



**Stakeholder Workshop on Proposed Vehicle
Taxation and Incentives to Promote Import of
Cleaner, More Fuel Economy Vehicles in Kenya**

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**Implementation of the Feebate Tax System
Case of Mauritius**

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- To promote fuel economy and to reduce harmful emissions like CO₂ emission
- To promote importation of cleaner and more energy efficient motor cars
- To bring a **shift in consumer choice** from high CO₂ emission cars to lower CO₂ emitting ones.

Feebate System - Legislation

- In July 2011, Mauritius introduced the Feebate Tax System and the motor car taxation system was modified to reflect the Polluter Pay Principle
- Subsequently, the Excise Act 1994 was amended.
- It is a Fee and Rebate system (similar to the French system of '*bonus/malus écologique*')
- Section **3C** was introduced to cater for CO₂ levy or CO₂ rebate on motor cars.

CO₂ emission certificate

- The Excise Act requires that every motor car importer has to provide a CO₂ emission certificate to Customs issued by the manufacturer
- In case of second hand cars, a Pre-Shipment Inspection (PSI) Certificate specified in the Consumer Protection (Control of Imports) Regulation 1999 is required, where the CO₂ emission must be provided.
- The Feebate System applies to cars (including hybrid cars), whether new or second-hand at the time of removal from Customs for home consumption
- The System was meant to be **revenue neutral**.

The calculation of the CO₂ levy/rebate is based on a CO₂ threshold that has been set

If below CO₂ threshold, rebate is granted

If above CO₂ threshold, levy is payable

- In 2011, the CO₂ threshold was **158 g/km**. However, the rebate granted has been much higher than the levy collected. The expected revenue neutrality was not achieved.
- Therefore the threshold was revised in November 2013 and lowered to **150 g/km** to reduce revenue deficit incurred to Government.

CO₂ Levy/Rebate

- Where the CO₂ emission (gramme per kilometer) of a motor car exceeds the CO₂ threshold, a CO₂ levy shall be computed and is payable (> 150g/km)
- Where the CO₂ emission (gramme per kilometer) of a motor car does not exceed the CO₂ threshold, a CO₂ rebate shall be computed and is granted (<150g/km).

- ❖ Under provisions of Section 3C of the Excise Act (amended)
 - **CO₂ Levy** payable is added to Excise Duty
 - (Excise Duty + **CO₂ Levy**) + VAT
 - **CO₂ Rebate** granted is deducted from Excise duty
 - (Excise Duty - **CO₂ Rebate**) + VAT
 - Any rebate granted shall not exceed the excise duty payable on the motor car.

Customs duty, Excise Duty & VAT payable on Motor Cars

- Imported new and second hand motor cars removed for home consumption attract Excise duty - no customs duty
- CO₂ Levy payable/Rebate granted
- Value Added Tax (VAT) payable at the rate of 15%

The calculation of the amount CO₂ levy/rebate is based on a computed CO₂ emission threshold (150 g/km) using the formula below according to the First Schedule to of the Excise Act:

$$A = R \times (C - T)$$

A = Amount of CO₂ levy or CO₂ rebate

Where:

A – is the amount of the CO₂ levy or CO₂ rebate;

R – is the appropriate rate of the CO₂ levy, or the appropriate CO₂ rebate, per gramme per kilometer (g/km);

C – is the CO₂ gramme per km of the motor car, rounded to the nearest whole number; and

T – is the CO₂ set threshold in gramme per km (150g/km).

For calculation of CO₂ Levy, the applicable rate does not depend on the standard of measurement of CO₂ emission

Whereas for the calculation of CO₂ Rebate, it depends on whether the CO₂ certificate is **in conformity** with UNECE Regulation No. 101 or not

- Regulation No. 101” means Regulation No. 101 of the Economic Commission for Europe of the United Nations (UN/ECE)

Calculation of CO₂ Levy payable (> 150g/km)

	c
Value of C (CO ₂ g/Km)	Value of R (Rate)
CO₂ Emission Range (g/km)	Rate
151-190	Rs 2000 (U\$ 57)
191-225	Rs 3000 (U\$ 85)
226-290	Rs 4000 (U\$ 114)
Over 290	Rs 5000 (U\$ 142)

Formula: **A = R x (C - T)**

E.g.: C (CO₂ emission) = **156g/km** , R (Rate) = Rs 2,000 (U\$ 57), T (Threshold) = 150 g/km

Levy payable (A) = Rs 2,000 (U\$ 57) x (156 – 150) = Rs 2000 (U\$ 57) x 6 =
Rs 12, 000 (U\$ 342)

Excise duty + CO₂ Levy payable

- The amount of CO₂ Levy (Rs 12,000) (342 U\$) is added **to** the actual excise duty payable on the motor car

Excise duty on m/car	Rs 90, 000 (U\$ 2571)
CO ₂ Levy payable	Rs 12,000 (U\$ 342)
Excise duty + CO ₂ Levy	Rs 102,000 (U\$ 2913)

Appropriate Rate of CO₂ Rebate

Formerly – 13 July 2011 – 8 November 2013

Value of C	Value of R
CO ₂ g/km	Rate
Up to 90	Rs 3,000 (U\$ 86) per gramme/km
91 to 158	Rs 1,000 (U\$ 28) per gramme/km

Calculation of CO₂ Rebate - as from 9 November 2013 (in conformity)

	D	E
Value of C: CO ₂ Emission Range (g/km)	Value of R, where C is computed in conformity with UNECE Regulation No. 101 Rate (Rs/g/km)	Value of R, where C is not supported by a CO ₂ emission certificate issued in conformity with UNECE Regulation No. 101 Rate (Rs/g/km)
Up to 90	Rs 3000 (U\$ 85)	Rs 1000 (U\$ 28)
91 - 150	Rs 1000 (U\$ 28)	Rs 350 (U\$ 10)

Formula: **A = R x (C-T)**

e.g.: **Conformity**: C(CO₂ emission) = **145 g/km**, R (Rate) = Rs 1,000 (U\$ 28),
Threshold = 150 g/km.

Amount of Rebate (A) = Rs 1000 (28 U\$) x (145 - 150) = Rs 1000 (U\$ 28) x -5
= - Rs 5,000 (-U\$ 140)

Excise duty – CO₂ Rebate (conformity)

- The amount of CO₂ Rebate (Rs 5,000) (U\$ 140) is deducted from the actual excise duty payable on the motor car

Excise duty	Rs 105,000 (U\$ 3,000)
CO ₂ Rebate granted	Rs 5,000 (U\$ 140)
Excise duty - Rebate	Rs 100,000 (U\$ 2, 860)

Appropriate Rate of CO₂ Rebate

	D	E
Value of C: CO ₂ Emission Range (g/km)	Value of R, where C is computed in conformity with UNECE Regulation No. 101 Rate (Rs/g/km)	Value of R, where C is not supported by CO ₂ emission certificate issued in conformity with UNECE Regulation No. 101 Rate (Rs/g/km)
Up to 90	Rs 3000 (U\$ 85)	Rs 1000 (U\$ 28)
91 - 150	Rs 1000 (U\$ 28)	Rs 350 (U\$ 10)

Formula: $A = R \times (C - T)$

e.g.: **Not in Conformity**: C(CO₂ emission) = **145 g/km**, R (Rate) = Rs 350 (U\$ 10), Threshold = 150 g/km.

Amount of Rebate (A) = Rs 350 (U\$ 10) x (145- 150) = Rs 350 (U\$ 10) x -5 = - Rs 1750 (-50U\$)

- The amount of CO₂ Rebate (Rs 1,750) (U\$ 50) is deducted from the actual excise duty payable on the motor car

Excise duty	Rs 105,000 (U\$ 3,000)
Rebate granted	Rs 1,750 (U\$ 50)
Excise duty – Rebate	Rs 103,250 (U\$ 2,950)

REVENUE NEUTRALITY

- The system was supposed to be revenue neutral. However, since its introduction, the rebate granted has been significantly higher than the levy collected.
- Adjustment was made to the threshold in November 2013 (*158 g/km – 150 g/km*) since the objective of revenue neutrality has not been achieved
- Further lowering of the threshold is required
- Since introduction of the Feebate system in 2011, CO₂ rebate has exceeded CO₂ levy on a cumulative basis by more than Rs 1 billion (28 M U\$)

Concerns the level of CO₂ emissions used in the computation of CO₂ levy/rebate

Import of cars in Mauritius: New motor cars (51%) mainly from EU v/s imported used motor cars (49%), mainly from Japan

Test standard: In EU, the standard used in UNECE Regulations No.101 whereas in Japan, it is JC08.

- No CO₂ testing facilities available in Mauritius. The equipment is very costly and no trained personal.
- No mathematical conversion exists between UNECE Regulation No. 101 and JC08.
- The CO₂ test based on EU standard is not done in Japan.

CHALLENGES

- Dispute between new car dealers and imported second hand car dealers. New car dealers claiming the UNECE Regulation No. 101 is better whereas imported second hand dealers say that JC08 shows the real efficiency
- New cars dealers association is suing Government on the basis that MRA Customs was accepting CO₂ emission value based on JC08 for imported second hand cars and therefore not complying with the excise legislation.
- As a compromise, Government introduced in November 2013 **a second rebate rates band** to cater for imported second hand motor cars where a reduced amount of CO₂ rebate is granted to motor cars not in conformity with UNECE Regulation No. 101

- Excise duty on imported motor cars is chargeable when removed for home consumption
- The ad-valorem rates of excise duty depend on **cylinder engine capacity irrespective of:**
 - Age (New/Second Hand)
 - Origin
 - Make
 - Powered by Mogas, Gas Oil or Gas

RATE OF EXCISE DUTY

- Car of engine capacity:

Capacity of Engine	Rate of Excise duty (%)
Up to 1600 cc	55
1601 – 2000 cc	75
More than 2000 cc	100

Same rates of excise duty are applicable for Imported NEW and SECOND HAND motor cars

Electric cars attract Excise duty at the rate of 25% (ad-valorem)

- **Returning residents (15%)** - *15 per cent on the first 1.5 million rupees of the value of the motor vehicle and the rate specified in Part I of the First Schedule to the Excise Act shall apply on the difference*
- **Religious federations and disabled persons (specially designed cars) - (15%)**
- **Civil servants (0% or 30%)**
- **Embassies (0%)**
- **Taxis (0%) as from 31 December 2014**

- A second-hand motor car manufactured before 1 July 2005 and belonging to a returning citizen; or
- A classic or vintage motor car (registered before 1970)

No certificate of CO₂ emission is required

Registration duty payable at first entry in Mauritius on imported new and second hand motor cars depending on the cylinder engine capacity – collected by **The Registrar-General**

- Same rate of Registration duty for new and second hand cars
- Road Tax payable every year at **The National Transport Authority** depending on the cylinder engine capacity
- 50% reduction on Registration duty and Road Tax for hybrid and electric cars.

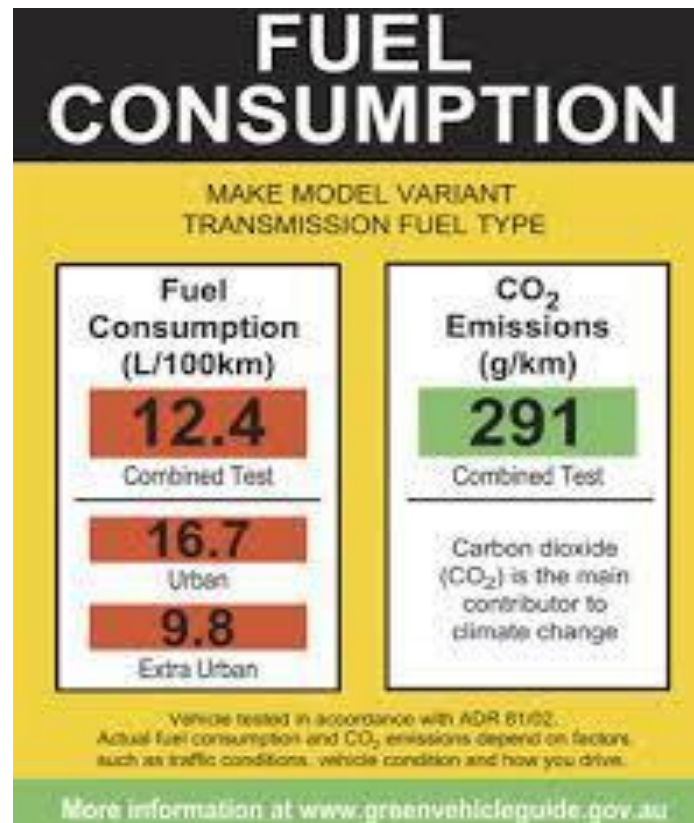
Increase in number of Hybrid Cars imported

- With the incentives provided by Government to promote energy efficient motor cars, there has been a marked increase in importation of hybrid cars
 - (improvement in the average motor car efficiency)
- From 2009 to 2014, the number of hybrid and electric cars has increased from **43** to **1824** and from **0** to **8** respectively

- Cumulative numbers of hybrid and electric cars registered- the average motor car efficiency has improved

Year	Hybrid cars	Electric cars
2009	43	0
2010	161	0
2011	315	2
2012	1389	5
2013	1824	6
2014	1829	8

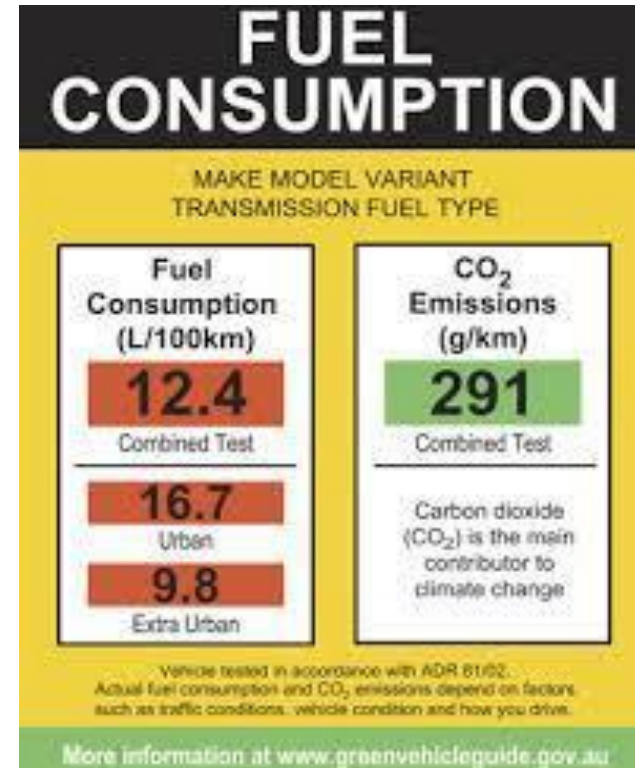
Vehicle labeling first key step to raise awareness



Next initiative - Labeling of motor cars

A working group under the GFEI (Phase 2) is working on a Vehicle labeling Regulation.

GFEI – Global Fuel Economy Initiative



- **Cleaner fuels** have been introduced gradually
- Introduction of unleaded petrol (ULP) in September 2002.
- Sulfur content in diesel reduced from 5000 ppm to less than 50 ppm. A further reduction to 10 ppm is being considered.

August 2001 : Shift from Gasoil 5000 ppm to 2500 ppm

August 2010: Shift from Gasoil 2500 ppm to 500 ppm

March 2012: Shift from Gasoil 500 ppm to less than 50 ppm

Discussions are on-going to:

Further revise the existing threshold is required to achieve neutrality revenue and more importantly to move towards more cleaner and efficient motor cars.

- In addition to other measures to promote importation of fuel economy cars in Mauritius
- The rate of excise duty on electric cars has been reduced to 25%
- Renewal of the fleet of Taxis (excise duty = 0% as from 31 December 2014)
- Continuous raising of public awareness

