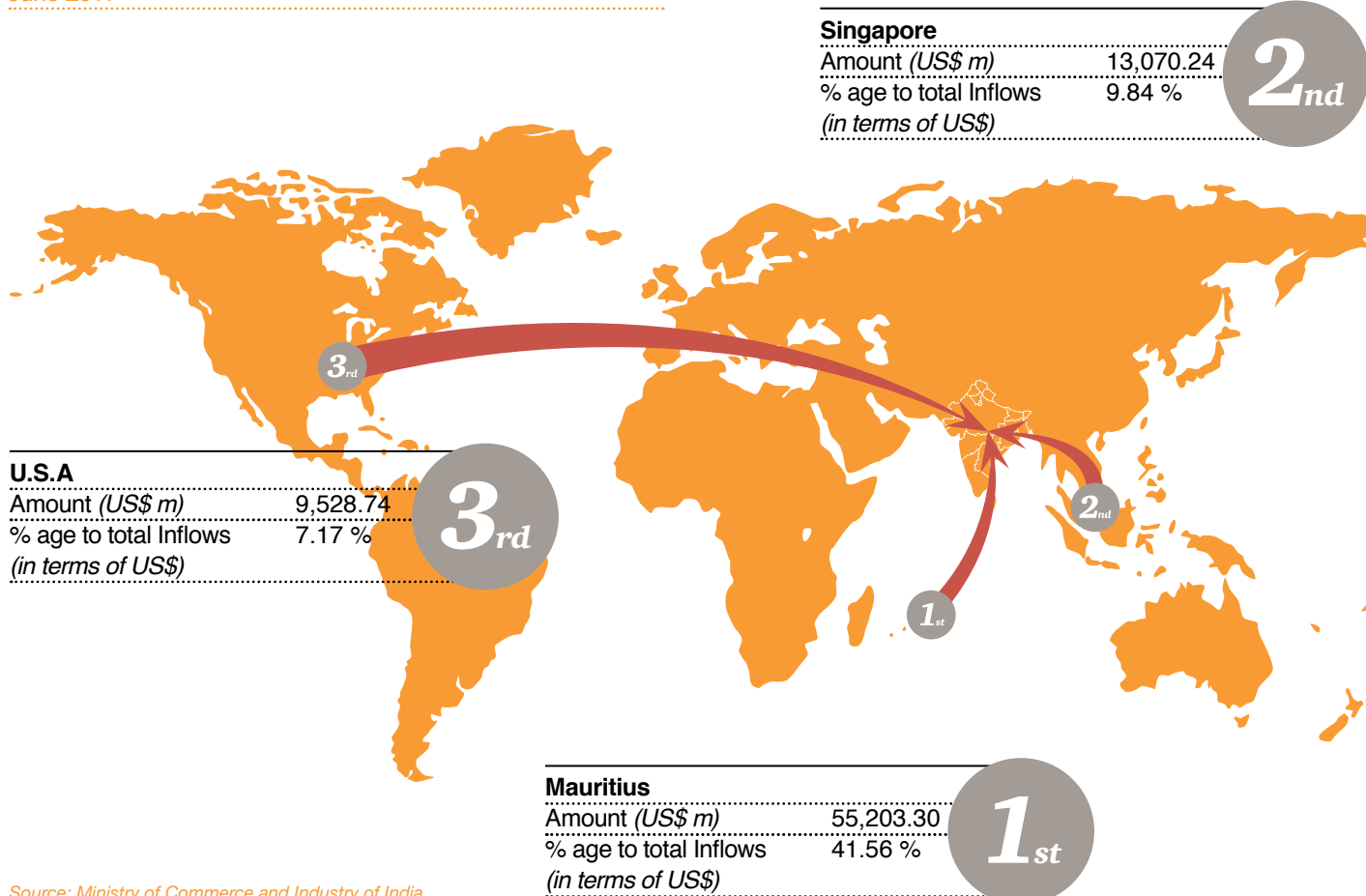
The Mauritius-India treaty has been in the limelight for many years and with the enactment of the DTC, Mauritian companies investing in India may be brought under additional scrutiny.

It can also be noted from the above mentioned Indian statistics that FDI

inflows from Mauritius have decreased by 33% from the year 2009-10 (US \$ 10,376m) to 2010-11 (US \$ 6,987m). It is also interesting to note that the FDI inflows from Singapore (whose treaty with India has "limitation of benefits"* clause) have followed a similar pattern and have decreased by 28% for the same period.

*A Limitation of Benefits clause seeks to restrict the benefits of a treaty to 'qualified' residents of the contracting states only.

Key Foreign Direct Investment (FDI) contributors in India June 2011



Source: Ministry of Commerce and Industry of India

Mauritius has continued to strengthen its regulatory framework to maintain its reputation of a jurisdiction of substance. The country has rapidly progressed to the OECD's white list, and the recent decision to allow the listing of the global business companies on the Stock Exchange of Mauritius is a further measure to increase transparency and substance.

The uncertainty brought about by the proposed DTC has, accordingly to many analysts, contributed to the significant fall in FDI flows into India and until the DTC is finalised, the investors would continue to face a climate of uncertainty.

To reduce this uncertainty, a number of additional measures have been taken to strengthen the Mauritius regulatory framework:

- Increased cooperation/information sharing with India; and
- Allowing global business companies to undertake transactions with Mauritian residents and thereby increasing their presence in Mauritius.

Mauritius has already experienced a shift in the pattern of investments. According to the Financial Services Commission, about 60% of investments via Mauritius were channeled into India in 2006. Currently, India accounts for only 28%, with Africa representing 35% of all investments via Mauritius.

Mauritius has established itself as an investment platform not only for Indian but increasingly for African investments.

What lies ahead?

As matters stand, there are still uncertainties over the practical application of the DTC in respect of tax treaties. It is unclear whether the DTC shall supersede an existing tax treaty that a country already has in place with India whilst it is highly likely that grand fathering conditions will apply whereby existing companies and investments will not be subject to GAAR provisions.

However, one thing is certain, the pattern of investment flows is already changing even if Mauritius remains a preferred investment base.



Tax Briefs

Malaysia

Penalty on late filing of tax returns

The concessionary interest and penalty rates in respect of the late filing of tax returns are no longer available as from 1 June 2011. Under the old regime, the Inland Revenue Board of Malaysia (IRBM) imposed penalties on a number of offences ranging from MYR 200 to MYR 2,000. With effect from 1 June 2011, penalty will be imposed on the late submission of tax returns and it will not exceed three times the tax payable as per Sec.112(3) of the Income Tax Act.

The IRBM has also clarified that appeals may be made for the reduction of penalties in special circumstances.



Singapore

Concession on pre-operating expenses

On 8 July 2011, the Inland Revenue Authority of Singapore (IRAS) issued a Circular regarding the deductibility of pre-commencement expenses incurred by companies.

As from the year of assessment 2012, companies are allowed to claim as a deduction pre-operating expenses which are of revenue nature and incurred in the accounting year immediately preceding the date of commencement.

The pre-operating expenses are deductible against the business income derived in the first basis period in which the business derives income. Any excess deduction for a year of assessment would be treated as a trade loss and is subject to the normal trade loss utilization rules.

The Circular also highlights the administrative procedures in relation to the concession and supersedes the IRAS' e-tax Guide dated 14 March 2003 on the same matter.

United States

Final regulations issued to curb FTC abuses

To curb any abuse on foreign tax credit regarding certain passive investment arrangements, the US Treasury Department and the Internal Revenue Service (IRS) have issued final regulations (effective as from 18 July 2011) on the determination of the amount of taxes payable for the purposes of the foreign tax credit (FTC) under Section 901 of the US Internal Revenue Code.

The final regulations stipulate that any amount paid to a foreign taxing authority in respect of income attributable to a passive investment arrangement should not be considered as a foreign tax paid.

An arrangement is treated as a "passive investment arrangement" if it satisfies all of the six conditions as described in the final regulations:

- the special purpose vehicle;
- the US party;
- the direct investment;
- the foreign tax benefit;
- the counterparty; and
- the inconsistent treatment.

The IRS and the Treasury Department suggest that this approach shall disallow any FTCs arising from artificial structures used to generate FTCs.

United Kingdom

Finance Act 2011 receives Royal approval

On 19 July 2011, the Finance Act 2011 received Royal approval. The main tax provisions are summarized below:

- for financial year 2011, the main corporate tax rate will be reduced to 26%;
- for financial year 2012, the main corporate tax rate will be 25%, and, for ring-fenced profits, the rate of corporation tax will be 30%;
- for financial year 2011, the small profits rate is 20% and 19% for ring-fenced profits;
- a UK resident company is allowed to elect for the profits and losses of its foreign permanent establishments to be left out of account in any relevant accounting period;
- an increase in the supplementary charge from 20% to 32% for ring-fenced trades;
- the introduction of a bank levy;
- provisions extending the furnished holiday lettings rules to EEA furnished holiday lettings businesses;
- provisions relating to the tax consequences of a company ceasing to be a member of a group;
- provisions relating to pre-entry capital losses of a company becoming a member of a group;
- an increase in the rate applicable to the Enterprise Investment Scheme relief from 20% to 30%;
- provisions relating to the residence of UCITS funds authorized under the laws of a Member State other than the United Kingdom;
- an increase in the amount of entrepreneurs' relief from GBP 5 million to GBP 10 million;
- reductions in the rate of writing down allowance for plant and machinery (from 20% to 18%) and for special rate expenditure (from 10% to 8%); and
- the Annual Investment Allowance is increased from GBP 50,000 to GBP 100,000.

China (People's Rep.)

Enterprise income tax issues clarified

The State Administration of Taxation issued an Announcement on 9 June 2011 (which is applicable as from 01 July 2011) clarifying several issues on enterprise income tax as summarized below:

1. Deductibility of interest on loan to a non-financial enterprise

The interest charged by a non-financial enterprise on loans granted to another non-financial enterprise is deductible if it does not exceed the interest rate charged by an official financial institution on a similar loan. To be eligible for the deduction, the company has to provide documentary evidence to demonstrate that the interest rate charged is consistent with the rate applied by a local official financial institution, which could be a bank, asset management company or a trust company.

2. Deductibility of employees' uniforms

Employers can claim a deduction for expenses incurred in respect of their employees' uniforms provided that the uniforms are made by the enterprise collectively and the employees are required to wear the uniforms during the working hours.

3. Deductibility of training expenses in the aviation industry

Expenses incurred in connection with the training of pilots, cabin crew and security guards in the airplane are deductible as costs of transportation for the aviation industry.

4. Depreciation of the re-constructed and expanded houses and buildings

The balance of the historical cost and depreciation is added to the tax base for depreciation where a building or house has been demolished and reconstructed. In case of an expansion or improvement, the expenses incurred are added to the tax base of the fixed asset. If the remaining useful life of the asset after expansion or improvement is less than the minimum useful life prescribed by law, the depreciation may be based on the remaining useful life of the asset.

5. Withdrawal or reduction of investment

- If an investor withdraws or reduces its investments in an enterprise, only the

amount of the original contributed capital can be considered as repayment of the capital.

- A distribution from the retained earnings or accumulated profit reserve must be treated as dividend.
- Other funds received must be treated as a gain on the transfer of invested assets. If the invested enterprise suffers losses, the losses have to be carried over to the following years.
- The invested enterprise is neither allowed to reduce the capital due to the losses nor to recognize the losses as investment.

6. Timing of presenting accounting documents

Costs and expenses may be claimed as deductible when calculating the quarterly advance payment of an enterprise income tax even in the absence documentary evidence provided that these documents are made available on the annual tax settlement.

Tax Fundamentals

Limited Partnerships and the Taxation of Carried Interest

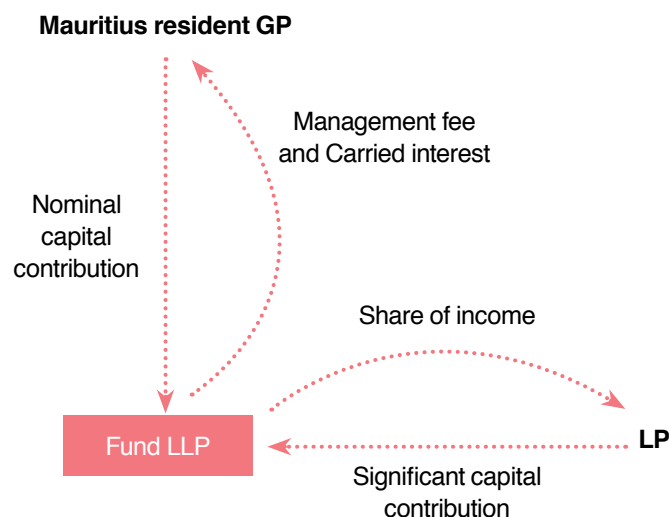
By Ryan Denis Allas

The National Assembly of Mauritius voted the Limited Partnership Act on 18 October 2011. A Limited Partnership (LLP) in Mauritius shall consist of one or more General Partners (GP) and one or more Limited Partners (LP). In an LLP, the GP would contribute a minimal amount of capital but would bring his entrepreneurial skills into the business. The LP, on the other hand, would not participate in the management of the business, transact, or undertake any action which would be binding on the LLP. On this basis, the LP would have limited liability and the GP would have unlimited liability.

In a fund structure, for example, the GP would manage the day to day affairs and, among others, raise capital, negotiate deals and make decisions whilst the LP would make principally capital contributions.

In the above scenario, the LP would receive a return on his investment (similar to a dividend); the nature and extent of which would be defined in the partnership agreement. The GP would bear all the risks of the business and would be remunerated once the LP has been paid. The return of the GP would be in the form of a management fee for running the business and a share of profit, also known as carried interest, to reflect the risks borne by the GP.

The distinction between Income Tax (IT) and Capital Gains Tax (CGT) is important given that the method of computation and the tax rate to be applied may be different.



Carried Interest – Share of profit or Reward for performance of service?

The scope of this article is to focus on the taxation of the GP and consider whether the carried interest is a share of profit or a reward for services performed.

The share of profit of a GP would normally retain its original characteristics as derived by the LLP. Therefore, to the extent that the LLP makes a capital gain, the GP would deem to have made a capital gain and, given that there is no capital gain tax in Mauritius, the GP would not be taxable on such a share of profit.

However, the above principle has been challenged in some jurisdictions and the tax authorities have contended that the carried interest/share of profit received by the GP is a reward for services provided as opposed to a share of profit (the New Principle). This distinction is critical as, in Mauritius, the GP would now be taxable on an income, which would not otherwise be subject to tax under normal principles.

According to Paragraph 6.8 of the OECD 2010 Commentary on Article 1 of the OECD Model Convention, the taxation of a transparent LLP must provide for tax neutrality between direct investments and investments through an LLP.

Therefore, should the carried interest received by the GP be considered as remuneration for advisory and management services, this treatment would be inconsistent with the OECD Model Convention as there will be a significant tax disadvantage if the business is carried out through an LLP rather than directly by the GP.

For example, if the GP raises funds directly from the LP and engages in private equity investment, any gain arising from the sale of investments would be derived by the GP and would be considered as capital gain/non-taxable. Alternatively, if the GP instead uses an LLP structure for similar private equity investment purposes, then any gains would be deemed to be taxable under this New Principle advocated by some jurisdictions.

The question therefore is whether the tax treatment should differ as a result of using an LLP structure.

Conclusion

A GP is more akin to an entrepreneur rather than a provider of service. The GP is responsible for the operations of the LLP, oversees the managerial responsibilities, and possesses the skills required to run the business. In summary, the GP bears all the partnership's residual risk and, with such characteristics, the carried interest received by the GP is more likely to be a share of profit in nature rather than a reward for the services rendered.

In light of the above and given that the LLP would be a new vehicle in Mauritius, it would be useful for the Mauritius Revenue Authority to issue appropriate guidance to taxpayers.

Tax Joke:
Due to taxation, politicians find it increasingly difficult to reconcile their net incomes with their gross habits.

Tax Events

FY11 Events

Tax Workshop held with the Mauritius Dental Association

On 20 April last, our team from the Tax Investigation Unit organised a workshop for the Mauritius Dental Association (MDA), which regroups the professional dentists of Mauritius, to provide an expose on the procedures of tax investigation and the powers of the Mauritius Revenue Authority (MRA). The event was held at Fortis Clinique Darné and was funded by the MDA.

The workshop covered the following aspects:

- the operations of the MRA;
- the process of a tax investigation; and
- the powers of the Director-General of the MRA.

A key theme which ran throughout the workshop and which attracted great interest from the MDA members was how the methods of record keeping may allow the MRA to determine their tax liability. In this respect, the speakers explained the various techniques used by the MRA to estimate any amounts of undeclared income.

Our panel of speakers comprised of both PwC and non-PwC specialists in the field of tax investigation. From PwC, Bobby Yerkiah was the main presenter, assisted by Dheerend Puholoo and Anthony Leung Shing. The presentation had been put together by Valerie Marie-Jeanne from our internal Marketing & Communications unit. Me. Nilen Vencatasamy, MDA's lawyer, contributed to the discussions from a legal perspective.



Anthony Leung Shing addressing the floor, supported by Dheerend Puholoo.

The workshop was a success. The floor consisted of 54 of the 80 members of the MDA, who acknowledged the value of our intervention. Informal discussions, during the finger buffet that followed, suggested that the MDA members were impressed by the high level of our delivery, presentation, experience and knowledge in the field of tax investigations.

Many dentists expressed their intention to contact our Tax Investigation Unit should they be under investigation by the MRA while others were also interested to hire our Tax Compliance Services.

More of these workshops are planned with other similar professional associations in the weeks to come.

Tax Workshop with Senior Executives and Tax Practitioners - September 2011

As part of our knowledge sharing initiatives, PwC Mauritius, jointly with Landmark Management and Technology Consultants Ltd, organised a tax workshop on 12 September 2011 at The Labourdonnais Waterfront Hotel. The workshop was designed for senior executives and tax practitioners.

The topics covered were:

- Capital Gains Tax on immoveable property
- Taxation of individuals with special coverage on Solidarity Income Tax, Interest relief on housing loan and education exemption.

The workshop proved to be helpful to the participants and we are looking forward to organising similar events treating different tax topics in the future.

National Budget 4 November 2011

PwC held its Budget Breakfast on Monday 7 November 2011, to discuss Budget related matters with the Hon. C. G. Xavier-Luc Duval G.C.S.K., Vice-Prime Minister, Minister of Finance and Economic Development, following the presentation of the budget speech on Friday 04 November.

For a little more than an hour, the Minister of Finance replied to questions from the floor, comprising of various industry sector representatives and business institutions, private companies and members of the press. The Minister reiterated that the 2012 budget he presented on Friday 4 November aimed at strengthening economic growth and the well-being of the population. Through the budget proposals, he wanted to give more opportunities and incentives for economic operators to invest and create jobs with the ultimate goal that workers can have better wages: *"The 2012 budget provides, among other things, economically, incentives for investment, the abolition of certain taxes (including the solidarity tax on dividends and interest tax on the gain), the journal of the tax on the transfer of properties, streamlining the licensing system and stimulating demand through aggressive promotional campaigns involving a variety of sectors and products."*

The Minister reported on two new areas that the government wants to develop, namely the film industry, through a grant of up to 25% of spending by interested companies, and the creation of marinas, including project marketing that will be supported by the Board of Investment.

Questioned on some macroeconomic targets, specifically on the reconciliation of an economic growth forecast of 4% and an increase of 11% of budgetary revenues in 2012, Xavier-Luc Duval said that there were discussions on the position to be taken on macroeconomic forecasts.



The restructuring of the port and the possibility of finding a strategic partner for the Cargo Handling Corporation (CHC) were also mentioned during this event. Xavier-Luc Duval made it clear that the search for a potential strategic partner was not a "clear-cut issue" as some customers in the CHC were unsure of the merits of such a decision. The International Finance Corporation - the private sector window of the World Bank - is studying the issue and proposing a potential partner. "I must emphasize that our port is doing well in the region. Transfer activity is very complex," said the Minister.

The problem of air connectivity in the region is considered a subject of great concern by the Minister, as Mauritius

wants to act as a platform between the world and Africa. He pointed out that Mauritius is very interested in expanding its network of non-double taxation agreement treaties with several African countries, while also accelerating its trade with the countries of the region.

Double Taxation agreement with India

Questioned on the future of the agreement of double taxation between Mauritius and India, the Minister replied that we should expect developments before the end of the year. "You can rest assured that the matter was seriously taken in hand by the government," he said.

Go over the National Budget, read our comments on our website and download comparative tax tables. You may also email us at finance.budget@mu.pwc.com to receive a copy of our Budget Brief.

Please note that Budget measures may be subject to amendments during debates in Parliament. We therefore recommend you to seek professional advice before taking decisions based on these measures.

Watch for our summary of the Finance Act 2012 once parliamentary debates will be over.

Mauritius hosts The African launch for Paying Taxes 2012

Mauritius hosted the African launch for ***Paying Taxes 2012***, the sixth edition of this annual study. The launch took place on **Monday 14 November 2011** at the Hilton Mauritius Resort and SPA, during which a panel consisting of representatives from the Ministry of Finance and Economic Development, the World Bank (WB), PwC UK and the Mauritius Revenue Authority (MRA) explored the main findings from the study, with a focus on Mauritius and the SADC region.

Mauritius ranks 9th globally in Paying Taxes 2012 and number one in Africa

Paying Taxes 2012 compares the tax regimes in 183 economies worldwide from a business perspective. Mauritius ranks 9th globally (11th in Paying Taxes 2011) and remains number one in Africa, despite the increase in its Total Tax Rate to 25% (24.1% in Paying Taxes 2011).

In his welcome address, PwC Mauritius Country Senior Partner André Bonieux talked about the elements behind the fall in the Doing Business ranking from 21 to 23 worldwide: *“This is mainly due to two factors that need to be simplified: the ease of registering property which ranks Mauritius 79th and resolving insolvency where Mauritius is ranked 67th.”*

André also covered the responsibility of the authorities to find solutions to improve these two areas so as to facilitate business in Mauritius. Since Foreign Direct Investment is becoming a rare commodity – André stressed on the fact that, unlike countries such as China and India, Mauritius has neither natural resources nor a large middle class consumer base to attract investments. The public sector has a crucial role to play and they should strive to put more emphasis on service quality.

Mr Ali Mansoor, Financial Secretary at the Ministry of Finance and Economic Development, opened the panel discussions on the results of the Paying Taxes study. Mr Rafael Munoz Moreno, Senior Country Economist & Acting Country Representative of WB and Ms Charlotte Nan Jiang, co-author of Doing Business, presented the findings of the Paying Taxes 2012 report.

Mr Andrew Packman, Senior Tax Partner at PwC UK and leading the PwC team working with the WB and IFC on the Paying Taxes indicator, talked about the global tax perspective. *“Governments have it in their control to develop tax systems that foster business investment and make the private sector an engine for a return to economic growth and prosperity,”* said Andrew. *“Reducing rates and making the compliance less burdensome helps companies focus on making their business grow.”*

Finally, Mr Sudhamo Lal, Director-General of the MRA commented on the results of the report for Mauritius and on the MRA's initiatives to improve the payment of taxes in Mauritius.

On the day following the launch, a meeting was held with representatives of the WB, PwC and the local authorities – all those who will work on/ are impacted by the reforms in the coming year; i.e the Ministry of Finance, the MRA and the relevant sub departments, the Ministry of Social Security (labour tax reforms). The intention is that a committee will be formed to address some of the issues/ recommendations coming out of the process and thus improve tax payments in Mauritius.

Paying Taxes 2012

Worldwide Tax Reforms Continue to Encourage a Return to Growth and Sustained Revenues

Governments continue to reform their tax systems, according to the latest report by the World Bank, IFC, and PwC. In all, 123 out of 183 economies measured have made significant regulatory changes since 2006 to ease tax burdens for small and medium-sized firms, as governments seek to increase business registrations and relieve the impact of the global economic downturn.

First launched in Hong Kong on 10 November, *Paying Taxes 2012* finds that 33 economies made it easier and less costly to pay taxes from June 2010 through May 2011. The most common tax reform was the increased use of online systems to

facilitate tax compliance, introduced in 23 economies. Electronic filing and payment reduces the amount of paperwork, allows a more targeted and risk based approach to audit and compliance, and can help eliminate corruption.

Paying Taxes 2012 measures all mandatory taxes and contributions that a medium-sized firm must pay in a given year. Taxes and contributions measured include the profit or corporate income tax, social contributions and labour taxes paid by the employer, property taxes, property transfer taxes, dividend tax, capital gains tax, financial transactions tax, waste collection taxes, vehicle and road taxes, and other small taxes or fees.

Read more:

Create a custom PDF or download an e-copy on the dedicated Paying Taxes 2012 microsite www.pwc.com/payingtaxes. In addition to analysis and commentary from PwC, the WB and IFC, you'll also find a chapter dedicated to country articles from a number of PwC offices.

Should you want a hard copy, please contact PwC Mauritius. We do have a few copies left.

For more information about the Doing Business report series, visit www.doingbusiness.org.



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Shamina is a newly promoted Manager in our Tax LoS. She joined PwC in 2008, after having spent over 3 years working in the global business sector.

Managing a portfolio of over 100 clients (locally and foreign based multinational clients, including banks) for the provision of tax

compliance work, she also focuses on tax advisory engagements and provides taxation advice on domestic tax issues, international tax planning and the application of tax treaties to clients in a range of industries. She has particular expertise in local regulatory compliance.

Shamina's responsibilities include the application of risk management procedures within the Tax LoS. In addition, she heads the immigration team which provides full support and assistance to expatriates willing to work and live in Mauritius, as well as to foreign assignees who have been seconded for duty in Mauritius.

Shamina is a Member of the Association of Chartered Certified Accountants.

Why PwC?

Creating value through our services

Taxation Services

Dealing with multi-layered tax issues requires multi-talented tax advisors

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Advising on international structures and policies to provide tax efficient repatriation strategies, exit options, and optimum post deal position.

Compliance

Preparing and reviewing tax computations and returns to detect major tax risks, using our knowledge of the tax cases and developments in the sector.

VAT

Reviewing the VAT recording procedures and systems to optimise input VAT recovery and assess the extent of any VAT exposures.

Investigation

Assisting with all issues raised by the tax authorities, including negotiating and agreeing settlement with minimal tax liabilities.

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