Property Taxation in Anglophone East Africa: Case Study of Mauritius

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Abstract

The Lincoln Institute of Land Policy and the African Tax Institute (ATI), located at the University of Pretoria in South Africa, are awarding Research Fellowships to African Scholars through a joint partnership to undertake research on property related taxation in all 54 African countries. The goal is to collect relevant data regarding all forms of property taxation and property tax systems, focusing primarily on land and building taxes and real property transfer taxes. The research seeks to determine the importance of property taxation as sources of national and municipal revenue and issue reports on the present status and future prospects of property-related taxes. Each report aims to provide concise, uniform and comparable information on property taxes as legislated and executed within a specific country. This paper provides a detailed review of property taxation in Mauritius.

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Research Scope and Methodology

Introduction

This report presents a detailed discussion of the administration of property-related taxes in Mauritius.

Objectives

The prime objective of the research is to present a comprehensive review of the property-related taxes in Mauritius. Specifically the research seeks to:

- Develop a comprehensive template to collect data regarding all forms of property taxation in Mauritius that could be updated and maintained with relative ease.
- Report on property tax systems as legislated and practiced in Mauritius.
- Establish the importance and extent of property taxes as sources of national and municipal revenues.
- Comment on the future role of property taxation in the country.
- Highlight general trends in the application of property taxation in Mauritius.

Methodology

Research methodology is usually shaped by a number of factors, including the nature of the problem to be investigated and the type of information to be generated. Both primary and secondary data were obtained using methodology comprised of a number of steps and a combination of data collection techniques.

Data Collection

The study recognizes the fact that there are significant differences in how land and property are taxed across and within countries; it is often the case that the greater the degree of local discretion in establishing the tax base and setting the rates, the more diverse are property taxes within a country. The researcher spent a period of one week in January 2010 conducting interviews with officials in the Ministries of Housing and Land Development, Finance and Economic Empowerment, as well as with officials of the Mauritius Revenue Authority and Municipal Council of Port Louis.

A desk survey was undertaken during which relevant documents, reports and literature in relation to property related taxation were reviewed. This provided the secondary data, some of which formed the background material to the report.

Scope of the Data

An attempt was made to obtain accurate and current data on the following key areas in Mauritius:

- A brief country description providing appropriate background statistics (e.g. geographic size, population, constitutional make – up, urbanization etc.)
- National and sub-national property-related taxes
- Property-related tax base provided by legislation and used in practice
- Valuation and assessment procedures and practices, including valuation cycles, objections and appeals
- Tax rates
- Exemptions and tax relief mechanisms
- Collection procedures and practices
- Enforcement procedures and practices

Data Analysis

The basic properties of the property tax systems in Mauritius were analyzed in the context of the following key areas or ratios:

- Coverage, i.e. the number of properties taxed as a percentage of the total number of properties
- Tax base, i.e. the condition that gives rise to taxation
- Assessment as stated in the various legislations
- Responsibility for the preparation of Valuation Lists

An analytical approach and deductive reasoning were applied because a detailed understanding of the complicated relations is required.

Structure of the Report

For the purpose of this report, detailed and updated information on property related taxation in Mauritius are provided. The report is comprised of background information on the country and a discussion on the implementation of property-related taxes in the country.

Presentation of Research Findings

This section presents the research study findings as per the objectives of this study and as supported by the data collected.

Basic Country Information on Mauritius

The Republic of Mauritius, named after the Dutch Prince Maurice Van Nassau, is a country located in the Indian Ocean. It gained its independence from the British on March 12, 1968, and became a republic on March 12, 1992.

The Republic of Mauritius includes the Island of Mauritius, the Island of Rodrigues, and the other small outer islands of Agalepa and St. Brandon. The country is divided into ten districts with five municipalities. The districts are Port Louis, Beau-Bassin/Rose Hill, Vacoas Phoenix, Curepipe, Quatre Bornes, Moka-Flacy, Pamplemousses-Riviere Du Rempart, Grand Port-Savanne, Black River and Rodrigues Islands. Table 1.0 below presents the geographical districts and their population as of 2008.

Table 1.0 Geographical Districts and their 2008 population

District	2008 population
Port Louis	129,624
Pamplemousses	136,024
Riviere du Rempart	108,037
Flacq	138,585
Grand Port	114,620
Savanne	70,216
Plaines Wilhems	382,236
Moka	80,789
Black River	73,911
Island of Rodrigues	37,499
Urban population Rural population	531,834 739,908

Source: Annual Digest of Statistics 2008

The Republic of Mauritius covers an area of approximately 2040 sq.km with great variety in its 330 kilometers of coastline. As of 2009, the population was estimated at 1.27 million, the majority of which reside in the urban centres. Table 2.0 below shows the population and the population density.

Table 2.0 2008 Population and Population Density

Islands	Population	Area (Km^2)	Density Per Km^2
Island of Mauritius	1,234,042	1864.8	662
Island of Rodrigues	37,700	104	363
Other Islands	289	71	4
Republic of Mauritius (Total)	1,272,031	2040	624

Source: Annual Digest of Statistics 2008

The capital city is Port-Louis with a population of about 200,000. Other urban centers are Beau-Bassin/Rose Hill, Quatre Bornes, Vacoas Phoenix and Curepipe.

The GDP at current price is estimated at R 248,744 million.

The Government Structure in Mauritius

There are two tiers of government in Mauritius: central government and local government (composed of municipalities and district councils).

Mauritius is a democratic state; its government is based on the Westminster Model. The president is the head of the state, but constitutional authority is vested in the Prime Minister and the cabinet. The parliament has a total of 62 members, and elections are held every 5 years.

Land Use and Land Tenure System

In Mauritius, there are only two types of land tenure systems. One is freehold land and the other is leasehold land; they are also known as government land and private land, respectively.

Government land may be leased upon application to the Ministry of Housing and Land Development, and the intended use of the land must be specified. Upon approval, a letter of intent is issued and a valuation is done by Government Valuers to determine land rent. Payment of land rent is collected by the Registry of Mortgages, Ministry of Finance and Economic Empowerment.

The leases are granted for periods of 60 and 99 years depending on the use and purpose.

Overview of the Property Market in Mauritius

The operation of the land and property markets is fairly formal and well-developed, taking place within a formal registration process.

Overview of the Tax System in Mauritius

National Tax Structure

The taxation system is highly centralized and administered by the Ministry of Finance and Economic Empowerment. The main taxes levied are the income tax, the corporate tax, custom and excise duties, VAT, the road tax, a transfer tax on land, taxes on financial transactions, and the National Residential Property Tax (NRPT).

Local Authority Taxes

Local authority taxes in Mauritius include General/House Rate and business fees and licenses.

Property – Related Taxes in Mauritius

Property-related taxes levied in Mauritius include an annual land rent on all leased land, a property transfer tax payable before any transfer of property can be registered, the National Residential Property Tax (NRPT), and the General Rate/House Rate.

In Mauritius, annual land rent is administered by the Ministry of Housing and Land Development, the stamp duty is administered by the Registrar-General's office, the National Residential Property Tax is administered by Mauritius Revenue Authority (MRA), and the General/House Rate is administered by respective Municipal Councils.

Land Rent

In Mauritius, the administration of land rent falls within the domains of the central government. The Ministry of Housing and Land Development is charged with the responsibility of administering land rent. Land rent is applied to all holders of government leaseholds, and the taxpayer is the person who acquires the property, i.e. the leaseholder or tenant.

The valuation assessment is value-based, and the responsibility for valuations falls on the Ministry of Housing and Land Development. Billing is handled by the Ministry annually, and collection is currently undertaken by the Registry of Mortgage in the Ministry of Finance and Economic Empowerment. As a national revenue fund, annual land rent collection is significant, totaling approximately Rs 900 million every year.

Land Transfer Tax (Stamp Duty)

Land Transfer Tax (Stamp Duty) is enacted by both Land (Duties and Taxes) Act of 1984 and Registrar General Act of the Laws of Mauritius. It is payable upon transfers and acquisition of property; the transferor (seller) is the tax payer. The tax is based on the market value of the immovable property.

Currently, the tax rate is 10 percent for cases in which the transfer is made after a period not exceeding 5 years of the date of acquisition of the property, and is 5 percent for cases in which the transfer is made after a period exceeding 5 years of the date of acquisition of the property.

There are various exemptions based on who acquires the property. For instance, no tax shall be levied on a transfer:

1. by a company holding a Housing Development Certificate Under section 34B of the Income Tax Act.
2. of the right to construct a building on top of an existing building (droit de surélévation) together with a fraction of the ownership of the ground, where the conditions specified in Section 45A (2) have been fulfilled; or
3. where the transferor has acquired the property to be transferred though inheritance from his spouse, an ascendant, a descendant, a brother or a sister
4. where the transfer is made between spouses.

The billing is done by the Registrar General and collection is handled by the Mauritius Revenue Authority. To ensure compliance, no transfer of property is effective before payment of the tax.

National Residential Property Tax (NRPT)

The National Residential Property Tax is governed by the Income Tax Act, 1995. This is a tax charged on all residential properties in urban areas, and the taxpayer is either the owner of residential property with an annual income exceeding Rs 400,000 or a company, a society, or a non-resident individual irrespective of their income.

The tax base is calculated based on the surface area of the land, residential property, or apartment. Currently, the tax rates are Rs 30 per square metre floor area in the case of apartment, flat and tenement, and R10 per square metre of the surface area of land in the case of any other residential property. However, an individual resident in Mauritius is liable for the NRPT on up to 5 percent of his total income. The Ministry of Finance and Economic Empowerment is charged with the responsibility of setting rates. Mauritius Revenue Authority undertakes the assessment of tax payable.

Exemption is granted to a body of persons, such as a charitable institution, that is also exempted from payment of income tax.

Billing is done by Ministry of Finance and Economic Empowerment, and collection is undertaken by the Mauritius Revenue Authority. It is payable to MRA by individuals as they pay their income tax. There is a high rate of compliance.

Property Tax (General Rate/House Rate)

Historical Background

The land tax, commonly referred to as General Rate/House Rate, is levied by local government councils. It is governed by section 74 of the Local Government Act 1989. It is not a new tax, and it has been levied by Municipal Councils to raise revenue for providing services to local residents.

Tax Base

In Mauritius, the levying of the general rate is governed by Section 74 of the Local Government Act, 1989. Municipal Councils levy rates on the owners of any immovable property included in the Valuation List prepared by the Valuation Office under Section 78 of the Local Government Act 1989. The tax base is the annual value of both land and buildings based on market rentals. The General Rate is a percentage of the Net Annual Value of the immovable property as the council may decide by regulations, and it is applied to all properties in urban areas. The owner of the immovable property is the tax payer.

Basis of Assessment

The assessment of the immovable property is value-based and the rate is levied on the Net Annual Market Value. A council may levy different rates on immovable properties with the same net annual value depending on whether the properties are being used for residential or commercial or industrial purposes.

For the purpose of the provisions of the Act relating to the assessment and levying of the general rate, property or any part thereof in respect of which the rate is to be levied shall be dealt with in such units as the Valuation Officer may determine.

Exemptions

There are certain properties that are exempted from the payment of the general/house rate. The Municipal Council may grant exemption on grounds of poverty; it may also grant exemptions to social, cultural and religious bodies. The Minister of Local Government may grant exemption to owners of immovable property.

The nature of properties exempted are provided under Section 74 (5), (6), and (7) of the Local Government Act.

The general rate shall not be levied in respect of:

a. any property belonging to the Government;
b. any property belonging to and occupied by any foreign government or any organization or body accorded diplomatic immunity under any enactment;
c. any property owned and occupied by a council and lying within its own rating area;
d. any church, chapel, mosque, temple or similar building used solely as a place of public religious worship;
e. any agricultural building or agricultural land;
f. any property belonging to the Curepipe War Memorial Board or to the Austin Wilson Home.

Every council may decide that no general rate or that a part only of the General rate shall be levied in any financial year in respect of:

a. any property belonging to and occupied solely by a religious institution
b. any property used for the purpose of a Government primary school or a primary school in receipt of grant-in-aid from Government funds;
c. any property used solely as an orphanage, and infirmary or a crèche;
d. any property or any part thereof –
    i. used for the purpose of training its members for sporting competitions or used for social and cultural activities; and
    ii. owned by an association registered under the Registration of Association Act, the main objects of which are the promotion of sport and the training of its members for competitive sports and the promotion of social and cultural activities.

The Minister may, by regulations, provide that no general rate or that a part only of the general rate shall be levied in respect of:

a. any property used for the purpose of an approved secondary school registered under the Education Act, where the general rate in respect of the property can be levied on the person who is responsible financially for the administration of the school;
b. any property belonging to the Central Electricity Board and used in connection with the generation, transmission and distribution of electricity;
c. any property or any part thereof used solely for the purpose of an industry or hotel in respect of which a development certificate or an EPZ certificate or a hotel and management certificate has been given under any enactment, provided the owner of the property is the company to whom such certificate has been given;
d. any property, where the Minister considers it expedient.

Apart from exemptions, there are other relief measures. These include remission of the whole or part of the general rate on grounds of poverty, as well as properties with values of up to Rs 2,450.

Valuation

Property tax assessment is the responsibility of the Municipal Council based on the valuation list prepared by the Valuation Officer in the Ministry of Finance and Economic Empowerment. Responsibility for valuations therefore lies with the Central Government. The valuation list prepared by the Valuation Office is valid for The valuation list prepared by the Valuation Office is valid for a period of not more than 5 years. A new valuation list shall come into operation on such date or dates as the council may by regulations prescribe, provided that the interval between dates on which one valuation list and the next succeeding valuation list, respectively come into operation shall be a period of not less than 5 years.

Property Tax Rates

The law empowers the Municipal Councils to set the tax rates. Rates may differ with respect to immovable properties and the use of the property, whether residential, commercial or industrial purposes.

In the case of Port Louis Municipal Council, the properties are grouped into various categories, each band attracting a different rate. Properties with a Net Annual Value of up to 2,450 /Rupees are exempted from payment of general rate. Table 3 presents the General Rate for the year 2010 as levied by Port Louis Municipal Council.

Table 3 General Rate Year 2010			
N.A.V. GROUP	**No. Of Properties**	**N.A.V**	**%**
0.00 – 480.00	1,282	373,922.00	0.00
481.00 – 1,050.00	3,572	2,708,306.00	0.00
1,051.00 – 1,575.00	3,714	4,802,206.00	0.00
1,576.00 – 1,750.00	974	1,605,535.00	0.00

1,751.00 - 2,100.00	1,244	2,428,112.00	0.00
2,101.00 - 2,450.00	1,190	2,760,564.00	0.00
2,451.00 - 3,875.00	6,112	19,201,862.00	5.50
3,876.00 - 6,375.00	7,257	36,925,470.00	6.90
6,376.00 - 8,500.00	3,394	24,969,902.00	9.00
8,501.00 - 10,625.00	2,060	19,562,639.00	9.60
10,626.00 - 12,750.00	1,343	15,698,235.00	9.90
12,751.00 – 17,000.00	1,707	25,299,594.00	10.50
17,001.00 – 23,125.00	1,134	22,683,291.00	15.30
23,126.00 - 30,000.00	574	15,180,582.00	18.00
30,001.00 – 35,000.00	250	8,163,762.00	19.20
35,001.00 - 44,000.00	290	11,426,208.00	20.40
44,001.00 - 54,000.00	191	9,324,222.00	21.60
54,001.00 - 75,000.00	236	14,947,110.00	24.80
75,001.00 - 100,000.00	151	13,117,971.00	26.50
100,001.00 - 9,999,999,999.00	555	228,651,041.00	28.00

N.A.V – Net Annual Value

About 32.2 percent of the properties fall under the Net Annual Value of Rs 2,450 and are therefore exempted. The majority of the properties (13,369 out of a total 37,230, or 35.9 percent) fall between NAV Rs 2,451 and Rs 6,375.

Billing and Collection of Tax

Billing and collection are done by the respective municipal councils. When the tax is due, demand claims are sent to taxpayers. In the case of Port Louis Municipal Council, the first claim is sent in May or June with payment due July 1. The reminder is sent in November or December.

The general rate may be paid in two equal installments, the first on or before January 31.

In general, collections are low, resulting in the accumulation of arrears. As at the time of this study, general rate arrears for Port Louis Municipal Council stood at about 72 percent. The existence of delinquent taxpayers and untraceable property owners contributes to the accumulation of arrears. There is also loss of debts after 5 years, which provides little incentive for taxpayers to pay.

The law is very explicit on the collection procedures. Section 76(1) of the Local Government Act provides that any general rate levied in respect of any year shall become due as from July 1 of that year.

Enforcement Mechanisms and Procedure

Section 76(2) deals with procedures for enforcing and ensuring rate payments. For any general rate not paid within the prescribed period, a surcharge of 10 percent shall be added on the amount of the rate due and payable. Section 76(2b) states that the councils shall within one year of the date on which the rate becomes due take action for the recovery of the rate in accordance with section 114.

The enforcement mechanism involves reminders, lawsuits, and the attaching of property (taking possession of property until all taxes have been paid), thereby requiring the tenants to pay rents to the Council to recover rates due. The enforcement mechanism is weak and ineffective, as evident from the large number of taxpayers in arrears.

Capacity to Administer Property Tax in Mauritius

The study revealed that the Municipal Councils in Mauritius do not have capacity to effectively administer property tax. The Valuers who prepare the Valuation List are employees of the Valuation Office, Ministry of Finance and Economic Empowerment. In addition to not having their own valuers, the Municipal councils do not have the human capacity to enforce payments.

An Overview of Local Authorities Revenue Sources

The local authorities generate revenue for the purpose of providing local services, including street lighting and waste management among others. Revenue sources include general/house rate, indirect taxes (Licenses and Cesses), transfers, and sale of goods and services.

General rate is one of the avenues through which local authorities mobilize local financial resources for service provision. In the case of Port Louis Municipal Council, revenue from rates forms approximately 14 percent of the total council revenue.

Analysis of Property Tax Revenue in Mauritius

National Residential Property Tax (NRPT) constitutes a small percentage averaging 0.003 percent of the total revenue generated in the country. Table 4 shows the national revenue collection for the year ended 30 June 2009 in Mauritius Rupees.

Table 4: Revenue collection for the year ended 30 June 2009 RsM

	2007/2008 Actual	2008/2009 Budgeted Estimates	Actual collections
Corporate Tax	6,234	6,800	10,331
Personal income tax	3,425	3,825	4,014
Tax deducted at source	800	810	863
NRPT	119	130	121
VAT	18,508	20,200	19,044

Customs duties	2,636	1,475	1,501
Excise Duties	7,900	8,930	8,506
Total	39,622	42,170	44,380
NRPT as % of Total	**0.003**	**0.003**	**0.0027**

Source: Mauritius Revenue Authority – Annual Report 2008/2009

Revenue from property taxation has continued to play an important role as a revenue source in Mauritius. Table 5 presents the contribution of property taxation to both the central government and local government. The contribution of property taxation to the central government has continued to increase from 4.89 percent during 2004 and 2005, 5.2 percent between 2005 and 2006, 7 percent between 2006 and 2007, and 8 percent between 2007 and 2008. For local governments, property taxation constitutes a significant portion of local tax revenue: 49.6 percent during 2004 and 2005, 46.1 percent in both 2005- 2006 and 2006- 2007, and 46.9 percent between 2007 and 2008.

Table 5 Tax Revenue for periods 2004/2005 – 2007/2008

Revenue items	**2004/2005**		**2005/2006**	
	Central government	Local government	Central government	Local government
Tax revenue	**34,338.7**	**484.2**	**37,117.3**	**537.2**
Tax on income, profits and capital gains	5,829.0	-	7,468.9	-
Individual income tax	2,553.2	-	2,767.9	-
Corporate tax	3,275.8	-	4,701.0	-
Social security contributions	1,311.1	-	1,394.2	-
Taxes on payroll and workforce	204.1	-	219.0	-
Taxes on property	1,680.2	240.1	1,939.5	247.7
Domestic taxes on goods and services of which:	17,569.6	244.1	18,884.6	289.5
Excise duties	2,838.4	-	2,467.8	-
Sale tax	12,529.3	-	13,709.5	-
Tax on gambling	1,075.3	-	1,185.4	-
Tax on hotel bills	26.5	-	344.9	-
Import duties	7,730.5	-	7,195.4	-
Export duties	-	-	-	-
Other tax revenue	14.2	-	15.7	-
Taxes on property as % of Total tax revenue	4.89%	49.6%	5.2%	46.1%

Source: Annual Digest of Statistics 2008, Central Statistics Office, Ministry of Finance and Economic Empowerment.

Revenue items	2006/2007		2007/2008	
	Central government	Local government	Central government	Local government
Tax revenue	**40,052.8**	**623.5**	**49,926.5**	**651.2**
Tax on income, profits and capital gains	7,607.6	-	10,558.2	-
Individual income tax	2,332.3	-	3,405.7	-
Corporate tax	5,275.3	-	6,236.4	-
Social security contributions	1,502.0	-	1,696.5	-
Taxes on payroll and workforce	253.2	-	272.0	-
Taxes on property	2,798.5	287.6	4,003.0	305.7
Domestic taxes on goods and services of which:	21,515.3	335.9	26,604.0	345.5
Excise duties	2,998.9	-	4,198.0	-
Sale tax	15,468.1	-	18,542.0	-
Tax on gambling	1,085.6	-	1,441.2	-
Tax on hotel bills	506.3	-	788.3	-
Import duties	6,299.2	-	6,646.2	-
Export duties	-	-	-	-
Other tax revenue	77.0	-	146.6	-
Taxes on property as % of Total tax revenue	7%	46.1%	8%	46.9%

Source: Annual Digest of Statistics 2008, Central Statistics office Ministry of Finance and Economic Empowerment.

Identified problems

The study revealed that the problems facing Municipal Councils in the administration of property taxation include lack of human resource capacity, weak enforcement mechanisms, and the taxpayer attitude. The law that allows loss of debts after 5 years is also a hindrance to the effectiveness of the tax system.

Recommendations

Property taxation continues to play an important role as a source of revenue for both the central government and local governments in Mauritius. For it to be more effective, however, the country urgently needs to institute reforms that will streamline the administration of property taxations.

In particular, the National Residential Property Tax (NRPT) levied by the Mauritius Revenue Authority (MRA) ought to be re-examined in light of the General rate charged by local authorities. Any tax paid for property under the Local Government Act may be deducted from the NRPT. The general rate charged by councils and the NRPT levied by MRA on the same property may result in double taxation, thereby increasing the tax burden on the property owner, since the two taxes are all based on Net Annual Value as determined by the realizable income.

The issue of trained personnel needs to be addressed in order to more effectively assess property values and collect taxes. The enforcement mechanism has to be both clear and easily implementable.

The law that allows loss of debts after 5 years should be revised, as it has contributed to huge losses of revenue for local councils.

Taxpayer education should be intensified. A change of attitude among taxpayers toward taxes is essential for the successful administration of the property taxation system.

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