



# SEYCHELLES REVENUE COMMISSION

Annual Report 2017

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## Foreword by Revenue Commissioner




The Seychelles Revenue Commission continued to improve its services to the public during the year 2017. This included improvements in the administration of taxes so as to make it simpler and more transparent in order to increase voluntary compliance and therefore more government revenue. Various initiatives have been implemented through reform and modernization efforts, focusing on reengineering of certain processes, intensifying educational programs and strengthening cooperation with partner agencies both locally and internationally.

Revenue performance in 2017 was very strong in all of its business areas. Revenue collection amounted to SR 6.5 billion, around SR 610 million above the corresponding figure for 2016 and SR 231.1 million above the budget estimate. The strongest performers were Business Tax and Value added Tax – which between them accounted for 57% of the total revenue collection.

To meet the demands of a rapidly growing and increasingly diverse customer base, the Seychelles Revenue Commission launched a number of service delivery initiatives during 2017. Among these was the roll out of a range of online options for taxpayers. These services offer all of our customers' greater access to tax and customs services.

In spite of major amendments taking place, the SRC remain dedicated to its work being done and would like to express my gratitude toward the vibrant team at SRC. My heartfelt appreciation goes to the management team, who brought expertise and a great sense of optimism within the organization.



A special recognition also goes to the Minister of Finance, Trade and the Blue Economy, and to all our unconditional national and international partners and donors, we acknowledge and thank you for your technical and financial support to help us strive our way forward.

In conclusion, SRC feels honored and motivated of its work. We welcome the idea that we still have room for improvement and also understand that by working in corporation with one another to encourage, innovate, and look for resourceful solutions we can develop and implement better quality of service whilst maintaining professionalism in our responsibilities.

Thank you

Ronald Cafrine

Revenue Commissioner





## 2017 at a Glance

### Part 1: About SRC


#### 1.1 An Overview

The Seychelles Revenue Commission is a government body, operating under the Parent Company Ministry of Finance, Trade and the blue economy. The SRC's mandate is to administer revenue laws, facilitate trade and protect the Seychelles' borders. The SRC is one of the government's strongest pillar by which they contribute towards the economic stability of the country. This is attributed mainly from five revenue streams: Business Tax, Income and Non-Monetary Benefit Tax, Trades Tax, Value Added Tax and Excise Tax. Furthermore it provides a source of funding for government programs and infrastructures to benefits the community.

SRC collects and accounts for approximately 88% of government revenue. Both Tax and Customs divisions are solely responsible for collecting taxes, and complying with these Revenue Laws which are as follows;

- Business Tax Act (2009)
- Revenue Administration Act (2009)
- Income and Non-Monetary Benefits Tax Act
- Tourism Marketing Tax Act (2013)
- Corporate Social Responsibility Tax Act (2013)
- Excise Tax Act, (2009)
- Seychelles Business Number Act, (2009)
- Value Added Tax Act (2010)
- Customs Management Act (2010)

The roles and Responsibilities of the SRC comprises of;

- 
- Collecting Taxes
  - Administering Revenue laws
  - Facilitate international trade
  - Border and Community Protection
  - Encourage voluntary compliance
  - Promote transparency and accountability

## 1.2 Vision, Mission, Core Values and Strategic Objectives

**Our Vision:** “To be a modern, fair and effective customer-oriented revenue administration”

**Our Mission:** “Optimize revenue collection and facilitate trade to improve the socio-economic well-being of Seychelles”


### Our Core values:

- ✓ Integrity – demonstrate continually high moral and ethical behaviour while upholding the rule of law.
- ✓ Impartiality – without favour, apply the law equally and fairly to all.
- ✓ Professionalism – be courteous, conscientious, business-like and knowledgeable.
- ✓ Transparency- share all relevant information to external and internal stakeholders.
- ✓ Accountability – each officer is responsible for his/her actions.
- ✓

### Our Strategic Objectives:

The SRC’s strategic objectives are as follows:

- ❖ To develop efficient border procedures to allow faster processing and improved controls.

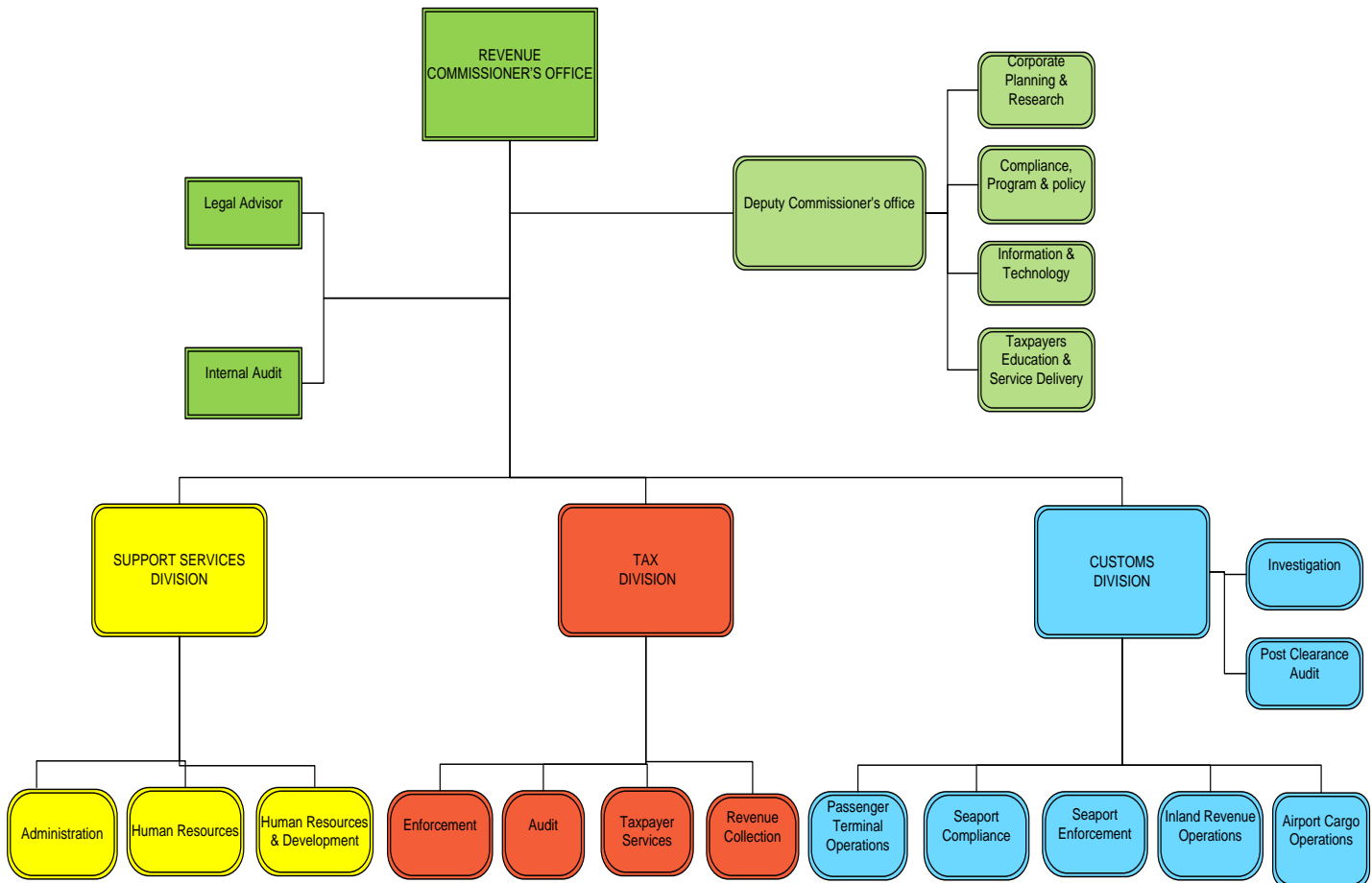
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- ❖ To collect the right amount of tax due to Government by supporting stakeholders to meet their obligations.
  - ❖ To modernize the current system by introducing advanced technology and by reducing compliance costs and ensuring we deal with all customers fairly.

SRC sets priorities that falls into the following objectives in our strategic plan:

1. Improve voluntary compliance and facilitate trade
2. Improve detection and sanction of all forms of tax evasion and smuggling
3. Enhance our business capacity
4. Design a dynamic and professional workforce
5. Promote good governance

## 1.3 The SRC Organizational Structure

Figure 1: The SRC Organizational Chart



The SRC organizational structure consists of the Headquarters, Support Service Division, Customs Division and Tax Division. The headquarters main objective is to manage and support the three Divisions to achieve the best organizational outcomes. The headquarters comprises of the Revenue Commissioner (RC) and Deputy Commissioner (DC) Offices.

The Office of the **Revenue Commissioner** includes;

- Internal Audit Unit; and
- Legal Unit



The **Deputy Commissioner's Office** includes:

- Corporate Planning & Research;
- Compliance Program & Policy;
- Taxpayer Education & Service Delivery; and
- Information Technology.

The **Customs Division** comprises of the following;

- Inland Revenue;
- Airport Passenger Terminal;
- Airport Cargo Operations;
- Seaport Compliance;
- Seaport Enforcement; and
- Investigations Unit.

The **Tax Division** comprises of the following;

- Revenue Collection;
- Taxpayer Services;
- Enforcement; and
- Audit.

The **Support Services Division** includes;

- Human Resources Management;
- Human Resources Development; and
- Administration.



## 1.4 Financial Management

## 1.5 Workforce Management

As of 31<sup>st</sup> December 2017, SRC had a total of 333 occupied positions as per details illustrated in appendix 1.

### 1.5.1 Gender Breakdown

Out of the 333 employees in SRC, 72% of the employees are female and 28% are male employees. Appendix 1 illustrates the total of female and male employees in each Division.

The table below shows a breakdown of the total male and female employees by Division.

**Table 1: Workforce Breakdown by Gender 2017**

<b>DIVISION</b>	<b>FEMALE EMPLOYEES (%)</b>	<b>MALE EMPLOYEES (%)</b>
Revenue Commissioner's Office	3%	1%
Deputy Commissioner's Office	2%	2%
Support Services	4%	3%
Tax	30%	8%
Customs	33%	14%
<b>TOTAL</b>	<b>72%</b>	<b>28%</b>



## 1.5.2 Recruitment

### 1.5.2.1 Appointment of Employees

For the period of January to December 2017, SRC recruited a total of 53 new employees on continuous employment.

### 1.5.2.2 Confirmation in post


Following a series of recruitment process undertaken during the year 2017, a total of 24 employees were confirmed in post.

### 1.5.2.3 Vacancies

The table below illustrates the number of vacancies within the SRC.

**Table 2: Number of vacancies within the SRC**

DIVISION	UNIT	NO. OF VACANT POSTS
Revenue Commissioner's Office	Internal Audit	1
	Legal	3
	<b>Total</b>	<b>4</b>
Deputy Commissioner's Office	Secretariat	1
	Compliance Program & Policy	1
	<b>Total</b>	<b>2</b>
Support Services	Secretariat	3
	Human Resource Development	2
	Human Resource	3
	Administration	4



	<b>Total</b>	<b>12</b>
Tax	Enforcement	5
	Audit	16
	Taxpayer Services	11
	Revenue	3
	<b>Total</b>	<b>35</b>
Customs	Inland Revenue	3
	Airport Cargo Operations	7
	Compliance Seaport Operations	4
	Enforcement Seaport Operations	7
	Investigation	1
	<b>Total</b>	<b>22</b>
<b>Grand Total</b>		<b>75</b>

### 1.5.3 Disciplinary Action / Termination

During the year 2017, a total of 4 cases of disciplinary measures were recorded and processed in the following Divisions:

**Table 3: Cases for Disciplinary Actions 2017**

<b>DIVISION</b>	<b>No. of Cases</b>	<b>Male</b>	<b>Female</b>
Customs	1	0	1
Tax	2	2	0



## 1.5.4 Emoluments


### 1.5.4.1 Basic pay

A total of SR 23 million basic pay has been remunerated as salary & wages for SRC staff on payroll categorized in programs and Sub-program. Table 19 below illustrates the amount of salary & wages occurred throughout the year of 2017.

**Table 4: Salaries and Wages for the Year 2017**

<u>Program</u>	<u>Sub-Program</u>	<u>Amount of Salary</u>
Governance, Policy & Management	Finance	The finance division was Externally transferred to Ministry of Finance with effect from 1 <sup>st</sup> February 2017.
	Policy & Strategic Planning	I. August 2017: SR. 65,546/- II. September 2017: SR. 65,546/- III. October 2017: SR. 38,027/- IV. November 2017: SR. 38,027/- V. December 2017: SR. 38,027/-
	Secretariat	I. August 2017: SR. 168,617.26 II. September 2017: SR. 348,064/- III. October 2017: SR. 193,796/- IV. November 2017: SR. 220,616/- V. December 2017: SR. 281,612/-
	Support Services	I. August 2017: SR. 330,713/- II. September 2017: SR. 663,953/- III. October 2017: SR. 288,973/- IV. November 2017: SR. 318,526.32 V. December 2017: SR. 281,897.96
Total	I. August 2017: SR. 564,876.26 II. September 2017: SR. 1,077,563/- III. October 2017: SR. 520,796/- IV. November 2017: SR. 577,169.32 V. December 2017: SR. 601,536.96	
Revenue Collection and Administration	Revenue Collection	I. August 2017: SR. 888,191.25 II. September 2017: SR. 844,929/- III. October 2017: SR. 847,944/- IV. November 2017: SR. 880,365/-

		V. December 2017: SR. 948,348/-
	Arrears Port Folio	I. August 2017: SR. 152,135/- II. September 2017: SR. 152,135/- III. October 2017: SR. 152,135/- IV. November 2017: SR. 165,269.17 I. December 2017: SR. 161,735/-
Total		I. August 2018: SR. 1,040,326.25 II. September 2018: SR. 997,064.00 III. October 2018: SR. 1,000,079.00 IV. November 2018: SR. 1,045,634.17 V. December 2018: SR. 1,110,083.00
Inspection and Detection	Tax	I. August 2017: SR. 331,587.00 II. September 2017: SR. 332,390.00 III. October 2017: SR. 332,390.00 IV. November 2017: SR. 334,965.64 I. December 2017: SR. 324,058.00
	Customs	I. August 2017: SR. 843,802.00 II. September 2017: SR. 840,961.00 III. October 2017: SR. 833,736.00 IV. November 2017: SR. 882,428.00 I. December 2017: SR. 897,964.00
Total		I. August 2017: SR. 1,175,389.00 II. September 2017: SR. 1,173,351.00 III. October 2017: SR. 1,166,126.00 IV. November 2017: SR. 1,217,393.64 V. December 2017: SR. 1,222,049.00
Taxpayer Education & Service Delivery	Taxpayer Education	I. August 2017: SR. 81,103.00 II. September 2017: SR. 81,103.00 III. October 2017: SR. 81,103.00 IV. November 2017: SR. 81,103.00 V. December 2017: SR. 81,103.00
	Service Delivery	I. August 2017: SR. 153,197.00 II. September 2017: SR. 153,197.00 III. October 2017: SR. 153,197.00 IV. November 2017: SR. 153,197.00 V. December 2017: SR. 153,197.00
Total		I. August 2017: SR. 234,300.00 II. September 2017: SR. 234,300.00 III. October 2017: SR. 234,300.00 IV. November 2017: SR. 234,300.00 V. December 2018: SR. 234,300.00
Grand total amount per month:		



i.	August 2017:	SR. 3,014,891.51
ii.	September 2017:	SR. 3,482,278.00
iii.	October 2017:	SR. 2,921,301.00
iv.	November 2017:	SR. 3,074,497.13
v.	December 2017:	SR. 3,167,968.96

#### *1.5.4.2 Allowances paid*

There are several types of allowances paid throughout the SRC and for 2017. A total of SR 1.4 million was remunerated to staff in the following allowance categories:

- i. Responsibility Allowance
- ii. Inducement Allowance
- iii. Meal Allowance
- iv. Duty Allowance
- v. Stand-by Allowance
- vi. Marketable Skills Allowance
- vii. Driving Allowance
- viii. Performance Allowance
- ix. On call Allowance
- x. Shift allowance
- xi. PSC Allowance

#### *1.5.4.3 Gratuity Payment*

With reference to the Circular No 2 for year 2016, the Government has seen fit to revise the rates of Gratuity payment for long Service. The payment is being made for employees on continuous service only with effect from 1<sup>st</sup> January 2017 to 31<sup>st</sup> December 2017 with a total amount of SR 505 thousand. Appendix 3 illustrates the total gratuity paid per division. A total of SR 185,000 was paid out to employees in the form of gratuity payment.



### 1.5.5 Staff movement

#### 1.5.5.1 Promotion

With reference to internal advertisement made and interview conducted during the year of 2017, a total of 6 internal applicants were successful for direct promotion in terms of meeting the full criteria of the higher position.

- Customs Division = 1 Officer
- Tax Division = 5 Officers

However, 9 officers received promotion as a result of reclassification of post through upgrading of post process. Consequently a total of 15 promotions of officers to higher positions were recorded for the period 2017.

#### 1.5.5.2 Transfer

Further to the internal advertisement made in August 2017, a total of 3 applicants were successful in meeting criteria of the positions advertised and were transferred to the designated posts in the taxation division.

A rotation exercise in Customs Division was conducted in 2017 and 22 Customs Officers, Senior Customs Officers, Second in Charge Officers, Supervisors and Directors were rotated internally.

However, one transfer was conducted in Legal Section following a reclassification of post whereby, the Prosecution Unit was transferred from Tax Division to Legal Section in the Revenue Commissioner's Office.

### 1.5.6 Staff Turnover

A total amount of 31 Officer has exit SRC through the resignation process.



### 1.5.7 PSC Contract

Table 5 below indicates the number of employees holding a PSC Contract.

**Table 5: Number of employees on the PSC Contract**

<b>Division</b>	<b>Total Male</b>	<b>Total Female</b>	<b>Total Amount</b>
Revenue Commissioner's Office	01	02	03
Deputy Commissioner's Office	02	02	04
Support Services	01	NIL	01
Tax	01	10	11
Customs	06	09	15
<b>Total officers</b>	<b>11</b>	<b>23</b>	<b>34</b>

#### Customs Division:


- A total of 15 officers have received a 1<sup>st</sup> two year PSC contract.
- 9 officers have ended the 1<sup>st</sup> PSC contract and has been issued with a 2<sup>nd</sup> PSC contract that will end during the year 2018.

#### Tax Division:

- A total of 10 officers have received a 1<sup>st</sup> two year PSC contract
- 1 officer has received a 1<sup>st</sup> three year PSC contract that will end during the year 2019.

#### Support Services and Executive Office (Revenue Commissioner and Deputy Commissioner's office:

- A total amount of 6 officers have received their 1<sup>st</sup> two year PSC contract.
- 2 officers have been issued with their 2<sup>nd</sup> two year PSC Contract which will end during the year 2018.
- 2 officers did not renew their contract and decided to exit the organization.



All employees on PSC contract are entitle to payment of 5% annual Gratuity upon completion of the 1<sup>st</sup> year of their contract and payment is effected upon submission of the Progress Report for the 1<sup>st</sup> completed year on the PSC contract.

All employees on PSC contract are entitle to an end of contract payment in the range of 5% to 15% of the total remuneration on the actual percentage point to be used, based on the assessment of their performance. Hence it is recommended that a completed performance appraisal review form is submitted to effect payment.

Upon completion of the 1<sup>st</sup> PSC contract a performance appraisal review is submitted and upon submission of interest for contract renewal, the total points awarded on the appraisal review will determine a percentage rate to be awarded with a salary increase.


The salary increase awarded is payable as a Performance Allowance after signing the 2<sup>nd</sup> PSC contract, and thereby paid on a monthly basis.

#### 1.5.8 Scheme of Service Review

SRC held a meeting in with the Department Public Administration 2017 with regards to revision of Customs, Tax, Deputy Commissioner's Office and Revenue Commissioner's Office cadre. Approval has been granted for the revision of the Inducement Allowance. Table 6 below illustrates the revised inducement allowance.

**Table 6: Revised Scheme of Service 2017**

<b>Post Title</b>	<b>Grade</b>	<b>Bands</b>	<b>Revised Inducement Allowance</b>
Tax/Customs Officer	SG5	B2-B3	SR 2,500
Senior Tax / Customs Officer	SG6	B3-B4	SR 3,700
Tax/ 2 in Charge Officer	SG7	B3-B4	SR 4,900
Supervisor	SG8	B4-B5	SR 6,100
Manager	SG9	B6-B7	SR 7,300
Director	SG10	B7-B9	SR 8,500
Assistant Commissioner	SG11	B9-B10	SR 9,700



Furthermore approval was also granted for the current Environmental Risk allowance to be renamed as Location allowance and the amount to be reviewed from SR 720 to SR 1,000 per month.

#### 1.5.9 Introduction of shift allowance

Approval was conveyed for payment of Shift Allowance to drivers allocated with shift workers in Customs Division, Airport Terminal Operations Section. A total amount of SR. 45,360/- of salary arrears were made payable during the year 2017.

## Part 2: Performance Reporting

### 2.1 Revenue Collection

The total tax receipt for the fiscal year ending 31<sup>st</sup> December 2017 was SR 6.53 billion against the end of year revised revenue forecast of SR 6.29 billion, representing an over performance of SR 241.8 million or 3.7 per cent. The main tax line over performed by SR 173.7 million or 2.8 per cent whereas Non- tax revenue over performed by SR 68.1 million or 24.7 per cent.

All major tax lines recorded a surplus except for custom duties which recorded a deficit of SR 9.7 million or 3.3 per cent.

The main contributor for the over performance in the main tax line can be attributed to Business tax and VAT which recorded SR 109.8 million altogether.

**Table 7: Revenue Collection by Tax Type for 2016 and 2017**

	<b>Actual 2016 SR '000'</b>	<b>Actual 2017 SR '000'</b>	<b>Growth in Total collection</b>	
			<b>SR '000'</b>	<b>%</b>
<b>INCOME TAX</b>	939,142	900,072	-39,070	-4%
<b>TRADES TAX</b>	365,022	295,415	-69,607	-19%
<b>EXCISE TAX</b>	1,143,892	1,311,014	167,122	15%
<b>BUSINESS TAX</b>	1,028,507	1,362,216	333,709	32%
<b>CSRT</b>	86,729	95,052	8,324	10%
<b>TMT</b>	44,770	60,069	15,299	34%
<b>VALUE ADDED TAX</b>	2,020,105	2,204,253	184,147	9%
<b>PRESUMPTIVE TAX</b>	10,057	12,843	2,786	27.7%
<b>GST ARREARS</b>	921	16,955	16,033	1740%
<b>Total Tax revenue</b>	<b>5,639,145.3</b>	<b>6,257,888.8</b>	<b>618,743.6</b>	<b>11.0%</b>
<b>Other Revenue (License fees)</b>	191,187	197,190	6,003	3%
<b>Other Non-Tax Revenue</b>	60,523	78,100	17,577	29%
<b>Total Non-Tax Revenue</b>	<b>251,710.0</b>	<b>275,290.5</b>	<b>23,580.5</b>	<b>9.4%</b>
<b>Total</b>	<b>5,890,855.3</b>	<b>6,533,179.4</b>	<b>642,324.0</b>	<b>10.9%</b>



Table 7 above shows the growth in total receipt for 2017 in comparison to the previous year. Total Tax receipts for the fiscal year ending 31<sup>st</sup> December 2017 grew by 11 per cent or SR 618.7 million compared to 2016. The significant growth in collection can be observed under Business Tax, Excise Tax and VAT by SR 333.7 million, SR 167.1 million and SR 184.1 million respectively.

**Chart 1: Growth by Sector for Business Tax and VAT Domestic for 2016 / 2017**

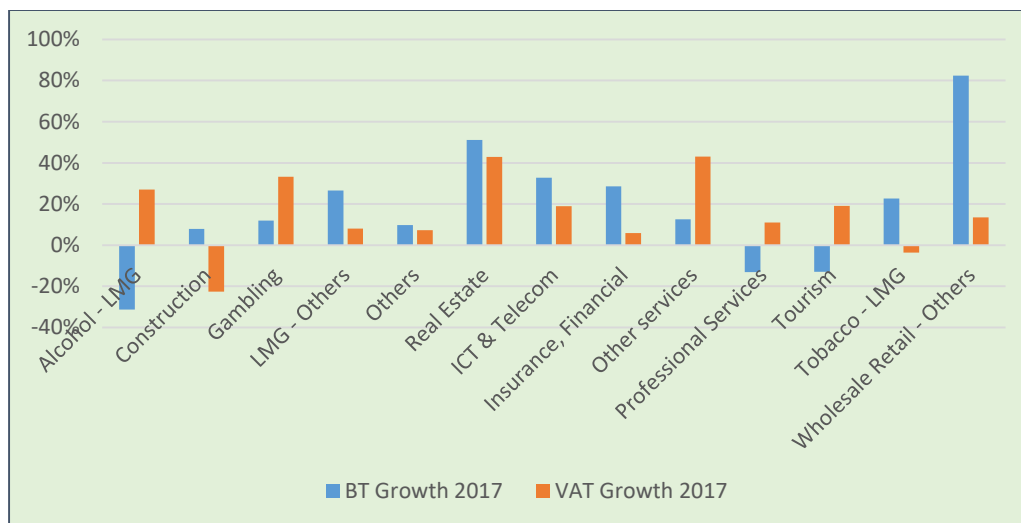


Chart 1 above provides an indication of the different sectors' contribution for the good performance under Business Tax and VAT Domestic.

Sectors such as wholesale and retail, real estate and ICT show a significant increase in their Domestic VAT contribution, whereas for business tax, the over performance can be related to Real estate, other services (mainly transportation and storage), Gambling and LMG alcohol.

### 2.1.2 Income Tax performance for the fiscal year 2017

For the fiscal year 2017, Income tax receipts exceeded the end of year revised forecast by SR 30.2 million or 3.4 per cent. Collection in the different segments exceeded the budgeted estimate, resulting in the actual total collection being higher than the forecast by 3.4 per cent.

**Table 8: Income Tax Collection for the Year 2017**

	Budgeted Estimate SR '000'	Net Collection SR '000'	Performance SR '000'	Difference
Central Government	237,502	243,495	5,993	2.5%
Other Public Sectors	118,947	128,806	9,858	7.7%
Private Sectors	513,360	527,767	14,407	2.7%
SSF Arrears	0	5	5	100.0%
<b>Total</b>	<b>869,809</b>	<b>900,072</b>	<b>30,263</b>	<b>3.4%</b>

In comparison to the fiscal year 2016, income tax receipts declined by SR 39 million or 4 per cent in 2017 and this can be attributed to the phases of implementation of the progressive income tax system. However, the performance of Parastatals has seen an increase of SR 11.7 million or 9 per cent.

**Table 9: Income Tax Collection by Employer Segments for the Year 2017**

	2014 SR '000'	2015 SR '000'	2016 SR '000'	2017 SR '000'	(+ / -) Growth in total collection SR '000'    %	
<b>Social Security</b>						
Arrears	12,046	19,706	355	5	-350	-7008%
<b>Income Tax</b>						
Government	228,657	253,969	246,628	243,495	-3,133	-1%
Parastatals	102,554	118,671	117,102	128,806	11,704	9%
Private	546,324	575,117	575,057	527,767	-47,290	-9%
<b>Total</b>	<b>889,581</b>	<b>967,463</b>	<b>939,142</b>	<b>900,072</b>	<b>-39,070</b>	<b>-4%</b>
Private + SSF Arr.	558,370	594,823	575,412	527,772	-47,640	-9%
Parastatals	102,554	118,671	117,102	128,806	11,704	9%
Government	228,657	253,969	246,628	243,495	-3,133	-1%

### 2.1.3 Custom Duty performance for the fiscal year 2017

Custom duties for the year 2017 performed below the revised end of year forecast by SR 9.7 million or 3.3 per cent. The underperformance was mainly attributed to Vehicles levy and imported alcohol. However, the over performance of SR 5.4 million under 'Other' partly offsets the overall under performance.

**Table 10: Collection of Customs Duty for the Year 2017**

	<b>Budgeted Estimate</b>	<b>Net Collection</b>	<b>Performance</b>	
	<b>SR '000'</b>	<b>SR '000'</b>	<b>SR '000'</b>	<b>( % )</b>
Alcohol	134,299	129,322	-4,976	-3.8%
Textiles	20,800	20,063	-737	-3.7%
Motor Vehicles	215	391	176	45.0%
Tobacco	2,181	1,804	-377	-20.9%
Prepared Food	13,652	11,059	-2,594	-23.5%
Others	68,024	73,500	5,476	7.5%
Levy	63,236	57,113	-6,123	-10.7%
Documentary Charges	2,677	2,163	-514	-23.7%
<b>Total</b>	<b>305,084</b>	<b>295,415</b>	<b>-9,669</b>	<b>-3.3%</b>

In comparison to 2016, custom duties for fiscal year 2017 declined by SR 69.6 million or 24 per cent. This is due to significant decrease in motor vehicles, alcohol and vehicles levy amounted to SR 70.9 million altogether. The underlying reasons behind these reductions can be attributed to policy changes such as the shift from custom duties on motor vehicles to excise tax on motor vehicles and shift in consumption or substitution from Import alcohol to LMG alcohol.

**Table 11: Customs Duty Comparison 2014 - 2017**

	2014	2015	2016	2017	(+ / -) Growth in total collection	
Description	SR '000'	SR '000'	SR '000'	SR '000'	SR '000'	%
Alcohol	108,373	97,078	145,969	129,322	-16,647	-13%
Petroleum	13,527	0	0	0	0	0%
Textiles	27,419	25,727	22,277	20,063	-2,214	-11%
Motor Vehicles	71,913	57,453	40,421	391	-40,030	-10239%
Tobacco	1,245	1,885	2,092	1,804	-288	-16%
Prepared Food	19,764	18,592	18,360	11,059	-7,302	-66%
Others	88,402	77,227	61,423	73,500	12,077	16%
Levy	48,320	51,222	71,488	57,113	-14,376	-25%
Documentary Charges	2,120	1,615	2,991	2,163	-828	-38%
<b>Total</b>	<b>381,082</b>	<b>330,799</b>	<b>365,022</b>	<b>295,415</b>	<b>-69,607</b>	<b>-24%</b>

#### 2.1.4 Excise Tax performance for the fiscal year 2017

For the fiscal year 2017, the total Excise tax receipt exceeded the end of year revised forecast by SR 27.4 million or 2.1 per cent, with both Locally manufactured goods and imports performing above the forecast by SR 7.8 million and 19.5 million respectively.

On the LMG side, alcohol was the main driver for the over performance with SR 13.4 million or 8.4 per cent whereas on the import side, petroleum contributed SR 26.7 million or 4.1 per cent.

Similarly to custom duty on alcohol, Excise on imported alcohol showed similar trends with a shortfall of SR 12.3 million in 2017 as opposed to an over performance under LMG alcohol. This might be attributed to an increase in locally manufactured alcohol consumption or substitution.

**Table 12: Collection of Excise Tax for the Year 2017**

	Budgeted Estimate	Net Collection	Performance	
	SR '000'	SR '000'	SR '000'	%
Alcohol - LMG	146,072	159,495	13,423	8.4%
Tobacco - LMG	155,057	149,521	-5,536	-3.7%
<b>Sub Total LMG</b>	<b>301,129</b>	<b>309,016</b>	<b>7,887</b>	<b>2.6%</b>
Alcohol - Imported	219,301	206,903	-12,398	-6.0%
Petroleum	627,343	654,104	26,761	4.1%
Motor Vehicles	128,694	135,781	7,087	5.2%
Tobacco Imported	7,128	5,210	-1,918	-36.8%
<b>Sub Total Import</b>	<b>982,466</b>	<b>1,001,998</b>	<b>19,532</b>	<b>1.9%</b>
<b>Total Excise Tax</b>	<b>1,283,595</b>	<b>1,311,014</b>	<b>27,419</b>	<b>2.1%</b>

Excise tax receipts for fiscal year 2017 was significantly higher than fiscal 2016 by SR 167.1 million or 13 per cent mainly attributed to Petroleum which recorded a growth of SR 123.2 million or 19 per cent, motor vehicles by 36.3 million or 27 per cent and LMG alcohol by SR 18.4 million or 12 per cent.

The good performance mentioned above can be attributed to the policy decision for petroleum refunds not being deducted under the tax line and motor vehicles custom duties shifting to excise tax vehicles.

**Table 13: Excise Tax Comparison 2014 - 2017**

	2014	2015	2016	2017	(+ / -) Growth in total collection	
	SR '000'	SR '000'	SR '000'	SR '000'	SR '000'	%
Alcohol - LMG	115,340	144,046	141,088	159,495	18,407	12%
Tobacco - LMG	110,461	137,806	150,284	149,521	-763	-1%
Alcohol	109,277	133,814	215,320	206,903	-8,417	-4%
Petroleum	458,785	492,514	530,870	654,104	123,234	19%
Motor vehicles	60,994	44,409	99,440	135,781	36,341	27%
Tobacco	3,393	8,444	6,890	5,210	-1,680	-32%
<b>Total</b>	<b>858,250</b>	<b>961,034</b>	<b>1,143,892</b>	<b>1,311,014</b>	<b>167,122</b>	<b>13%</b>
<b>Excise Import</b>	<b>632,449</b>	<b>679,182</b>	<b>852,520</b>	<b>1,001,998</b>	<b>149,478</b>	<b>15%</b>
<b>Excise LMG</b>	<b>225,801</b>	<b>281,853</b>	<b>291,372</b>	<b>309,016</b>	<b>17,644</b>	<b>6%</b>

### 2.1.5 Business Tax Performance for the Fiscal Year 2017

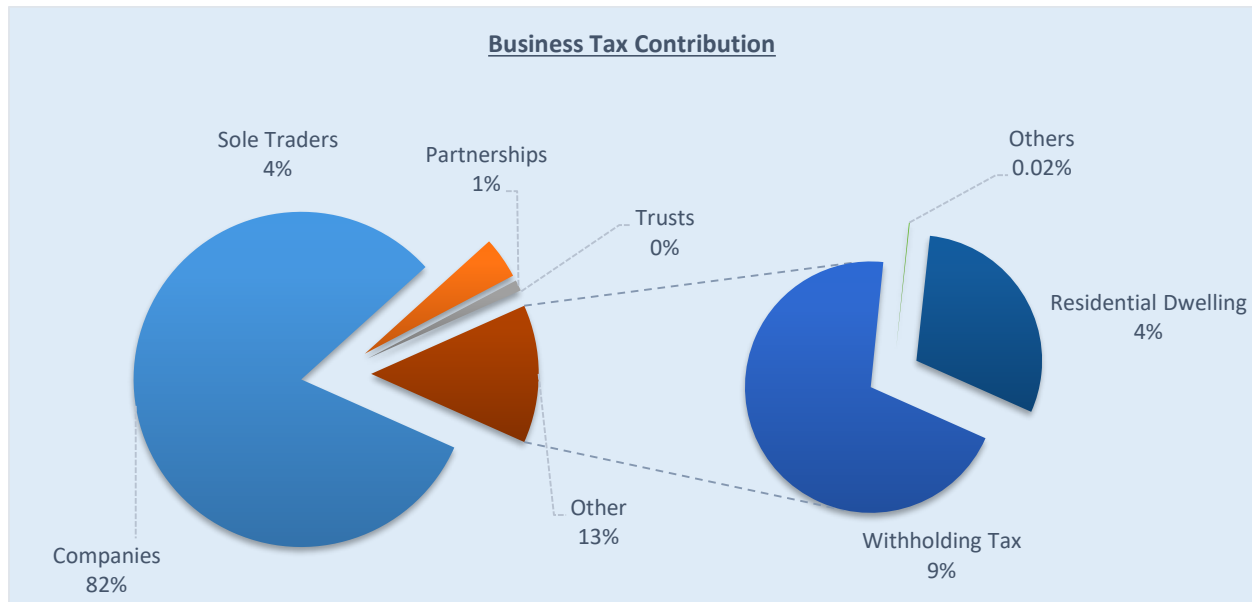
Business Tax for the fiscal year 2017 was the highest over performer amongst the main tax lines with SR 64 million or 4.7 per cent. The areas where the SRC had the highest levels of collection are withholding tax and companies, whereby SRC collected SR 37.3 million and SR 22.2 million respectively.

Over performance under withholding tax can be attributed to the collection of arrears from PUC and Berjaya Beau-Vallon Bay Beach Resort.

**Table 14: Collection of Business Tax for the Year 2017**

	<b>Budgeted Estimate</b>	<b>Net Collection</b>	<b>Performance</b>	
	<b>SR '000'</b>	<b>SR '000'</b>	<b>SR '000'</b>	<b>%</b>
Companies	1,089,796	1,112,057	22,260	2.0%
Sole Traders	49,051	54,368	5,317	9.8%
Partnerships	17,008	14,245	-2,763	-19.4%
Trusts	56	6	-49	-773.1%
Withholding Tax	89,589	126,968	37,380	29.4%
Others	197	212	15	7.0%
Residential Dwelling	52,513	54,359	1,846	3.4%
<b>Total</b>	<b>1,298,210</b>	<b>1,362,216</b>	<b>64,005</b>	<b>4.7%</b>

**Chart 2: Business Tax Contribution by Entity Type**



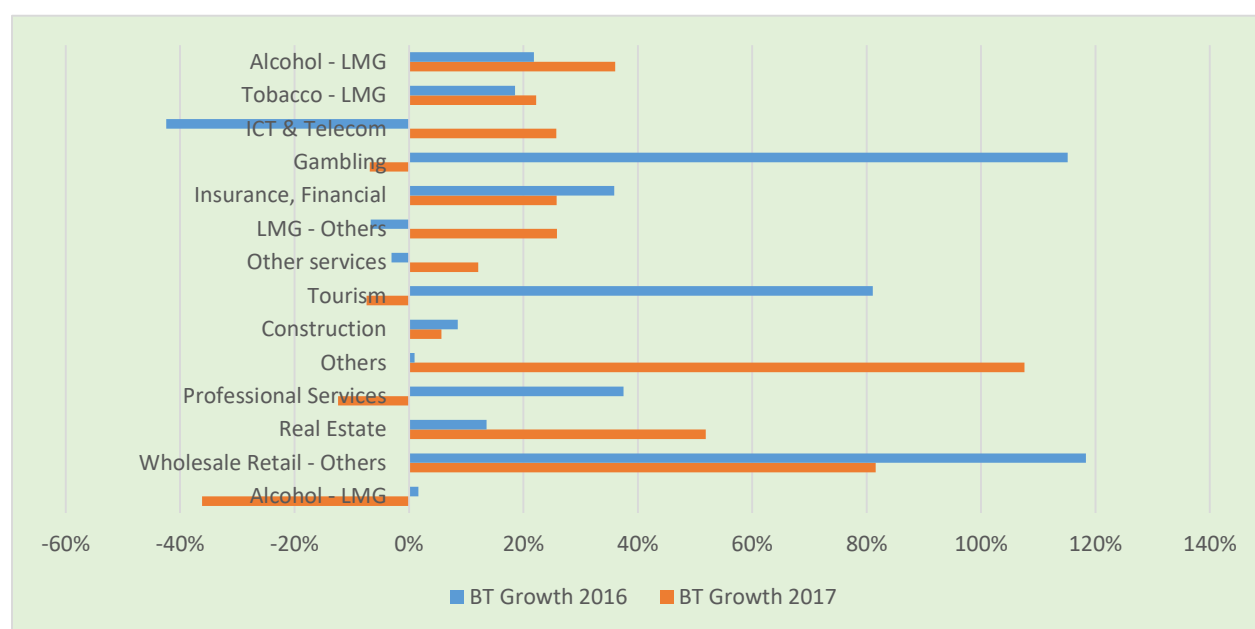
Business tax receipts for the fiscal year 2017 recorded significant growth compared to 2016, amounting to SR 333.7 million or 32 per cent. The growth can be observed across all entity types, with companies contributing the highest with SR 259.4 million or 30 per cent.

**Table 15: Business Tax Comparison 2014 - 2017**

Description	2014	2015	2016	2017	(+ / -) Growth in total collection	
	SR '000'	SR '000'	SR '000'	SR '000'	SR '000'	%
<b>Companies</b>	639,017	563,455	852,594	1,112,057	259,463	30%
<b>Sole traders</b>	23,229	42,537	32,202	54,368	22,166	69%
<b>Partnerships</b>	8,804	11,375	12,923	14,245	1,322	10%
<b>Trusts</b>	6	1	0	6	6	
<b>Withholding tax</b>	67,016	87,946	83,385	126,968	43,583	52%
<b>Others</b>	152	370	293	442	149	51%
<b>Residential Dwelling</b>	37,269	42,753	47,272	54,359	7,087	15%
<b>Total</b>	<b>775,492</b>	<b>748,436</b>	<b>1,028,669</b>	<b>1,362,446</b>	<b>333,777</b>	<b>32%</b>

The growth in total business tax receipts can be explained by better performance from businesses for the fiscal year 2016 and an improvement in the collection of arrears. The good performance under business tax can be observed under different sectors namely ICT & Telecommunications, Real estate, 'Other' (such as PUC for the withholding tax arrears). Sectors such as gambling, tourism and professional services have recorded a significant decline in their growth.

**Chart 3: Growth in Business Tax by Sector**



#### 2.1.6 Corporate Social Responsibility and Tourism Marketing Tax Performance for the Fiscal Year 2017

Both CSRT and TMT were more or less in line with the end of year revised forecast for the fiscal year 2017, with CSRT over performing by SR 2.5 million or 2.6 per cent and TMT over performing by SR 0.8 million or 1.4 per cent.

In comparison to the fiscal year 2016, both tax lines grew substantially in the fiscal year 2017. CSRT grew by SR 8.3 million or 9 per cent, while TMT grew by SR 15.2 million or 25 per cent.



**Table 16: CSRT & TMT Collection for the Year 2017**

	Budgeted Estimate	Net Collection	Performance	
	SR '000'	SR '000'	SR '000'	%
Corporate Social Responsibility Tax	92,541	95,052	2,511	2.6%
Tourism Marketing Tax	59,210	60,069	859	1.4%

#### 2.1.7 Value Added Tax Fiscal year 2017 performance

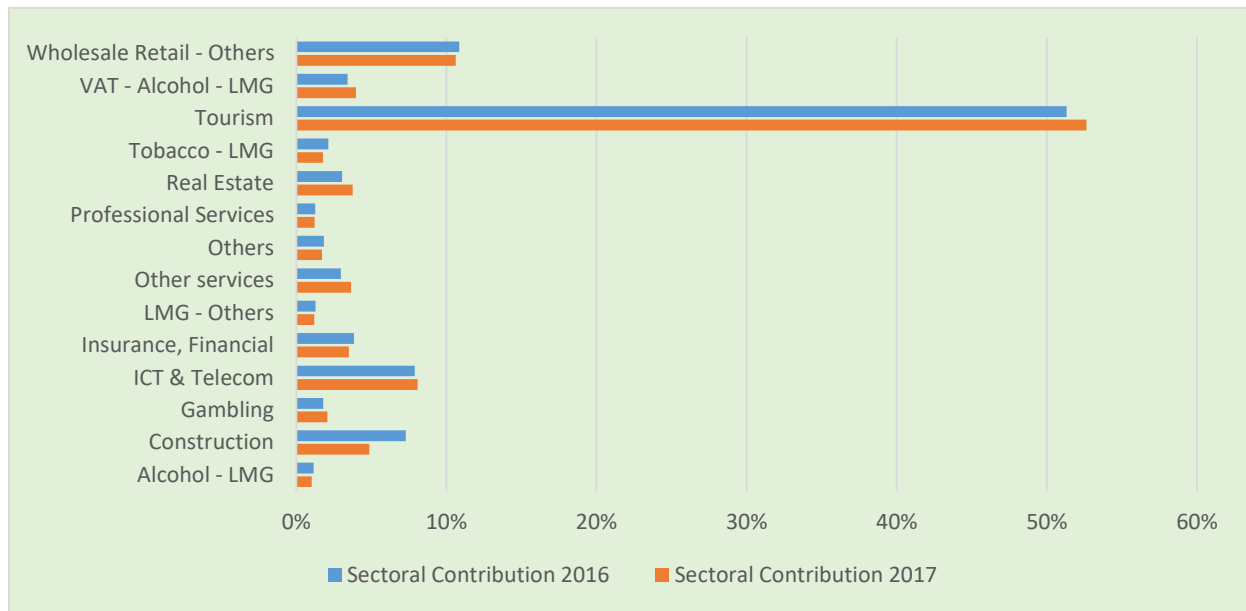
The total VAT receipts for the fiscal year 2017 was above the end of year forecast by SR 45.8 million or 2.1 per cent. This is attributed to a substantial over performance under VAT Domestic by SR 88.2 million or 6.8 per cent. Tourism sector was the main driver for the over performance of VAT Domestic which can be associated with growth in visitors' arrival in 2017. Other factor can be related to reduction in refunds issued in 2017 by SR 41.8 million or 32 per cent from 2016. (See chart 4 below)

On the other hand, VAT on Import recorded an under performance of SR 42.3 million or 4.6 per cent which can be linked with the reduction in imported alcohol. Additionally, the increase in exempt goods can be another factor affecting the performance.

**Table 17: VAT Collection for the Year 2017**

	Budgeted Estimate	Net Collection	Performance	
	SR '000'	SR '000'	SR '000'	%
VAT - Domestic	1,205,347	1,293,558	88,212	6.8%
VAT - Imported Goods	953,023	910,694	-42,328	-4.6%
<b>Total</b>	<b>2,158,369</b>	<b>2,204,253</b>	<b>45,883</b>	<b>2.1%</b>

**Chart 4: Domestic VAT Contribution by Sector 2016 / 2017**



The total VAT receipts grew substantially in 2017 by SR 184.1 million or 8 per cent. The growth was driven mainly by VAT domestic by SR 223.6 million or 17 per cent.

The sectorial breakdown indicates Real estate, 'Other' services (mainly transportation and storage) and LMG Alcohol recorded substantial growth in 2017 compared to previous years.

On the other hand, VAT on importation declined in 2017 by SR 39.5 million or 4 per cent which can be explained by the factor mentioned above in the fiscal year performance.

### 2.1.8 Presumptive Tax

For the fiscal year 2017, SR 12.8 million was collected under presumptive tax representing a growth of SR 2.7 million or 28 per cent from the fiscal year 2016.

**Table 18: Presumptive Tax Comparison 2014 - 2017**

Description	2014	2015	2016	2017	(+ / -) Growth in total collection	
	SR '000'	SR '000'	SR '000'	SR '000'	SR '000'	%
<b>Presumptive tax</b>	6,857	10,090	10,057	12,843	2,786	28%

### 2.1.9 GST Arrears

GST Arrears collected in 2017 was more or less equivalent to the end of year revised forecast. The increase of SR 16 million in 2017 can be related to collection of arrears from PUC.

**Table 19: Collection of GST Arrears for the Year 2017**

	Budgeted Estimate	Net Collection	Performance	
	SR '000'	SR '000'	SR '000'	%
GST Arrears	17,309	16,955	-355	-2.1%
<b>Total</b>	<b>17,309</b>	<b>16,955</b>	<b>-355</b>	<b>-2.1%</b>

**Table 20: Collection of GST Arrears Comparison 2014 - 2017**

Description	2014	2015	2016	2017	(+ / -) Growth in total collection	
	SR '000'	SR '000'	SR '000'	SR '000'	SR '000'	%
GST Arrears	6,494	4,372	921	16,955	16,033	95%
<b>Total</b>	<b>6,494</b>	<b>4,372</b>	<b>921</b>	<b>16,955</b>	<b>16,033</b>	<b>95%</b>

### 2.1.10 License Fees

License fees receipts for the fiscal year 2017 was below the end of year revised forecast by SR 10 million or 5.1 per cent. This was mainly attributed to lower collection under telecommunication licenses by SR 8.3 million or 12 per cent.

In comparison to fiscal year 2016, License fees increased slightly by SR 6 million or 3 per cent. However, telecommunication fees declined for fiscal year 2017 by 11 million or 16 per cent whereas road tax and other license increased by SR 12.6 million or 12 per cent.

**Table 21: Collection of License Fees 2017**

	<b>Budgeted Estimate</b>	<b>Net Collection</b>	<b>Performance</b>	<b>Difference</b>
	<b>SR '000'</b>	<b>SR '000'</b>	<b>SR '000'</b>	
Trade/Ind Licenses	10,400	10,501	101	1.0%
Licenses and Other License Registration	4,996	6,267	1,270	20.3%
Road Tax and Other Licenses	110,819	107,607	-3,212	-3.0%
Telecommunications Licenses	78,040	69,702	-8,338	-12.0%
Casino Licenses	313	10	-303	-3183.4%
Hotel Licenses	340	663	322	48.6%
Liquor and Toddy Licenses	294	292	-2	-0.6%
Radio Broadcasting Licenses	2,050	2,150	100	4.7%
<b>Total</b>	<b>207,251</b>	<b>197,190</b>	<b>-10,061</b>	<b>-5.1%</b>

Table 22: Collection of License Fees Comparison 2014 – 2017

	2014	2015	2016	2017	(+ / -) Growth in total collection	
	SR '000'	SR '000'	SR '000'	SR '000'	SR '000'	%
Trade/Ind Licenses	7,355	8,337	9,018	10,501	1,484	14%
Licenses and Other License Reg	2,457	2,703	2,921	6,267	3,346	53%
Road Tax and Other Licenses	59,188	88,121	94,955	107,607	12,652	12%
Telecommunications Licenses	61,929	85,838	80,716	69,702	-11,015	-16%
Casino Licenses	3,350	3,295	919	10	-910	-9556%
Hotel Licenses	125	113	326	663	336	51%
Liquor and Toddy Licenses	298	270	282	292	10	4%
Radio Broadcasting Licenses	2,367	1,701	2,050	2,150	100	5%
Annual EU Fishing License fees	21,677	0	0	0	0	
EU Fishing License: Vessel Fee	46,242	0	0	0	0	
Non EU Fishing License Fees	42,692	0	0	0	0	
<b>Total</b>	<b>247,680</b>	<b>190,379</b>	<b>191,187</b>	<b>197,190</b>	<b>6,003</b>	<b>3.0%</b>

#### 2.1.11 Other Non-Tax revenue

Other Non- tax revenue collection for the fiscal year 2017 amounted to SR 78.1 million, representing an increase of SR 17.5 million or 23 per cent compared to fiscal year 2016.

Table 23: Collection of Other Non-Tax Revenue 2017

	2014	2015	2016	2017	(+ / -) Growth in total collection	
	SR '000'	SR '000'	SR '000'	SR '000'	SR '000'	%
SLA -Fishing license fees	77	0	0	0	0	
SLA processing Fees	3	0	1	155	155	99%
SLA - Insurance Fees	129	154	169	165	-3	-2%
SLA - Publication	676	654	654	654	0	0%
Custom Duties- fees & Fines	3,061	3,266	2,282	2,227	-56	-2%
Custom Duties - Storage	536	443	273	636	363	57%
Custom Duties- Original Voucher Deposit	5,043	5,143	5,289	5,397	108	2%
Custom Duties - Pet Bottle Levy	334	-53	2,434	4,468	2,034	46%
Custom Duties - Poultry levy	23,424	34,182	47,341	63,409	16,068	25%
Custom Duties - Levy Cans	729	1,670	2,081	990	-1,091	-110%
<b>Total</b>	<b>34,012</b>	<b>45,461</b>	<b>60,523</b>	<b>78,100</b>	<b>17,577</b>	<b>23%</b>

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### 2.1.12 Refunds

A number of integrity check must be done before refund is made payable to a client, such would be to ensure that the client has no outstanding Tax or Customs liabilities due.

Total refund of excise tax on fuel amounted to SCR79, 843,066.94. The total amount retained from the refund of excise tax on fuel due to other debt owed to SRC amounted to SCR18, 760,218.06. The amount retained was mostly offset against withholding assessments issued to 5 star hotels by Audit Section.

**Table 24: Yearly Comparison of Refunds**

	Amount	
	2016	2017
<b>Total Refund</b>	SCR 79, 207,216.29	SCR 79, 843,066.94
<b>Amount retained from Refund</b>	SCR 13, 940, 657.95	SCR 18, 760, 218.06

### 2.1.13 Deferred Payment

The VAT deferred payment regulation was amended to include importation of construction materials targeting new investment and any importation of goods with a CIF value of SCR100, 000 or as per bill of entry with a CIF of over SCR100, 000.

Taxpayer Services Section processed 152 applications for VAT deferred payment. The CIF value of the VAT deferred payments approved was SCR2, 611,203,481.97.

**Table 25: Comparison of Deferred Payment Approved for 2016 and 2017**

	<b>2016</b>	<b>2017</b>
<b>Number of processed applications</b>	268	152
<b>Value (Inclusive of Cost, Insurance and Freight)</b>	SCR517, 777,332.02	SCR2, 611,203,481.97.

## 2.2 Working Nationally and Internationally

As a revenue Commission the SRC interacts with both national and international stakeholders, with the escalation of trade volumes and the ongoing transformation of globalization, SRC shares information and intelligence with other national agencies and improve external expertise in relation to other international Revenue Administration.

### 2.2.1 National Collaboration

At present SRC has Memorandum of Understandings (MoU) with six local partner agencies and they are as follows:

1. Agency for Social Protection
2. Registry of Company
3. Seychelles Pension Fund
4. Immigration Office
5. National Drug Enforcement Agency
6. Seychelles Licensing Authority

Such MoUs are in place to reduce misunderstanding and to keep the partnership together to aim at our objectives.



### 2.2.2 International Collaboration

The SRC has a number of international collaborating bodies, namely the WCO, CATA, ATAF, COMESA, SADC, IMF, MTCP, LHDNM, OECD and AFRITAC South. Altogether, SRC receives continuous assistance from other revenue administration such as SARS, MRA, TRA and IRBM which supports the SRC's modernization journey as a revenue administration for Seychelles.

### 2.2.3 Exchange of Information

Seychelles had 25 active DTAA and 11 TIEA, all of which provides for effective exchange of information. In 2016, the revenue administration – (Common Reporting Standard) regulation 2015, came into force. This provides the legal basis for financial institution to collect information on all non- residents conducting business in Seychelles.

SRC continues to be proactive in terms of exchange of information upon request. For the year under review a total 25 request were received from treaty partners.

## 2.3 Voluntary Compliance


SRC as the regulating body to collect revenue for the country attempts to make it simple as possible for all taxpayers to voluntarily comply with the tax system and aim to keep compliance cost low.

### 2.3.1 Service Delivery

#### ➤ **SRC Service Standards**

The SRC published a set of its service standards on the 1<sup>st</sup> January 2017. A total of 23 standards were published; out of which 12 belong to the Customs Division and 11 for the Tax Division. The Service Standards page provides information to both external and internal stakeholders, by indicating what clients can expect from the SRC and the expected duration of completing each SRC process. The SRC published its standards so as to identify areas of weaknesses through client feedback and through its monitoring processes. This will assist the SRC in ensuring that it is functioning effectively and efficiently and in a timely manner, according to what has been published in the service standards.





The SRC also conducted presentations with Directors / Managers / Supervisors to explain the importance of having service standards and to provide guidelines on how to collect data and report on their units' particular service standards.

Directors and Managers were asked to set their targets for their respective units which they will use to measure against their units' actual performance. Most Managers and Directors are collecting performance data, which they compile and send to the Deputy Commissioner's Office on a monthly basis. To inform the general public of the introduction of the service standards, the SRC prepared an article that was published in the newspapers. The service standards also formed part of all presentations conducted with businesses and the public in general. The SRC has also designed a client feedback form that goes together with the service standards. The form is on the SRC website and clients can send in their feedback 24/7. So far, the SRC has not received any feedback from the public.


➤ ***Revamp of the SRC website***

The Deputy Commissioner's Office, namely the TESD and IT Units are working closely with the Tax and Customs Divisions to design a new, user-friendly website. A draft template has already been designed and proposed to senior management. The IT Unit is currently in the process of identifying a contractor who will be responsible for designing the actual webpage and training the IT and TESD staff in website basics, such as uploading and removing website contents. The TESD has completed the exercise of reviewing all existing materials on the website; developing new materials and making necessary amendments to the existing ones. The Unit identified that a lot of information were outdated and therefore liaised with all SRC Directors to ensure all the contents are up to date with the recent changes in legislation. All the new materials to be included on the SRC website will be in a new format that will be promoting the SRC brand. The new SRC website is expected to go live in the fourth quarter or early 2019.

➤ ***SRC Day***

The SRC had already made preparations for small a ceremony whereby compliant taxpayers, importers and agents would have been awarded. This would have been done at the launching of the SRC Day. Because of unforeseen circumstances, the event has been pushed for 2018 The Tax and Customs Divisions had met to identify the criteria that will be used to award the recipients. Prizes were to be awarded for the following categories:

- Most compliant taxpayer
- Most compliant importer
- Most compliant tax agent

- 
- Most compliant clearing agent
  - Most frequent user of the SRC e-services

➤ ***Simplification of forms***

The SRC has reviewed several existing forms and introduced new ones to make it simpler for taxpayers and traders. These include:


- **Pending slips being issued by Customs:** These have been amended to enable Customs in capturing some data that were previously not being recorded and at the same time has been simplified and is now easier to complete.
- **Application form for Bonded Warehouse:** Businesses were previously submitting their application in the form of a letter and most of the time the information Customs need in order to give their approval is missing. The form will make it easier for importers to fill in all the required fields, provide some form of standardization and reduce the amount of time taken to process and approve an application.
- **Outside Verification:** The SRC is in the process of drafting a policy for outside verification. This will make our services more transparent when deciding which importers can qualify for outside verification. At the moment there are no procedures and the Seaport Management team are using their discretion to approve such applications. The written policy aims to establish clear guidelines to be used by the Seaport Enforcement Team.

### 2.3.2 Online Assistance and Products

➤ ***Online submission of Payroll***

As of 2018, it will be mandatory for businesses with 10 or more employees to lodge their payroll electronically. The SRC has already started its preparation for education to inform businesses of their obligations. For businesses that want to lodge their return online, they will have to register for the SRC e-service. This will encourage them to start lodging other forms such as their returns online, which in turn will be easier and cheaper for taxpayers and will reduce the workload on the SRC staff.

With the increasing range of services available online for a taxpayer, SRC enhance our electronic services by providing:

- 
1. Online Business Tax Return (BTRs)
  2. Online payment of taxes
  3. Automatic Exchange of Information (AEIOI)
  4. Educational materials
  5. Downloadable forms
  6. Rulings
  7. Legislation

### 2.3.3 General Guidance and Enquiries

A Ruling Application Form (General Guidance or Private Ruling) is in place to record any request for clarification on different taxes administered by Tax Division.

Tax queries are attended to within 7 / 14 days for non-complex issue. Reply to other tax query is not always within the service standard set due to complexity of the issue and the amount of time required researching the query. However, priority is always given to answering the taxpayer the soonest possible.

**Table 26: General Guidance / Private Rulings Comparison against Service Standards**

### 2.3.4 Field Visits

As part of its core function, Registry Unit Inspection Team carried out field work on Mahe, Praslin & La Digue of which 245 cases were recorded. Registry managed to conduct 26 Field Work in 2017 on Mahe, Praslin and La Digue. POA Officers conducted 28 advisory visits and recorded 168 cases on Mahe only. Field work was not carried out on Praslin and La Digue due to unavailability of budget for two (2) consecutive years. However, effort will be made to carry out field work on Praslin and La Digue in 2018. An effective strategy to maximize collection, is through field work and Enforcement actively conducted field work in 2017. The target for field work is a maximum of 144 and 132 field work was conducted showing an achievement of 92% a sum of SR 21 million was collected.

## 2.4 Supporting Compliance


SRC support compliance through a range of activities. Each activity targets a specific group of taxpayers dependent upon the nature of their business.



### 2.4.1 Education and Training

Educating taxpayers remains a prime focus for SRC, better understanding of the tax system will result on better compliance from our taxpayers. The SRC has prepared the following educational materials that have been uploaded on the website:

- Changes in the Tourism Marketing Tax Act
- VAT article: When to apply the apportionment rule
- Article on duty free procedures at the airport.
- Article on how to apply for binding tariff information
- Article on Corporate Social Responsibility Tax
- Article on changes to the BAS form
- Leaflet on pre-lodgement of Bills of Entry
- Leaflet on new direct delivery procedures.
- Amended leaflet for VAT refund at the airport.
- Amended payroll user guide for small and medium businesses.
- Payroll user guide for large businesses.
- Guide for bonded warehouse operations.
- Updated INMBT information on the website.
- Compulsory VAT registration
- Specified Businesses
- Income tax concessions
- Corporate Social Responsibility Tax (CSRT)
- VAT deferred payment
- Record Keeping
- Gard rikord
- Income tax as of July 2016
- Penalties
- Presumptive Tax
- Taks Valer Azoute
- Tax audit
- Tourism Marketing Tax
- VAT credit refund
- Zero Rated Supplies
- Importation by post
- Direct delivery
- Pre-lodgement
- Binding information



All new S.Is have been scanned and uploaded on the SRC website for taxpayers to access/download.

➤ ***“Konn Plis” radio program***

The SRC liaised with the SBC to launch their educational campaigns on the radio. The “Konn Plis” program is aired every two weeks and touches different elements of tax and customs. Interviews were conducted with Tax and Customs Managers, Directors and Assistant Commissioners to explain various tax laws and procedures. The program started in March 2017 and lasted for a period of 4 months.

➤ ***Taxpayer Workshops***

The SRC conducted workshops on Mahe, Praslin and La Digue to go over the following taxes / topics:

- Value Added Tax
- Corporate Social Responsibility Tax
- Tourism Marketing Tax
- Pay As You Go
- Income and Non-Monetary Benefits Tax


The turnout on Mahe was better than the previous years, but not many taxpayers showed interest in attending the workshops being held on Praslin and La Digue. Notices were placed in the newspapers, at all SRC offices and the SRC website; emails were sent to taxpayers and phone calls were made in attempt to invite the taxpayers to the workshops.

➤ ***Changes to Business Tax and introduction of the Foreign Owned Property Tax***

The SRC alongside the Ministry of Finance has been conducting a series of consultative meetings to discuss the introduction of Foreign Owned Property Tax and propose changes to the Business Tax.

➤ ***Progressive Income Tax***

The TESD Unit alongside the Ministry of Finance conducted a series of consultative meetings with businesses and the general public prior to the progressive income tax law to be enacted. A total of 8 meetings were conducted on Mahe, Praslin and La Digue. The



meetings were organized by sector and/or industry. Participants had the opportunity to learn more about the policy and the implementation of Progressive Income Tax. They got the chance to point out certain challenges or negative impact that this new regime would have not only on individuals but businesses in general (as the employers). All points discussed were noted and taken into consideration when reviewing the White Paper for the Cabinet of Ministers and preparing the Bill to go to the National Assembly.

The SRC and the Ministry of Finance also conducted meetings with specific groups to discuss the Progressive Income Tax proposal that was approved by the Cabinet of Ministers. This includes:

- Nurses and Health Care workers
- Hope Consultant (Presentation conducted with a group of school leavers who are following the Employment Scheme)
- Forum of CEOs

The SRC is currently in the process of updating all educational materials for progressive income tax. These include for both changes that will occur in January and changes that will occur in July. The educational materials will be published in both English and Creole. These include:

- Leaflets
- Guides (Progressive Income Tax)
- Guides (Payroll)
- Videos (Exemptions)
- Videos (Payroll)
- Videos (Progressive Income Tax)
- Articles
- Flyers

The SRC will also be conducting staff training and workshops with the general public as of January 2018 to explain the changes in the payroll template, Business Activity Statement, Income Tax Exemption List and the submission of electronic payroll.

➤ ***Changes to the VAT Exemption List and Removal of Customs Duty on certain goods***

The SRC prepared notices to announce changes in the VAT exemption list and the removal of duty on certain goods that took place in 2017. The public were informed of these changes through notices that were distributed in the following ways:

- Newspapers (Nation and Today)
- Radio

- Posters displayed at all SRC Offices

The consolidated list of VAT exempt goods was updated and uploaded on the SRC website.

## 2.5 Enforcement Compliance Tax Division

The Taxation Division supports taxpayers to meet their obligation and understand their rights to participate correctly in the tax system through overseeing and ensuring proper registration, lodgement, reporting, and appropriate payment.

### 2.5.1 Registration

Throughout 2017 Tax Division registered a total of 1985 new businesses liable to pay taxes. This signifies a slight build-up of 585 new businesses registered in 2017 compared to 2016.

**Table 27: Total Registered Taxpayers as at 31<sup>st</sup> December 2017**

	<b>Opening Balance</b>	<b>New Registration</b>	<b>Closed Files</b>	<b>Temporary Closed</b>	<b>Closing Balance</b>
1/01/2016	12597	1400	53	61	13883
1/01/2017	13883	1985	45	22	15801

In 2017, Registry had a backlog of 1924 temporarily inactive taxpayers to clear and by the end of the year 1508 files were closed, reflecting an achievement of 78%. This in itself is a significant achievement and we are convinced that we will clear the remaining 416 inactive cases during the first half of 2018.

The temporary closed refers to taxpayers that have already informed SRC about the closure of their business but whose files have not yet been closed because they are either

outstanding with business tax returns and/or payment of taxes. Table 28 below illustrates the number of cessations recorded by the SRC.

**Table 28: Cessation of Business – Closure of Taxpayers' Files**

<b>CESSATION LETTERS RECEIVED</b>	<b>OPENING BALANCE (2017)</b>	<b>RECEIVED DURING THE YEAR</b>	<b>FILES CLOSED</b>	<b>CLOSING BALANCE</b>
2015/16/17	855	987	801	1071
2014	757	0	719	38
2011/12/13	312	0	187	125
<b>TOTAL</b>	<b>1924</b>	<b>987</b>	<b>1707</b>	<b>1234</b>

#### 2.5.1.1 VAT Registration

VAT was introduced in 2013 and mandatory registration was set at SR5.0 million. The threshold was lowered to SR3.0 million in 2014 and SR2.0 million in 2015 respectively based on business annual taxable supplies.

Below is a summary of VAT registration recorded from 2012 to 2017.

**Table 29: VAT Registration for the Year 2012 - 2017**


<b>Particulars</b>	<b>End of Year 2012 to 2016</b>	<b>End of Year 2017</b>	<b>Total VAT Registered Businesses for the year 2017</b>
Compulsory	950	158	1108
Voluntary	250	68	318
<b>Total</b>	<b>1200</b>	<b>226</b>	<b>1,426</b>

#### 2.5.2 Tax Avoidance and Audit Activity

Tax avoidance is detected through Customs control and Tax division audit related activities conducted throughout the year. Cases are selected for intervention, based on the different risk indicators and information is collected.

During the year 2017, the Intelligence team continued with their information gathering from both internal and external sources and the information gathered were risk profiled. A total of 155 cases were allocated to the audit teams. In addition, they also created several comprehensive profiles on a number of industries in order to set their benchmark.





The audit plan was to complete 200 audits with expected audit outcome of SR 60.6 million. A total of 151 audits were completed and additional tax payable was SR 75.9 million. In comparison to 2016 whereby a total of 262 audits were completed and additional tax payable was SR 421.8 million.

The main reason for the decrease in audit performance was because from May to December 2017, auditors were assigned other responsibilities with Legal and Enforcement Sections.

The Auditors were called upon to assist the team in Objection and Appeal with the back log of objection cases on hand relating to the year 2016 and prior. At the end of the year 2017, a total of 64 objection cases were completed. In the same vein, the auditors in the Small audit team also assisted Enforcement section with debt recovery, especially as and when the objection cases were being finalized.

**Table 30: Audit cases completed by segment**

<b>Segmentation</b>	<b>Number of cases completed</b>	<b>Audit outcome SR</b>
Small	48	4,039,586
Medium	76	12,256,056
Large	27	59,629,111
<b>TOTAL</b>	<b>151</b>	<b>75,924,753</b>

**Table 31: Audit cases completed by tax type**


<b>Tax Type</b>	<b>Number of cases completed</b>	<b>Audit outcome SR</b>
Business tax	40	9,200,616
Corporate Social Responsibility Tax	28	6,759,621
Goods & Services Tax	14	2,133,797
Income & Non-Monetary Benefit tax	31	5,418,293
Social Security Contributions	6	123,287
Tourism Marketing Tax	13	2,852,140
Value Added Tax	9	17,709,529
Withholding Tax	10	31,727,470
<b>TOTAL</b>	<b>151</b>	<b>75,924,753</b>

### 2.5.3 Objection and Appeal

The Revenue Administration Act 2009 makes provision for taxpayers to object to an assessment. This must be done within 60 days of receiving the Notice of Assessment. If taxpayers disagree with objection outcomes, they may take the matter to the Revenue Tribunal. An appeal to the Revenue Tribunal must be made by the taxpayer within 30 days of receiving notification from SRC that an objection has been disallowed.

There were a total of 147 objection cases for the year 2017 out of which 87 have been completed and 2 cases were referred to the revenue tribunal. The increase in unresolved objection is largely due to staffing constraints within the legal unit.

### 2.5.4 Debt Management



The Enforcement team is comprised of 15 staff which includes one director, a manager a supervisor and 12 officers. Three staff were recruited during the year 2017. The team had a total of 886 cases on hand at the beginning of the year 2017.

Enforcement Section is responsible to collect debt due to the government that has not been remitted by the due date (Arrears). This is done through assessments received from Audit Section, assessments raised by Returns & Payment Processing Unit (RPP) and Provision of Advice (POA). Enforcement does that through a series of procedures outlined in the SRC Enforcement manual.

The 2017 target for Enforcement Section as per the new enforcement strategy was to collect SR240, 000,000. We have surpassed this target by collecting SR273, 504,073.16 which is an achievement of 113% of plan.

In 2017 Enforcement received 1107 new cases amounting to SR440 million (inclusive of penalties). From that a total of SR181 million was recovered through Enforcement activities. A total of SR15 million is in amendment and SR6 million was waived. The balance of SR237million remains outstanding. From the latter, about 102 million relates to repeated offenders, making collection difficult as they have previous arrears. A new approach has been devised in order to tackle these taxpayers in 2018.It would include assistance from enforcement management, considering seizure of assets and closer monitoring to name a few.

As at 1<sup>st</sup> January 2017 the opening balance of debt was SR996, 341,354 and the closing balance is SR735, 052,425.10. This is as a result of a collection of SR92,480,509.34, waiver of SR16,136,371.47 and amended assessments of SR152,672,048.09. There is a remarkable increase in collection this year compared to SR46,156,796 collected in 2016. This is mainly due to an increase in payments by instalments, issuing section 24 notices, retention from refund and issuing tax clearance. 7 cases worth SR2,348,922.93, where all actions have been exhausted and we are sure that we cannot recover the debt has been forwarded to prosecution. All these actions are in line with the new collection enforcement strategy aimed at reducing debts in Enforcement.

The arrears for prior years comprises of over 92 cases worth 500 million which were in objections. A special task force was formed to help complete these outstanding objections but most of these have been completed over the second half of the year. Next year one of Enforcement Section's objectives is to collect the maximum from completed cases from disputes.

**Table 32: Summary of all arrears**

SUMMARY OF ALL ARREARS			-	-	-			
	-		Less	Less	Less			-
Details	No of Cases	Prior Year/New Assessment	Payments Received	Waivers	Amended Assessments	Balance on Hand	Primary	Penalties
Business Tax	470	761,954,629.35	138,001,220.65	3,567,091.24	78,129,411.11	542,256,906.35	387,919,790.85	137,092,126.12
Presumptive Tax	775	14,946,747.65	3,586,650.12	2,068,674.57	-	9,291,422.96	1,591,731.10	7,730,454.82
GST Assessments	45	67,555,497.40	16,372,427.63	1,746,530.60	542,366.28	48,894,172.89	29,845,548.62	18,497,960.54
Withholding Tax	19	116,688,598.43	48,085,705.87	5,495,326.95	57,417,647.67	5,689,917.94	4,954,555.72	1,234,701.34
SSF Arrears	120	147,016,705.44	10,334,834.29	5,332,167.70	4,819,694.60	126,530,008.85	32,067,639.90	82,281,995.85
Income Tax	138	73,257,023.81	3,521,010.33	4,475.27	9,522,519.06	60,209,019.15	43,999,098.59	16,804,675.92
VAT Audit	28	80,653,457.84	9,724,314.86	1,481,574.99	-	69,447,567.99	43,021,804.22	32,181,575.25
VAT Default	331	159,182,270.17	39,350,619.48	3,150,808.59	17,627,711.27	99,053,130.83	49,888,593.03	72,145,807.32
CSRT	49	12,621,627.65	3,444,464.07	15,618.97	58,540.52	9,103,004.09	4,670,734.64	4,546,357.22
TMT	18	3,349,976.32	1,082,825.86	22.98	-	2,267,127.48	1,038,318.65	1,228,808.83
<b>TOTAL</b>	<b>1993</b>	<b>1,437,226,534.06</b>	<b>273,504,073.16</b>	<b>22,862,291.86</b>	<b>168,117,890.51</b>	<b>972,742,278.53</b>	<b>598,997,815.32</b>	<b>373,744,463.21</b>

#### 2.5.4.1 New Enforcement Collection Strategy

It is now the second year since Enforcement is using the Enforcement collection strategy and once more, the focus was on debt pursuit where we prevent accumulation of current debts. As there were not enough staff to do this task efficiently, two staff were recruited/borrowed from audit to help with debt pursuit. 959 cases were received in debt pursuit amounting to SR 278,545,335.74. As seen in table 4, a collection of SR152, 438,133.98 was made, leaving a balance of SR135, 316,659.54 outstanding. It is to be noted that out of this amount a balance of SR113, 308,211.83 is for one entity only. There has been definite progress in collection through debt pursuit and having extra help has proven to be effective.

**Table 33: Debt by Age**

01-03 months	106,104,875.35
04-06 months	13,337,308.73
06-1 year	118,247,669.35
Above 1 year	735,052,425.10
<b>Total</b>	<b>972,742,278.53</b>

There is a definite decline in new debts compared to 207,104,875.35 recorded in 2016. This shows that the new enforcement strategy to clear current debts is working.

#### 2.5.4.2 DAS Collection

DAS is moving slower than we would have liked. Reconciliation is going well but there is still the amount of SR1, 064,302.83 that is outstanding. A lot of time is taken just to go to all parties involved to ensure that these are not cases of non-compliance. In most instances the main issue is missing receipts or vouchers that need to be traced internally or externally. Enforcement together with management is trying to find solution for the difficulties being encountered.

**Table 34: DAS Collection**

Description	Books	Uncollected	Collection	Balance
Opening Balance	74	2,199,405.75	1,980,434.92	218,970.83
Returned Book	654	1,796,368.58	1,410,279.72	386,088.86
DAS Received RPP	87	1,515,635.87	1,056,392.73	459,243.14
Collected/Reconciled	683		4,447,107.37	
Total to be collected	132			1,064,302.83

#### 2.5.4.3 Government Debt

Government debt has remained the same for some years now but MoF is trying to find a way to tackle the outstanding SSF. As for the other outstanding liabilities the ministries have been advised to request for budget in order to cover their liabilities. In 2017 SRC has also held meetings with representatives from all ministries to educate them how to effect payments for DAS and Income Tax.

**Table 35: Government debt**

Tax Type		Debt amount	Payment	Waiver/Amended	Balance outstanding
418	<b>Government SSF</b>	<b>218,619,776.15</b>	-	-	218,619,776.15
16	<b>Income Tax</b>	<b>14,109,185.72</b>	2,884,140.76	17,353.94	11,207,691.02
7	<b>Withholding</b>	<b>6,342,827.07</b>	2,985,419.78	-	3,357,407.29
	<b>TOTAL</b>	<b>239,071,788.94</b>	<b>5,869,560.54</b>	<b>17,353.94</b>	<b>233,184,874.46</b>



#### *2.5.4.4 Legislative Provision and Use of Garnishee Notices*

A debt may be recovered by means of a Garnishee Notice. A Garnishee notice may be issued to any person, third party, or organization (e.g. financial institutions such as a bank) that:

- has money that is due, or will become due, to the debtor,
- holds or may subsequently hold money on behalf of the debtor,
- holds or may subsequently hold money on account of some other person for payment to the debtor.

The Revenue Administration Act (RAA) 2009 requires a debt owed to Government to be either repaid in full or through instalments under an arrangement negotiated with the Revenue Commissioner. Garnishee Notices are used if recovery methods have failed and the debtors refuse to enter into a reasonable repayment, or if they have defaulted on an approved payment arrangement. SRC issued 19 Garnishee notices (section 24 Notice) and a sum of SCR 3,422 million was collected.


As part of its strategy to maximize collection, field visits increased in frequency as part of the collection strategy. Throughout 2016, 84 field visits were conducted which resulted in collections of SCR 12.5 million.

#### *2.5.4.5 Prosecutions*

SRC remains firm in prosecuting taxpayers into complying with their obligations. Prosecutions are the last resort used after all attempts to negotiate with taxpayers have failed. In 2016, 85 cases in prosecution amounting to SCR 117 million are time barred as they are over 3 years old and a strategy to negotiate out of court could be settled. Moreover, 20 cases worth of SCR 20 million are due to be written off.

### *2.6 Customs Division*

The Customs Management Act, 2011, provides customs control over trade and people entering or leaving Seychelles by sea or air. The Act is intended to facilitate the implementation of certain laws that impose taxes on imported or exported goods, and promotes border protection for people commuting in and out of the country. Through a risk-based approach to border management, Customs detect prohibited and restricted



goods and apply standards in line with national and international requirements and agreements. Customs collects revenue on international trade and oversees the collection of revenue for locally manufactured excisable products. Customs also has a community protection role in the form of detecting goods that may cause harm to the community (e.g. counterfeit pharmaceuticals or unsafe goods).

#### 2.6.1 Processing of Customs Declaration

The SRC offices at the Seaport and Airport (cargo) are responsible for the processing of import and export declarations for consignments.

Seaport Office shows a decline of 4,922 in declarations processed from 2016 to 2017. A total of 28,295 declarations were processed in 2016, compared to 23,373 in 2017. Airport cargo registered a total of 30,971 BOE for the year 2017.

#### 2.6.2 Border Protection

SRC uses a risk management approach for consignment verifications. The criteria are selected according to lanes. Red Lane consignments are considered high risk and hold a high level of verification as it may contain restricted good. Yellow Lane consignments are medium risk therefore requires documentation and system check; thus it may revert back to Red Lane or if satisfied by Customs Officers consignments can be released. The Blue lane consignments are low risk but may be verified at any given moment. Green Lane consignments are assessed as low risk and can be released immediately.

For the Airport Cargo Operations, the following were recorded:

The total number of Declarations that were selected for the **Red Lane** were **6282**.

Total number of Declarations selected to **Blue Lane** were **4281**.

Total number of Declarations selected to **Yellow Lane** were **5896** and the total number of declarations selected to **Green Lane** were **6801**.

A total of **3017** Direct Delivery declarations were registered.





### 2.6.3 Special Release

The outstanding BOE for the previous years (2013/2014/2015& 2016) remains a top priority for the Air Cargo Staff, whereby the utmost is being done to have these BOE attended to and to clear them from the system.

As for the previous year's Special Release cases, SRC was not able to clear the back log due to continuous shortage of staffs. It has proven impossible/extremely difficult to give the matter the attention required. This is because the one staff who was working on these cases had to be moved to the Entry Processing Unit in order to assist with processing of the back log of BOE as the unit was under staffed due to transfers and resignations.

### 2.6.4 Seaport and Airport Examination

#### 2.6.4.1 Airport Cargo Examination

A total of **3025** physical examinations were carried out in respect of cargoes that came through Airway Bills and a total of **1025** physical examination was carried out in respect of cargoes that came through courier packages. The total of number of cargoes that were cleared through physical examination added up to **4,050**.

A total of **15759** cargoes that came through Air way Bills and 9074 that came in through courier were cleared without physical examination.

A total of **SR49, 413.53** was collected by the Examination Unit in terms of tax and **SR61, 137.46** in terms of VAT. A total of **SR37, 240.03** was collected in respect of fine, **SR900.00** in respect of Cargo Report, **SR208.00** in respect of Excise Tax and **SR112, 525.29** in respect of Rent. These total the amounts to **SR261, 424.31**. This collection relates to incidents whereby staffs have made detections in relation to clients trying to evade payment of tax due to wrong classifications or undeclared goods.

#### 2.6.4.2 Seaport Examination

Examination is the second step in the processing of importation of cargo. Its purpose is to ensure that goods have been properly declared. In the process, Customs ensures speedy clearance of imported goods, the correct amount of revenue is collected and enforcing the control requirements administered by Customs. Officers will be required to clear commercial goods being warehoused, cleared for home use, temporarily imported,

and commercial goods being transshipped. Additionally noncommercial cargo particularly personal effects need to be verified to ensure the requirements of the Regulations are complied with.

Cargo examinations are performed to conduct the various checks requested by law and policies in order to identify revenue avoidance /evasion, prevent clearance of prohibited imports and act as a deterrent to future fraudulent importations, in conformity with the laws.

The current Regulations stipulates that declarations has to be in either English, French or Creole customs ensure speedy clearance of imported goods, the correct amount of revenue is collected and enforcing the control requirements administered by customs. The table outlines the different types of verification conducted for the years 2015 to 2017.

**Table 36: Types of verification conducted for the years 2015 to 2017**

<b>Types of Verification and Release of Containers</b>	<b>Quantity/Number</b>	<b>Quantity/Number</b>	<b>Quantity/Number</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Containers verified from RED Channel	<b>3,222</b>	<b>3503</b>	<b>3,218</b>
Containers release from Green Blue & Yellow Channels	<b>6,401</b>	<b>3980</b>	<b>6,135</b>
Containers verified from Yellow Channel	<b>/</b>	<b>24</b>	<b>89</b>
Containers verified from Blue Channel	<b>/</b>	<b>24</b>	<b>165</b>
Break bulk verified	<b>2,210</b>	<b>3267</b>	<b>3,311</b>
Break bulk released from Green Blue & Yellow Lane	<b>3,582</b>	<b>3621</b>	<b>3,196</b>
Outside verification	<b>243</b>	<b>177</b>	<b>185</b>

There is a slight decrease of 8.14% in the number of containers which were verified from the Red lane in 2017 compared to 2016. There is a sizable increase of 54.15% in the

number of release from Green, Yellow and Blue lanes in 2017 compared to 2016. A total of 254 containers were verified from both Blue and Yellow lanes. There is an increase of 1.35% in the number of Break-bulk cargo which was verified in 2017 compared to 2016. A slight decrease of 11.74% was recorded in the number of Green, Blue & Yellow lane cargo released as Break-bulk 2017 compared to 2016. There is a slight increase of 4.52% in the number of outside verification which was done by Examination Unit officers in 2017 compared to 2016.

It is important to note that the increase or decrease might have been triggered by the changes in the different risk assessment techniques that the unit has applied before conducting verification and release of cargo. With more staff and better technologies we would have done a lot better in conducting verification and release of Red lane cargo at the Seaport. During the 2017 we recorded a number of discrepancies such as no proper documents, undeclared goods, wrong classification, and tax evasion especially on Green, Blue and Yellow Bills of Entries. Table summarizes the fine and penalties collected from traders for the years 2015 to 2017.

**Table 37: Fines and penalties collected for the years 2015 to 2017.**

<b>Fines/Penalties</b>	<b>Amount collected in Seychelles Rupees</b>	<b>Amount collected in Seychelles Rupees</b>	<b>Amount collected in Seychelles Rupees</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Fine	<b>287,408.97</b>	<b>531,214.12</b>	<b>856,395.97</b>
Customs Duty ( collected due to wrong classification)	<b>674,809.57</b>	<b>1,390,908.97</b>	<b>1,583,145.49</b>
Excise Tax collected in respect of mis-classification	<b>/</b>	<b>892,061.13</b>	<b>654,425.84</b>
Levy collected in respect of wrong classification	<b>/</b>	<b>167,694.71</b>	<b>127,555.56</b>
Fine (collected from Government)	<b>210,041</b>	<b>129,382.00</b>	<b>37,972.66</b>

Fines collected in 2017 recorded an increase of 61.21% compared to 2016. These fines were mostly due to no proper documents, undeclared goods, mis-classification of goods and tax evasion.

### 2.6.5 Boarding

All vessels from or departing for foreign port or coming to seas beyond the 12 nautical mile limit may be subjected to boarding formalities.

The task of boarding officers is to effectively process all vessels, their passengers and crew arriving in or departing from Seychelles to ensure their compliance with Seychelles law. The purposes of these functions are also to deter and detect illegal activities on these vessels.

**Table 38: Boarding work output for 2017**

<b>Types of tasks Carried out</b>	<b>Quantity</b>	<b>Quantity</b>	<b>Quantity</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Vessels boarded in Port Victoria during office hours	<b>545</b>	<b>509</b>	<b>504</b>
Vessels boarded in Port Victoria after working hours	<b>164</b>	<b>178</b>	<b>208</b>
Rummages conducted	<b>305</b>	<b>296</b>	<b>288</b>
Transshipment containers verified	<b>169</b>	<b>238</b>	<b>235</b>
Cases of detained goods handed to Customs by Port Security Officers	<b>22</b>	<b>6</b>	<b>30</b>

Vessels boarded in Port Victoria during office hours recorded a slight decrease of 1% in 2017 compared to 2016 whereas vessels boarded in Port Victoria after working hours recorded an increase of 17% in 2017 compared to 2016. Rummages conducted in 2017 decreased by 2.70% compared to 2016 and decreased by 5.57% compared to 2015 figure. Transshipment containers verified by boarding officers recorded a decrease of 1.26% in 2017 compared to 2016 and an increase of 39.05% when compared to 2015 figure. Cases of detained goods handed to Customs by Port Security Officers increased by 400% in 2017. A full rummage should be carried out on vessels where risk analysis, reliable information etc. suggests the necessity for such.

### 2.6.6 Exports

Some goods may be exported as unaccompanied or accompanied cargo or baggage through the Customs offices at the Airport Cargo/Passenger Terminal. Some exports are required to be declared through a declaration or bill of export. This is necessary for a number of reasons, such as collection of Trade Statistics, enforcement of export restrictions and prohibitions, ensuring that export permit requirement are met and facilitating the proper monitoring of the export relief scheme. The table below reveal the outcomes of Export Unit for 2017.

**Table 36: Export Activities for the Years 2015 - 2017**

<b>Types of tasks Carried out</b>	<b>Quantity</b>	<b>Quantity</b>	<b>Quantity</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Cases registered for export	<b>952</b>	<b>1150</b>	<b>1504</b>
Consignments verified	<b>197</b>	<b>252</b>	<b>385</b>
Goods mainly exported were:	<b>Frozen fish -335</b>	<b>508</b>	<b>745</b>
	<b>Sea Cucumber- 5</b>	<b>35</b>	<b>37</b>
	<b>Shark Fins- 5</b>	<b>4</b>	<b>4</b>
	<b>Personal effects -25</b>	<b>34</b>	<b>30</b>
	<b>Canned Tuna- 242</b>	<b>294</b>	<b>316</b>
	<b>Others- 130</b>	<b>81</b>	<b>108</b>
	<b>Cigarettes</b>		<b>23</b>
	<b>Crude Oil</b>		<b>32</b>
	<b>Scrap Metal</b>		<b>73</b>
	<b>Beverages</b>		<b>11</b>
	<b>Vehicle</b>		<b>5</b>
	<b>Boat/Yacht</b>		<b>18</b>

In 2017 there was an increase of 30.78% of cases registered for export compared to 2016 and by 57.98% when compared to 2015. 52.78% increase in the number of consignments which were verified in 2017 compared to 2016. The main exported goods were frozen fish (increase 46.65%) and canned tuna (increase 7.48%) in 2017 compared to 2016. Sea cucumber recorded 5.71% increase compared to 2016. There was an increase of 33.33% for other exported goods in 2017 compared to 2016. Personal Effects recorded a decrease of 11.76% in 2017 compared to 2016 whereas Shark Fins recorded the same number of exportation in 2017 compared to 2016.

#### 2.6.7 Government Bonded Warehouse

The Customs Division controls the Government Warehouse and may charge rent. The goods must be held securely and not released without the payment of taxes or proper authority. Where goods have been confiscated, the goods may be sold at auction or by public tender. Officers must be aware that goods held belong either to the importers or to the Government and are subject to checks. All goods must be accounted for and may be checked by the external auditor that procedures are being followed.

Goods maybe held in Government Warehouse as:

- i. warehouse goods
- ii. transfer goods not entered after 30 days
- iii. transfer goods seized or confiscated

It is to be noted that in 2017, two auction sales were conducted on 26<sup>th</sup> August and 23<sup>rd</sup> September 2017. A total of SCR 155,710.32 was collected. The table below outlines the activities of Government Warehouse for 2017.

**Table 40: Government Warehouse Activities for the Years 2015 - 2017**

Types of activities carried out	Number	Number	Number
	2015	2016	2017
Containers transferred into the Warehouse	34	42	43
Containers released from Warehouse	14	38	19
Break bulk transferred into the Warehouse	4158	5013	1516
Break bulk released from Warehouse	3708	3054	307

There were a total of 5 disposals done during the year 2017 for goods such as expired tobacco products, unclaimed, luggages, coconut husk and expired/unfit food items for human consumption/medicines etc.

Furthermore, during the month of November 2017, the Government Warehouse was temporarily closed down for one week as overall cleaning had to be conducted so as to meet the criteria being set by Ministry of Health.

#### 2.6.8 Postal Operations

Postal Operations enforces the same controls on goods imported through the Post Office, the same as for goods imported by air or sea. The main objective in examining parcels is to collect the Customs duties that are applicable to both commercial and private parcels and small packets, and to intercept prohibited or restricted articles imported through the post. The table below represent the performance of the unit during 2017 compared to other years.

**Table 41: Postal Operations Activities for the Years 2015 - 2017**

Types of tasks Carried out	Number	Number	Number
	2015	2016	2017
Parcels cleared at Post Office	21,688	162,273	163,337
Excise collected from Parcel Post Office	SR.2,599.00	SR1,273.00	SR 2,389
Tax collected from Parcel Post Unit	SR 161,666.00	SR274,503.00	SR 172,206.90
VAT collected from Parcel Post office	SR 587,549.43	SR948, 591.30	SR 676,259.36
Fines collected from Parcel Unit-Post Office	SR781.00	SR494.00	N/A
Documentation charges – Post Office		SR163,180.00	SR 192,786.00

Tax collected at the Post Office –parcel Unit recorded a significant decrease of 37.27% in 2017 compared to 2016. This may be due to the fact that more clients imported items that fell within their allowance, thus no taxes could be collected. Value Added Tax (Vat) also recorded a substantial decrease of 28.71% in 2017 compared to 2016. The Parcel Unit also collected an amount of SR 163,180.00 for documentation charges in 2016 compared to SR 192,786.00 for 2017. This represents an increase of 18.14%.

It is to be noted that staffs at the Post Office together with Anti-Narcotics Bureau (ANB) made two detections of drugs concealed in a notebook. Proper handover was done to ANB and they on their part did control delivery. They managed to apprehend the culprits for one of the cases. The weight of the drugs detected was about 150g in each case detected.

#### 2.6.9 Risk Management

The Risk Unit establishes the link within the Risk Management Sections and other sections within Customs Division. Risk signals from Customs officers and other law enforcement personnel, co-operation or interviews with other knowledgeable people from importing and transportation fields, e.g. Customs brokers, cargo agents, warehouse personnel, etc.





Its main sources of information are from the following:

- Seizure reports
- Intelligence data
- Information exchange with other Customs Administration

The unit analyzes, processes and interprets information to produce intelligence reports to assist for operational, tactical and strategic decision. It also prepares reports for every risk analysis performed with details on risk found.

Risk Unit targets importers/exporters for selection through:

- Profiling information which is used as the basis selection criteria for Customs control.
- Consignments of goods identified as high risks, means of conveyances, travelers and documents review

### 3. Governance


#### 3.1 Planning and Reporting

SRC remains focused on its vision and mission statements. Hence, our business plan sets out the direction and strategies for the year, as well as accountability and performance measurements. Senior leaders enter into discussions with their respective employees to develop and refine SRC's strategic direction.

During 2017 SRC prepared the four quarterly Performance reports for the cabinet of Ministers. The purpose of these reports is to monitor SRC's performance and achievements against the plans and targets for the year.

#### 3.2 Internal Audit

Our internal Audit (IA) unit provides independent, objective assurance and consultative activities with other units of SRC and aims to add value and improve the organisation's



operations. Internal Audit assists SRC to evaluate and enhance risk management, internal controls and governance processes.

The planned audit activities for 2017 covered the review of HR recruitment processes, allocation and usage of mobile phones and management of transport. The unit also conducted follow-up audits including overtime claim by VAT refund officers and Administration stock control.

Internal Audit conducts follow ups on corrective actions being implemented based on previous audit recommendations to ensure that the requirements and/ or recommendations on are being addressed progressively.

### **3.3 Enhance Integrity**

SRC has an integrity structure set with our commitment to improve integrity in the organisation. In 2016 SRC put in place a non-acceptance gift policy and another developing policy around anti-corruption is set up to be implemented in 2017.