

WORLD TRADE ORGANIZATION

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Committee on Subsidies
and Countervailing Measures

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SUBSIDIES

New and Full Notification Pursuant to Article XVI:1
of the GATT 1994 and Article 25 of the Agreement
on Subsidies and Countervailing Measures

Extension Under SCM Article 27.4 of the Transition Period for the
Elimination of Export Subsidies Pursuant to the Procedures
in Document G/SCM/39

MAURITIUS

The following communication, dated 30 June 2003, has been received from the Permanent Mission of Mauritius.

Mauritius has the honour to submit its notifications relating to the year 2003 extension of the transition period for the following programmes:

- (i) Export Enterprise Scheme;
- (ii) Pioneer Status Enterprise Scheme;
- (iii) Export Promotion;
- (iv) Freeport Scheme.

The only change in these programmes relate to the amendment brought to the Freeport Scheme in July 2002. Freeport operators are now subject to a corporate tax of 15 per cent similar to Export Processing Zone (EPZ) and other tax incentive companies instead of the complete exemption for corporate tax. The annexed notifications include the amendment to the Freeport Scheme as well as the relevant extract of the legislation.

Pursuant to paragraphs 1(d) and 1(e) of document G/SCM/39, Mauritius would appreciate it if the Committee on Subsidies and Countervailing Measures could renew these four programmes for the year 2004.

This notification is also submitted pursuant to Article 25 of the Agreement on Subsidies and Countervailing Measures.

EXPORT ENTERPRISE SCHEME

CUSTOMS AND EXCISE DUTY EXEMPTION

1. Form of Subsidy

Exemption from customs duty and excise duty on scheduled equipment.

2. Beneficiaries

Holders of an Export Enterprise Certificate
[Export Processing Zone (EPZ) companies].

3. Policy objective

To promote investment in EPZ sector.

4. Legal basis

Industrial Expansion Act 1993.

5. Background authority for the scheme

The Board of Investment and the Customs & Excise Department.

6. Duration of the subsidy

The scheme is not limited in time.

7. Revenue implications

Marginal.

8. Assessment of trade effects

Negligible.

PREFERENTIAL REGISTRATION DUTY

1. Form of Subsidy

A lower rate of duty (i.e. 5 per cent) on the registration of a deed witnessing the acquisition of industrial premises and of similar immovable property.

2. Beneficiaries

Holders of an Export Enterprise Certificate
[Export Processing Zone (EPZ) companies].

3. Policy objective

To promote investment in EPZ sector.

4. Legal basis

Registration Duty Act (as amended in the Finance Act 2000).

5. Background authority for the scheme

The Board of Investment and the Registrar General.

6. Duration of the subsidy

The scheme is not limited in time.

7. Revenue implications

Marginal.

8. Assessment of trade effects

Negligible.

PIONEER ENTERPRISE SCHEME

CUSTOMS AND EXCISE DUTY EXEMPTION

1. Form of Subsidy

Exemption from customs duty and excise duty on scheduled equipment.

2. Beneficiaries

Holders of a Pioneer Status Enterprise Certificate

3. Policy objective

The scheme aims at promoting investment in higher technology and encourage the creation of more sophisticated support industries and services.

4. Legal basis

Industrial Expansion Act 1993.

5. Background authority for the scheme

The Board of Investment and the Customs and Excise Department.

6. Duration of the subsidy

The scheme is not limited in time.

7. Revenue implications

Negligible.

8. Assessment of trade effects

Pioneer Status Enterprises cater mostly for the local market and therefore trade effects are insignificant.

PREFERENTIAL REGISTRATION DUTY

1. Form of Subsidy

A lower rate of duty (i.e. 5 per cent) on the registration of a deed witnessing the acquisition of industrial premises and of similar immovable property.

2. Beneficiaries

Holders of a Pioneer Status Enterprise Certificate.

3. Policy objective

The scheme aims at promoting investment in higher technology and encourage the creation of more sophisticated support industries and services.

4. Legal basis

Registration Duty Act (as amended in the Finance Act 2000).

5. Background authority for the scheme

The Board of Investment and the Registrar General.

6. Duration of the subsidy

The scheme is not limited in time.

7. Revenue implications

Marginal.

8. Assessment of trade effects

Pioneer Status Enterprises cater mostly for the local market and therefore trade effects of the duty concession are insignificant.

EXPORT PROMOTION

INCOME TAX CREDIT

1. Form of Subsidy

Tax credit allowed by way of deduction from income tax otherwise payable by the company, the credit being determined by the percentage of qualifying export sales to total turnover, and limited such that the rate of income tax payable after the tax credit does not fall below 15 per cent.

2. Beneficiaries

Any company engaged in the export of goods and services which is not a tax incentive company.

3. Policy objective

To encourage enterprises traditionally geared towards the domestic market to diversify into export markets.

4. Legal basis

Income Tax Act 1995 (Sections 71 and 72) and Income Tax (Amendment No. 2) Regulations 2000.

5. Background authority for the scheme

Income Tax Department.

6. Duration of the subsidy

The scheme is not limited in time.

7. Revenue implications

Negligible.

8. Assessment of trade effects

Almost all manufacturing and service enterprises (except trading and financial services) are subject to a rate of corporate tax of 15 per cent and are therefore not eligible to the export credit.

The scheme has become virtually inoperative and its trade effects insignificant.

FREEPORT SCHEME

CUSTOMS AND EXCISE DUTY EXEMPTION

1. Form of Subsidy

Customs and Excise Duty concession on machinery and equipment imported into the Freeport Zone.

2. Beneficiaries

Private Freeport Developers, Third Party Freeport Developers and Freeport Operators.

3. Policy objective

To promote and encourage freeport trade including transit and entrepot trade and to position Mauritius as a major regional distribution, transshipment and marketing centre.

4. Legal basis

Freeport Act 2001.

5. Background authority for the scheme

The Mauritius Freeport Authority and the Customs and Excise Department.

6. Duration of the subsidy

The scheme is not limited in time.

7. Revenue implications

The Government suffers no effective loss of income due to foregone taxes since these activities would not have taken place in Mauritius without the existence of the Freeport and its related incentives.

8. Assessment of trade effects

The scheme has encouraged international companies to carry out value added activities such as labeling, packing, repacking and mixing in the Freeport Zone.

AMENDMENTS TO THE FREEPORT SCHEME

CORPORATE TAX EXEMPTION

1. Form of Subsidy

Corporate tax exemption on income derived from activities carried out in the freeport zone except for freeport operators licensed after 1 June 2002 to carry out any specified freeport processing activities.

2. Beneficiaries

Freeport Operators engaged in minor processing (licensed on or before 1 June 2002) and those engaged in light assembly, ship building, repairs and maintenance.

3. Policy objective

To encourage trading companies to use the Mauritius Freeport as a logistics and marketing platform for the re-exportation of their goods to Eastern and Southern Africa.

4. Legal basis

Income Tax Act 1995 (section 49).

5. Background authority for the scheme

The Mauritius Freeport Authority and the Income Tax Department.

6. Duration of the subsidy

The scheme is not limited in time.

7. Revenue implications

The Government suffers no effective loss of income due to foregone taxes since these activities would not have taken place in Mauritius without the existence of the Freeport and its related incentives.

8. Assessment of trade effects

This incentive has contributed to the development of the Mauritius Freeport. Freeport generated a total trade turnover to Mau Rs. 15.9 billion for the financial year ending 30 June 2001.

Extract from the Finance Act 2002

14. The Income Tax Act amended

49. Companies in the freeport zone

- (1) A company licensed under the Freeport Act 2001 as –
- (a) a private freeport developer shall be exempt from income tax;
 - (b) a third party freeport developer shall be liable to income tax on its chargeable income at the rate specified in Part II of the First Schedule;
 - (c) a freeport operator authorized by virtue of its licence to carry out any specified freeport processing activities shall be liable to income tax on its chargeable income at the rate specified in Part II of the First Schedule;
 - (d) a freeport operator authorized by virtue of its licence to carry out freeport activities other than those specified in paragraph (c) shall be exempt from income tax; or
 - (e) an occasional operator shall, subject to subsection (2), be liable to income tax on its chargeable income in respect of the activities covered by its licence at the rate specified in Part III of the First Schedule.
- (2) The chargeable income under subsection (1)(e) shall be computed in such a manner as may be prescribed.
- (3) Notwithstanding subsection (1)(c), a freeport operator referred to in that subsection and licensed on or before 1 June 2002 shall be exempt from income tax.
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