

No. 29 of 2010



FIFTH NATIONAL ASSEMBLY

**PARLIAMENTARY
DEBATES
(HANSARD)**

**FIRST SESSION
FRIDAY 17 DECEMBER 2010**

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Deputy Prime Minister, Minister of Energy and Public Utilities

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Members

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MAURITIUS

Fifth National Assembly

FIRST SESSION

Debate No. 29 of 2010

Sitting of Friday 17 December 2010

The Assembly met in the Assembly House, Port Louis,

at 3.30 p.m.

The National Anthem was played

(Mr Speaker in the Chair)

PAPERS LAID

The Prime Minister: Sir, the Papers have been laid on the Table –

A. Prime Minister's Office –

The Annual Report 2008/2009 of the Mauritius Oceanography Institute (In Original)

B. Ministry of Finance and Economic Development –

- (a) The Finance and Audit (*Maurice Ile Durable* Fund) (Amendment) Regulations 2010 (Government Notice No. 221 of 2010).
- (b) The Excise (Amendment of Schedule) (No. 2) Regulations 2010 (Government Notice No. 222 of 2010).
- (c) The Land (Duties and Taxes) (Amendment of Schedule) Regulations 2010 (Government Notice No. 219 of 2010).
- (d) The Registration Duty (Amendment of Schedule) Regulations 2010 (Government Notice No. 220 of 2010).

C. Ministry of Public Infrastructure, National Development Unit, Land Transport and Shipping –

The Road Traffic (Bus Fares) (Amendment No. 2) Regulations 2010 (Government Notice No. 224 of 2010).

D. Ministry of Gender Equality, Child Development and Family Welfare –

The Report of the Director of Audit on the Financial Statements of the National Women Entrepreneur Council for the year ended 30 June 2006.

E. Ministry of Social Security, National Solidarity and Senior Citizens Welfare and Reform Institutions –

- (a) The Report of the Director of Audit on the Financial Statements of the National Solidarity Fund for the year ended 30 June 2008 (In Original).
- (b) The Social Aid (Amendment of Schedule) Regulations 2010 (Government Notice No. 214 of 2010).
- (c) The Social Aid (Amendment) Regulations 2010 (Government Notice No. 215 of 2010).
- (d) The Social Aid (Amendment of Schedule) (No. 2) Regulations 2010 (Government Notice No. 216 of 2010).
- (e) The Social Aid (Amendment No. 2) Regulations 2010 (Government Notice No. 217 of 2010).

Ministry of Labour, Industrial Relations and Employment –**F.**

- (a) The Domestic Workers (Remuneration) Regulations 2010 (Government Notice No. 223 of 2010).
- (b) The Unemployment Hardship Relief (Amendment of Schedule) Regulations 2010 (Government Notice No. 218 of 2010).

ORAL ANSWER TO QUESTION

PUBLIC PRIVATE PARTNERSHIP PROJECTS – PROCUREMENT PROCEDURES

The Leader of the Opposition, (Mr P. Bérenger) (*By Private Notice*) asked the vice-Prime Minister, Minister of Finance and Economic Development – whether, in regard to changes in procurement procedures, as announced in the 2011 Budget, he will state –

- (a) in relation to Public Private Partnership projects, if –
 - (i) documents pertaining to request for proposals shall no longer need to be approved by the Central Procurement Board before being issued to pre-selected bidders or bidders;
 - (ii) the bids will be processed by the PPP Committee instead of the Central Procurement Board;
 - (iii) appeals to the Independent Review Panel will be abolished, and
- (b) how the framework for the procurement procedures will be revisited.

The vice-Prime Minister, Minister of Finance and Economic Development (Mr P. Jugnauth): Mr Speaker, Sir, this Government has embarked on an ambitious programme to transform the country into a High Income Economy within this generation.

This requires not only reforms to improve productivity in the private and public sectors, but also actions to modernise our processes and make the public sector more effective. Success in reaching our goals requires an acceleration of the Public Sector Investment Programmes, an important component of which will involve Public Private Partnerships.

It is in this connection that in replying to a PNQ on procurement in August this year that I pointed out that we are following the international trend on procurement by embarking on further reforms of the system.

Our procurement reforms are geared to securing value for money, fairness, accountability and transparency whilst ensuring expeditious decision making.

As I explained in August, to achieve these objectives, we have already launched on the path of the recommendations of COMESA and the World Bank in this respect.

The House may also recall that Government has started the process of decentralisation of procurement whilst maintaining checks and balances that have already demonstrated the benefits of reform. By empowering public bodies and building their capacity, we have increased implementation of the Public Sector Investment Programme from some Rs11 billion in 2008 to almost Rs20 billion in 2009/2010 whilst the rate of implementation for the Government Investment Programme improved from about half of planned spending in 2008/2009 to about three quarters in 2009/2010.

Mr Speaker, Sir, it is clear that our reforms are working and it is indeed possible to secure your value for money, fairness, accountability and transparency whilst also ensuring expeditious decision making.

As I explained in August, we would build on the advice from the World Bank and COMESA to further improve the procurement system.

In line with these commitments, the Budget speech has explained the reforms we will implement in the coming months. It is in this context that we are formulating proposals relating to the issues raised in the PNQ.

Firstly, proposals are being formulated to strengthen the review and the appeal process. The right of appeal by any unsatisfied bidder in a PPP process would incorporate the same appeal mechanism as for conventional procurement, that is, through the Independent Review Panel. Also, the decision of the IRP would be binding. In addition, to further ensure fairness, transparency and integrity of the process, we are looking into the possibility to mandate the IRP to make its determinations within a reduced time frame from the current one month.

Secondly, it is being proposed to transfer the responsibility for PPP procurement from the Central Procurement Board to the relevant public sector institutions under the oversight of the PPP Committee.

The contracting authority would be responsible to prepare and launch the bidding documents, evaluate the bids and approve the award of the PPP project, within the framework of the law and under the oversight of the PPP Committee and with the possibility of an appeal to the IRP. The proposed changes would accelerate the development and implementation of PPP projects.

However, Mr Speaker, Sir, each body would be bound to follow the same procedures that would apply under the current centralised system. The IRP will be there to ensure that this is

adhered to by all concerned institutions. In addition, we will continue our capacity-building efforts to ensure that each contracting authority is able to effectively operate its PPP procurement process.

Third, it is being proposed to strengthen the PPP Committee by improving its composition and functions. With the proposed modifications, in addition to its existing functions, the PPP Committee would be responsible for overseeing the PPP procurement process. Its membership would be broadened to add the Ministries of Housing and Lands; Public Utilities; Local Government and Environment. This would help to increase its capacity for technical analysis and to identify and address issues relating to land, utilities, permits and clearances at an early stage of the project cycle.

Fourth, we are looking into demonstrating value for money through the use of a transparent methodology based on the net benefit that would accrue to contracting authorities, users or customers. This would replace the current subjective approach requiring the construction of a Public Sector Comparator i.e. a hypothetical counterfactual of the cost had it been undertaken as a purely public project.

Mr Speaker, Sir, decentralisation of the PPP process, in line with the recommendations of the World Bank, clearly means that the CPB would no longer need to approve documents pertaining to requests for proposals before being issued to pre-selected bidders or bidders. Similarly, it means that bids would be processed by the contracting authorities under the oversight of the PPP Committee instead of the Central Procurement Board.

Indeed, Mr Speaker, Sir, the PPP Committee would oversee all the stages within the PPP procurement process, namely, advice on the most appropriate procurement method, vet all procurement documents, provide clearance for the evaluation team proposed by the contracting authority and review evaluations carried out by the evaluation team. The Committee would thus ensure the integrity of the procurement process throughout all the stages. Moreover, compliance would be guaranteed via the IRP whose findings, as I have said, would be binding.

The expected benefits of the proposed reforms, in addition to securing greater fairness and transparency, would be to reduce a PPP procurement for a major project from about 43 weeks to 28 weeks, that is, a gain of over four months.

Concerning part (b) of the question, as stated in the Budget Speech, we are working with the World Bank to make changes that will enable our procurement procedures to be used by the Bank for its projects in Mauritius. As the hon. Prime Minister has explained in his recent reply to a PQ on procurement, the Committee that is being chaired by the SLO is examining the required changes.

Mr Speaker, Sir, the reforms as announced in the Budget Speech will thus enable us to increase the pace of Public Sector Investment by about one third, i.e. from about Rs20 billion a year to about Rs27 billion a year.

Mr Bérenger: Mr Speaker, Sir, if I understood the hon. Minister of Finance correctly, as far as PPP projects are concerned, the Central Procurement Board will no longer be involved. It is the PPP Committee that will handle the tenders, but appeal to the Independent Review Panel will remain and the recommendations of the IRP will be compulsory. Did I get it right?

Mr Jugnauth: Yes, I must add that these are recommendations that have been made by the World Bank.

Mr Bérenger: What I can't understand is why the Central Procurement Board is the body that has been set up to handle tenders? Why in the case of PPP projects which are more complicated, more delicate, are shifted to the PPP Committee?

Mr Jugnauth: Yes, it is the same question that I have asked myself. I have been told that the transfer was oversight from CPB to the PPP Committee; it is required because a PPP procurement normally cannot follow the same process as a conventional public sector procurement. I am told that in a public sector procurement, the main concern is value for money for a determined project design and in the case of the PPP process, in fact, technical expertise is essential to enable an assessment of what could be different project designs and solutions to a defined problem. For example, how to deal with road decongestion may involve different solutions envisaged by various bidders, and here, value for money is focussed on cost effective solutions and this is why the World Bank is recommending that a process which involves much more analytical work - and I am told the reason for expanding the PPP Committee membership also - would be to include, in fact, more technical people to be able to assess those projects.

Mr Bérenger: Well, I must say I am not convinced at all. But then, what happens to unsolicited bids? Until 2008, unsolicited PPP bids were not allowed. In 2008 Government came forward, set up the PPP Committee; when an unsolicited bid comes in, the PPP Committee

and the Central Procurement Board handle and then request for proposals. The documents are issued with the green light of the Central Procurement Board, bidders come in and the unsolicited initial bidder, if his price is less than 10% more than the cheapest bidder, would get it. Now, with what is being proposed, the Central Procurement Board is no longer present. What is going to happen to unsolicited bids?

Mr Jugnauth: Let me make it clear, Mr Speaker, Sir. These are, as I said, recommendations that have been made by technical people from the World Bank. I wanted to be fair to the Opposition to give these details so that we know along which lines the World Bank has recommended. Those are the recommendations that will have to be discussed at the level of Government. A decision will have to be taken by Government and then we will come with proposed amendments to the legislation. Then, we will know exactly in which direction Government has decided to move ahead so that this issue that is being raised by the hon. Leader of the Opposition, we will look into that also, because the work is not yet completed. There is already a committee that is being chaired by a member of the SLO and that is further looking into the other aspects of procurement. The work is not completed but, as I said - let me repeat again - I wanted to be fair to the hon. Leader of the Opposition to give, at least, some details about what recommendations have been made.

Mr Bérenger: This is a correct procedure and I thank the hon. Minister of Finance for that. It is correct, it concerns all of us, it concerns the country. But I am sure he can understand that I am a bit disturbed when I did not hear anything about unsolicited PPP projects. Now, I have the impression that the hon. Minister's mind is still open. Fair enough! We will react further on unsolicited PPP bids, which is a very serious matter.

If I can leave PPP issues there and move on to a more general picture! Can I ask the hon. Minister whether there have been any cases where the recommendations of the Independent Review Panel have not been followed by the body or institutions concerned? As we know, under the law at present, the Independent Review Panel's recommendations are not compulsory. Have there been cases where the bodies concerned turned their back upon the Independent Review Panel's recommendations?

Mr Jugnauth: I believe we are talking about PPP projects.

Mr Bérenger: No.

Mr Jugnauth: Mr Speaker, Sir, the question is specific to PPP projects. That's why I have got all the information that have been handed to me with regard to PPP projects.

Mr Bérenger: No. Clearly, the Minister has misunderstood the question. The question says 'whether, in regard to changes in procurement procedures, as announced in the 2011 Budget'. He announced changes to both PPP and general procedures and, therefore, part (b) relates to general procedures. If the Minister misunderstood the question, fair enough, I won't insist on that question, but I wanted to know whether there have been any cases where the body concerned turns its back on the Independent Review Panel.

Mr Jugnauth: I am most willing to answer. In fact, there was already a PNQ with regard to the procurement procedures and with regard to Central Procurement Board and the Independent Review Panel. I gave at that time - in August, I think - whatever information that I have. I want to make it clear to the hon. Leader of the Opposition that I am most willing to give whatever information that I will have in relation to the questions, but the way that the question has been phrased is in relation to PPP and I took it that it was mainly on PPP, but eventually if need be, I will give information with regard to that question.

Mr Bérenger: I hope Government goes along with that recommendation that, as far as PPP projects are concerned, the recommendations of the Independent Review Panel are compulsory. When the amendments come, will it be the same for tenders in general, that is, apart from PPP where we have been informed that they will have to follow the Independent Review Panel, are we going to amend the law so that this applies to tenders in general, that is, the recommendations of the Independent Review Panel will be mandatory?

Mr Jugnauth: As I said, this is a recommendation by the World Bank with regard to PPP projects. Of course, when looking at all changes that we want to bring with regard to procurement in general, we will also be looking at the advice that have been tendered by World Bank, COMESA and others and we will also see what obtains in some other jurisdictions. I cannot say for now, it will be up to Government to take a decision as to whether that would apply also for all procurement process or not.

Mr Bérenger: I would like to see - and I am sure the House would like to see - the recommendations of the Independent Review Panel becoming mandatory for both PPP projects and non PPP projects. Having stepped in the right direction from what I heard that it will be the

case, at least, in PPP projects, but, at the same time, I had information that Government was thinking of increasing the deposit that firms concerned, bodies concerned, have to place on the table before appealing to the Independent Review Panel. Can I ask the Minister whether this is being envisaged? I think it will be in the wrong direction. We should not make it more difficult for bodies, firms and so on to appeal to the Independent Review Panel.

Mr Jugnauth: We would be also looking into that because, on the one hand, yes, there might be genuine people who will come forward with probably possible cases that need to be investigated. On the other hand, there are people who just want to make an appeal because they want to delay things, they come with frivolous reasons. That also will have to be looked into. I am not saying that a decision has been taken, but we will look into that and see what will be the best in the interest of the country.

Mr Bérenger: I heard the Minister say, and the Prime Minister had replied to a question on Tuesday, that we are in presence of advice from the World Bank and that a Review Committee is finalising proposals to be put to Government. Could the advice, whether it's a report or piecemeal advice, of the World Bank be placed in the Library since we are looking at this, not in a confrontational manner, and could I know the composition of that Review Committee?

Mr Jugnauth: I think we have to move in a phased manner because I believe, first of all, colleagues of the Cabinet should be aware about any recommendations that are made and then I don't see, at this stage, any problem eventually to lay copy of this advice by the World Bank on the Table of the National Assembly. With regard to the Committee, I know that it was being chaired by Mr Iqbal Maghooa from the State Law Office and comprising of people from the Policy Unit. Unfortunately, I don't have all the details, but I can circulate the names of the members of that Committee.

Mr Bérenger: Can I ask the hon. Minister of Finance whether tenders that have been issued out of the different special funds set up since 2006, including *Maurice Ile Durable*, Food Security Fund and so on, went through the Central Procurement Board or not?

Mr Jugnauth: I don't have this information, but again, I will look into and circulate this information to the Assembly because, as I said, had I known that it was about procurement procedures before, of course, we will inform the House.

Mr Ganoo: Can I ask one question to the hon. Minister of Finance? The question of the hon. Leader of the Opposition relating to removing outside the purview of the Central Board relates to “documents pertaining to request for proposals shall no longer need to be approved by the Central Procurement Board” and we heard the hon. Minister’s answer. At present, section 11 of the PPP Act says that: “no project will be awarded; no agreement will be signed unless approved by the Central Tender Board or the agreement is approved by Cabinet”. Is the hon. Minister saying, therefore, that it is only documents pertaining to request for proposals which will not be vetted by the CPB or is he saying that the whole process, that is, the award of the contract at the end of the process will not be under the purview of the CPB or approved by Cabinet?

Mr Jugnauth: Let me say it again that these are only recommendations. I don’t want to debate on either one recommendation or the other, because a final decision has not yet been taken by Government. It will be taken, of course. We will look through all these commendations but, as at to date...

Mr Speaker: When the Bill will be before the House.

Mr Jugnauth: Yes.

Mr Bérenger: I have a last question.

Mr Speaker: Yes.

Mr Bérenger: We have expressed our dissatisfaction in the past concerning three aspects of tendering legislation as at now. One, that bodies for tenders less than one hundred million which is a huge sum don’t have to go through the Central Procurement Board; two, emergency procedures as happened at the CEB and restricted bidding as is happening in the Terre Rouge/Verdun issue and now with the Bagatelle project. Is Government having a fresh look at these three aspects of legislation also?

Mr Jugnauth: We will have a look at all aspects, but we must also see to it that there are situations that can arise and we must also be able to have rules and regulations to cater for these situations. What I am saying is: this is general, and I cannot be more specific.

MOTION

SUSPENSION OF SO 10(2)

The Prime Minister: Sir, I beg to move that all the business on today's Order Paper be exempted from the provisions of paragraph (2) of Standing Order 10.

The Deputy Prime Minister rose and seconded.

Question put and agreed to.

PUBLIC BILL

Second Reading

THE FINANCE (MISCELLANEOUS PROVISIONS) BILL

(No. XX of 2010)

Order for Second Reading read.

The vice-Prime Minister, Minister of Finance and Economic Development (Mr P. Jugnauth): Mr Speaker, Sir, I move that the Finance (Miscellaneous Provisions) Bill (No. XX of 2010) be read a second time.

The Bill provides for the implementation of measures announced in the Budget Speech relating to taxation and national finance and matters consequential or incidental thereto.

Mr Speaker, Sir, the 2010 Budget and the ERCP constitute powerful policy responses to the challenges facing our economy, society and environment. They also set the stage for realising the vision of Government and the Mauritian Dream. Some of the measures and policies require a number of changes to the legal framework.

Thus, the Finance (Miscellaneous Provisions) Bill 2010 amends 18 enactments. The main provisions relate to -

- (i) financial services;
- (ii) banking;
- (iii) broader access to Education, in particular with respect to the new scholarship schemes;
- (iv) consolidating the sugar industry;
- (v) housing with good living;

- (vi) better regulating the consumption of alcoholic drinks;
- (vii) reviewing license fees for gambling activities;
- (viii) tax policies, and
- (ix) debt Management.

I will start with the financial services sector. Amendments are being made to the Financial Services Act to align the definition of “law firm” and “legal consultants” to that obtaining in the Law Practitioners Act. The FSC will be required to give reasons to a licensee, whenever a transfer of shares has not been approved. The FSC will have to keep records in different forms for at least seven years. The Financial Services Act is also being amended to broaden the scope of Global Business Companies holding a category 1 license, to conduct business in Mauritius and with another global business company that holds a category 2 license. As announced in the Budget Speech, the law is being amended to provide for the establishment of a General Reserve Fund at the FSC.

As regards the banking sector, the Bank of Mauritius Act is being amended to provide for ‘derivatives’ and ‘securities’ to include, *inter alia*, options, swaps, futures or forward contracts, bills, notes, bonds and shari’ah - compliant instruments. In addition, provision is being made to enable the Bank of Mauritius, to promote the development of an Islamic money market in Mauritius. The Banking Act is also being amended. Banking business will henceforth cover private banking and investment banking.

Prior approval of the Bank of Mauritius will be needed by a bank or a non-bank deposit-taking institution, for constituting a Board with more than 40 percent of members being independent directors. Banks will be required to post their financial statements on their websites instead of publishing in newspapers. Prior approval of the Bank of Mauritius will be required before providing confidential information on a financial institution for carrying out due diligence, with a view to acquiring a shareholding in the financial institution and consequential amendments are being made to the Banking Act following the enactment of the Insolvency Act 2009.

To implement the measures in the area of education, we are making the required amendments to the Education Act and the Income Tax Act. The Education Act is being amended

to provide for the new policy regarding the laureate schemes as announced in the Budget Speech. The new schemes will apply as from academic year 2011/12. The Income Tax Act is being amended to provide for an additional income exemption for taxpayers who are not subject to the Solidarity Income Tax if their dependent children, up to a maximum of 3, are following a non-sponsored, full-time undergraduate course and paying tuition fees of at least Rs44,500 per annum.

Mr Speaker, Sir, appropriate amendments are also being made to enable the implementation of measures relating to the sugar cane industry. It was announced at paragraph 52 in the Budget Speech, that the price of molasses sold for producing potable alcohol will be increased by an amount equivalent to Rs10 per litre of absolute alcohol. Subsequent to some representations and after consultations and in order to protect export of ethanol and promote the use of Concentrated Molasses Stillage (CMS) as fertilizer, the basis of the contribution is being shifted from sale of molasses to production of potable alcohol for local sale. The Budget measure had targeted 10.5 million litres of ethanol. With the revised proposal, the contribution would be on some 5 million litres. This implies that the amount to be contributed will have to be Rs20 per litre of absolute alcohol instead of the Rs10 originally announced. This is to ensure that in a given year, a planter obtains as revenue from potable alcohol around Rs300 per tonne of sugar accrued as was announced in the Budget speech. This measure will be effective as from next crop year, that is, July 2011. The Mauritius Sugar Authority Act is being amended accordingly.

This Bill, also, provides for the global rate of leviable Cess to be reduced by a rate or amount that will be prescribed by Regulations for crop years 2010 and 2011 and that the rate will not exceed 4 per cent of the ex-Mauritius Sugar Syndicate price at the end of crop year 2012 and subsequent crop years. At current prices, this would mean that cess would be of some Rs500 per tonne of sugar. The Bill further provides for exempting from income tax. The income derived on the first 60 tonnes of sugar accruing to an individual who is cultivating less than 15 *hectares* of land. This measure includes planters participating in the FORIP and the Fair Trade Initiative. Moreover, the surplus income generated by a cooperative credit society registered with the Sugar Insurance Fund Board will no longer be taxable. This Bill is also amending the Sugar Industry Pension Fund Act, so that, the measure announced at paragraph 366 of the Budget Speech can take effect.

Mr Speaker, Sir, the Budget Speech announced a number of measures to enable families in all income groups to own a home. This Bill brings about appropriate amendments to the Income Tax Act to give effect to these measures. An income tax deduction of up to Rs120,000, will be granted in respect of interest paid by a first-time homeowner on a housing loan, if it has been taken from a bank, insurance company and other recognised financial institution and it is secured by a fixed charge or a mortgage on the immovable property. This deduction will be available for the first five years of the loan. In the case of a couple who are taxpayers, the deduction may be shared between the spouses up to a maximum of Rs60,000 each.

The benefit will cover interest paid on the mortgage loans for first-time homeowners taken since 01 July 2006. It will in such cases be granted for up to five years as from 2011, if the original loan is still being serviced. The criteria for qualifying for these benefits are spelled out and penalties will also apply in cases where the claims are found to be fraudulent. A penalty of 25% of the amount of tax underpaid will be imposed on taxpayers, who have over-declared their deductions by 10% or more in their EDF. Furthermore, the Bill is providing for an exemption from registration duty to a first-time buyer of a residential immovable property up to the following limits -

- Rs75,000 for a housing unit, including apartment, and
- Rs37,500 in the case of a residential bare land or '*droit de surélévation*', subject to the condition that construction of the residence starts within a year and is completed within 3 years.

In this case also the criteria to qualify for exemption are spelled out and as a deterrent, provision is being made for stiff penalty.

Mr Speaker, Sir, the Bill makes a number of changes to the legal framework to strengthen control on the sales and consumption of alcoholic drinks.

Mr Speaker, Sir, the Bill makes a number of changes to the legal framework to strengthen control on the sales and consumption of alcoholic drinks.

First, it restores the power of Police that existed in the Excise Act, but was removed under the MRA Act. It is to be noted that Police already conducts regular inspection and checks of licensed liquor premises through its general powers under the Police Act, whenever there are

complaints. But, under the legal advice, it was felt necessary to clarify and make doubly-sure that they can exert the specific powers of MRA officers under the Excise Act. Moreover, this legal clarification would be conducive to proper cooperation between the two enforcement agencies, especially as Police is much better equipped than MRA for such inspections.

Second, the Bill is empowering the Director General of the Mauritius Revenue Authority to suspend, revoke or cancel an excise license as a result of -

- i. false or misleading information submitted by a licensee;
- ii. the licensee, being no longer a fit and proper person;
- iii. failure to pay license fees;
- iv. contravening the provisions of the Excise Act or the conditions attached to the license;
- v. unauthorised transfer of the license, and
- vi. conducting his business in such a way that it is a danger to public health, public order or public safety;

Third, it requires displaying or affixing the notice of suspension, revocation or cancellation on the licensed premises for a period of 14 days.

Fourth, it provides for a new simplified categorisation for retail outlets of alcoholic products and doubles the quantum of all excise license fees with effect as from 01 January 2011.

New Regulations to the Excise Act will also be made to set out policy criteria and conditions governing retail sale of alcohol, including proximity to a school or to a place of worship.

In addition, the Bill provides for a doubling in the *MID* levy rates to 30 cents on each litre of petroleum products and each kg of Coal and LPG, as from 04 January 2011.

Gambling is another activity where Government is exercising greater oversight and control to protect our population. This Bill amends the Gambling Regulatory Authority Act to increase as from 01 January 2011 (a) the gaming license fees, (b) the betting license fees and (c) the rates of betting taxes as announced in the Budget Speech.

In view of the increase, the new license fee amount will be payable on a quarterly basis, instead of full payment at the beginning of the year.

I should add that the sole Gaming House operating in Rodrigues has made representation for differentiated treatment and we are actually examining that request.

The Budget has made some fundamental reforms to tax policy that requires a number of changes in the Income Tax Act.

Clause 9 of the Bill includes these changes. An opportunity is also being taken to clarify certain provisions, plug identified loopholes and bring a number of administrative fine-tuning in relation to those measures.

The abolition of the NRPT will be effective as from 01 January 2010. As a result, there will be no NRPT as from the next submission of income tax returns in March 2011.

Interest income is being reinstated as an Exempt Income under the Second Schedule to the Income Tax Act, with retrospective effect as from 01 January 2010. Tax withheld in 2010 will be given as an income tax credit to be offset over two years as announced in the Budget Speech.

The Solidarity Income Tax announced in the Budget will be applicable as from 01 January 2011 and will be payable at the time of submission of the income tax return in March 2012.

The Solidarity Income Tax will not apply to persons who are not tax resident in Mauritius.

Mr Speaker, Sir, to prevent anomalous situations, gains arising from the sale of immovable property will not be included in the calculation of the Solidarity Income Tax threshold.

With a view to keeping tax administration simple for taxpayers the withholding mechanism under TDS (Tax Deduction at Source) on interest from bank deposits will apply only on deposits exceeding Rs5 m. instead of Rs2 m. currently and at a rate of 10% instead of 15%. Furthermore, no tax will be withheld if the depositor demonstrates to the MRA that he will not be liable to the Solidarity Income Tax.

Moreover, the threshold for banks to submit information to the MRA on interest payments is being raised from Rs5,000 to Rs50,000. Likewise, companies will have to provide information in respect of dividends exceeding Rs50,000 paid to an individual who is resident in Mauritius.

The Bill provides for gains obtained from sale of immovable property as from 01 January 2011, to be taxable under the Income Tax Act. The tax will be payable at the time of submission of the income tax return.

Presently, only profits from sale of immovable properties obtained in the course of a business are taxable. Moreover, in the case of a *Morcellement*, it is the value of the land just prior to the property development that is being used to compute profits and not the price at which the land was acquired. The difference between the land acquisition price and the land value prior to the development has been ruled by the Privy Council to be capital gains and not income and therefore cannot be subject to income tax.

It is common practice in many countries, including, for example, Australia, New Zealand and Switzerland for gains from sale of immovable property to be classified as income. We are thus aligning with international practice as from 01 January 2011. Accordingly, gains will be subject to income tax at the rate of 15% in respect of sale of immovable property effected by -

1. a company or a société, and
2. an individual engaged in property business (for example, like in the cases of *Morcellement*).

An individual deriving gain from one-off sale of immovable property that is not in the course of a business transaction will be taxable at the reduced rate of 10%. The first Rs2 m. of such gains in an income year will, however, be exempted. And as I have just mentioned, gains arising from the sale of immovable property will not be taken into account for calculation of the Solidarity Income Tax threshold.

A société in property business will be taxable on the gains at the level of the société itself and not in the hands of the partners, as is the case for business profits.

The gains will be computed by deducting from the selling price of the property -

- o cost of acquisition, including any registration duty paid;

- cost of improvements and buildings;
- land transfer tax paid at time of sale, and
- other costs incurred in connection with the sale.

For a property acquired prior to 01 January 1988, the acquisition price will be adjusted by a multiplication factor contained in a Table at clause 9(b) (iii) (iv) and the cost of any building constructed thereafter will also be restated to its 1988 value using the same factor.

Mr Speaker, Sir, in cases where the acquisition price is not known, the sale price will be discounted by the factor in the second Table at clause 9(b)(iii)(8) to arrive at an acquisition price for the purposes of computation of gains.

The income tax exemptions granted for the undertaking of land development projects to recoup specific costs provided under the Sugar Industry Efficiency Act (in cases such as the Voluntary Retirement Scheme or factory closure and so on) are being removed. Such property development will henceforth be taxable, both on profits derived and gains obtained.

However, the costs incurred (for example, like the actual VRS costs and so on) will be allowed as a deduction from the aggregate profits and gains made from such sales.

Immovable property held by a company and sold via transfer of shares will also fall under the purview of the tax, provided that, firstly, the transfer of shares leads to a change in control of that company and secondly, the company's immovable assets amount to more than 95% of its total gross assets. For such cases, the tax will be in the proportion of shares being transferred and not on the full value of the property. Anti-avoidance provisions are already in place to counter schemes signed to evade tax on gains.

Gains from the following sales or transfers will be exempted -

- Property obtained by inheritance (gains, that is, on resale of inherited property).
- Sale or transfers from an ascendant to a descendant.
- Transfer or sale of property among heirs, provided such transfers are made within a period of five years from the date of death.
- Transfer of property within the same group of companies.

- Transfer of immovable property approved by the ERCP Committee, under an enterprise restructuring support plan.
- Transfer of immovable property by a bank, under an Islamic finance arrangement.

Any loss incurred in an income year, arising from the sale of an immovable property, will not be allowed to be offset against normal profits nor be allowed to be carried forward to be offset against future gains.

The Income Tax Act is also being amended to implement tax measures relating to banks, telecommunication companies, and Freeport operator and developers, as announced in the Budget.

Pursuant to the decision to allow Global Business companies, holding category 1 licence, to conduct business inside Mauritius, it is being clarified that the deemed foreign tax credit of 80% will apply only to income derived from foreign sources, that is, profits derived from local sources will be taxable at the local rate of 15%. To simplify administration of this measure, a Global Business company will be requested to submit a certificate from its auditor, certifying that expenses, which are not directly attributable to either domestic or foreign activities, have been apportioned in a fair and reasonable manner.

The total amount of capital allowance that can be claimed in respect of a motor car will be limited to Rs3 m. per car, except for a car rental or tour operator company.

The amount of income tax exemption in respect of lump sum received on retirement or severance is being increased from Rs1 m. to Rs1.5 m.

The due date for payment of income tax by an individual is being extended by 15 days, if he submits his annual income tax return and effects payment of tax electronically.

Refunds made by the MRA will carry interest at the prevailing bank rate, free of income tax, if effected after the due date of three months, in relation to emoluments, or 6 months in other cases.

Minor clarifications and amendments are also being made in relation to a change in approved return date, process for objecting to an assessment raised by the MRA and record keeping by businesses.

Clause 10 amends the Land (Duties and Taxes) Act to provide for the following -

- Where exemption from land transfer tax has been granted on a sale of immovable property under the Economic Restructuring and Competitiveness Programme (ERCP) but the proceeds thereof have not been invested in the company within the given period, the Registrar-General will, upon notification from the ERCP Committee, claw-back the exemption granted, together with a penalty of 20%.
- It is being clarified that Land Transfer Tax and Registration Duty are not payable in respect of shares held by a company in a successive company listed on the stock exchange.
- The 5 percentage points surcharge on Land Transfer Tax that was introduced in 2008 is being removed, so that the rates are now 5% or 10%.

Clause 12 amends the National Solidarity Fund Act to allow the Board to transfer surplus balances from the National Solidarity Fund into the Consolidated Fund, at the request of the Minister of Social Security, National Solidarity and Reform Institutions, after consultations with the Minister of Finance.

The Registration Duty Act is being amended to ensure that all loans of up to Rs25,000 given by cooperative credit societies and other cooperative societies to their members will attract a concessionary fixed duty of Rs200 on registration of the document. Regulations will also be made to exempt such documents from stamp duty and inscription fee.

Two additional amendments are being brought in respect of the operational aspects of registration of deeds -

- the first is an amendment consequential to the registration duty exemption granted in the context of an enterprise restructuring support plan under ERCP, providing for certification by the ERCP Committee, and
- the second is to exempt a GBL company that does not hold any freehold or leasehold immovable property in Mauritius from the obligation to register any transfer of shares of the company with the Registrar-General.

Clause 15 amends the Revenue (Temporary Protection Act) to provide for any levy, imposed under the Excise or the VAT Act, to fall within the ambit of this Act. Thus, it will be possible in the future to increase the rate of such levies, such as the *MID* levy, by way of Financial Resolution.

The Bill amends the State Lands Act, to ensure that rental for the same period is not paid twice when a lessee of an industrial lease on *Pas Géométriques* and State land opts for a new lease at market value. Any rental paid in advance under the old lease will be allowed to be offset against the increased rental amount under the new lease for the same period. In cases where rental under the new lease agreement has already been paid, a refund of the rental paid twice for the same period would be effected by the Ministry of Housing and Lands.

The Statutory Bodies (Account and Audit) Act is being amended for the sake of transparency and accountability as follows -

- (a) appointment by the Board of an auditor to audit annually the financial statements of the statutory body, only if the financial statements are not audited by the Director of Audit;
- (b) financial statements to be henceforth signed by the chairperson and another member appointed by the Board rather than all other members of the Board. In the absence of the Chairperson, another member of the Board, appointed by the Board, will be authorised to sign the financial statements, and
- (c) preparation of financial statements to be in compliance with the International Public Sector Accounting Standards (IPSAS).

Clause 19 brings a number of amendments to the VAT Act, as follows -

First, any VAT registered person will henceforth have to indicate his Business Registration Number in his VAT invoice.

Second, the process for lodging an objection against an assessment raised under VAT is being aligned on that obtaining under Income Tax.

Third, subsequent to representations and consultations, an amendment has been circulated to maintain wheat flour and bran, edible oils, margarine, sterilised liquid milk, curdled milk and cream and yogurt, live chickens and chicks, animal feed and fertilizers under the

list of zero-rated supplies at the First Schedule to the VAT Act. However, considering expert views that there might be a deviation from international best practice, including WTO rules, whereby zero-rating should be limited to exports only, the matter would be further considered.

On the other hand - I hope you do not have objections to that - cosmetic surgery services will be subject to VAT.

(Interruptions)

Clause 4 amends the Customs Act to strengthen the customs control procedures to be followed for the supply of fuels as ship stores to eligible vessels leaving Mauritius.

Mr Speaker, Sir, I will now come to Public Debt Management. Clause 13 brings major amendments to the Public Debt Management Act 2008 to take into account lessons drawn from management in a context of global economic crisis and the heavy infrastructural investment envisaged in the medium term. The objective is to establish a solid framework for the proper assessment of fiscal and quasi-fiscal risks stemming from debt of public enterprises. The new framework reflects comments from Moody's and the IMF that considered our previous definition as being too rigid and not supportive of an ambitious Public Sector Investment Programme. Thus, the main changes being brought about are -

First, for the purposes of adherence to the fiscal rule, any debt incurred by a public enterprise will not be regarded as being part of a public sector debt if that public enterprise satisfies a set of 5 criteria, and these are in fact in the Bill.

1. Managerial independence, including pricing policy and employment policy.
2. Transparent and stable relations with the Government, including for subsidies and transfers, quasi-fiscal activities, and the nature of the regulatory and tax regime.
3. Solid governance structure, including periodic external audits, publication of comprehensive annual reports and shareholders' rights.
4. Sustainable finances, including market access, less than full leveraging, profitability and record of past investment.

5. Absence of other risk factors, including vulnerabilities stemming from contingent liabilities.

In the event that a public enterprise does not fully satisfy all the above criteria, any debt incurred by that enterprise will be discounted to the extent to which the enterprise satisfies the criteria and the level of risks which they represent to public finance. A Committee consisting of not more than 7 senior public officers will be appointed by the Minister of Finance and Economic Development for that purpose.

Second, the timing for reducing the ceiling of public sector debt to GDP from 60% to 50% is being revised from the end of fiscal year ending 31 December 2013 to the end of the fiscal year ending 31 December 2018.

Third, the Public Debt Management Act currently provides that any rise in the percentage at the end of a fiscal year shall not exceed one per cent by reference to the percentage in respect of the previous year. This is being revised to two per cent.

Fourth, in case the increase in the percentage of public sector debt to GDP is more than 2 per cent in a fiscal year, the Ministry will come up with a plan within the 3 fiscal years immediately following that fiscal year to restore the debt level.

In addition, provision is being made for proper monitoring of public sector debt. Government and public enterprises will thus be required to submit to my Ministry debt data in respect of every quarter, not later than 15 days after the end of the quarter and also a 3-year financing plan and the debt implications, not later than 30 September every year.

Mr Speaker Sir, before concluding, let me inform the House that I will be proposing to make some amendments that have already been circulated at Committee Stage.

I will make an amendment to the Bill at Clause 2 relating to the Bank of Mauritius Act. It is to clarify that the promotion for the development of the foreign exchange and derivatives markets will be made with the approval of the Board. The granting of advances to financial institutions by the Bank of Mauritius is being extended to other entities. And the power to grant advances to the receiver, receiver and manager or liquidator is being kept as it is now, that is, with the Board.

I am bringing at Clause 4 an amendment relating to Customs Act to correct a cross reference.

I will bring an amendment at Clause 9 of the Bill relating to Income Tax Act to -

- i. bring a clarification that in relation to the exemption of the first Rs2 m. of gains granted to an individual, the amount will be equivalent to the actual amount of the gains or Rs2 m., whichever is the lesser;
- ii. provide that a planter, who is an individual, will not be required to submit a return of income where, in an income year, (a) if he cultivates sugar cane on less than 15 *hectares* of land in the aggregate; (b) if the sugar accruing to him from the sugar cane cultivation does not exceed 60 tonnes, and (c) if his net income, other than his basic retirement pension, is solely derived from sugar cane cultivation, and
- iii. provide for an additional exemption in the case of sale of an immovable property by an individual for the first-time if the selling price is less than Rs5 m.

I am also bringing an amendment at Clause 19 to maintain the zero-rated VAT status for wheat flour and bran and so on and so forth.

Mr Speaker Sir, I should like to conclude by saying that the changes to the legal framework are extensive, reflecting the breadth and depth of the Budget we have presented. However, the amendments we are making in the Finance Bill are only part of the changes required to carry through the various policies and measures in the Budget. That is why we will come up early next year with a Bill for more related legal amendments.

With these words, Mr Speaker Sir, I commend the Bill to the House.

Dr. Bunwaree rose and seconded.

Mr Bérenger: Mr Speaker, Sir, some of the amendments, which the hon. Minister has referred to, need to be studied in detail. We've just obtained them. May I suggest that we break for tea; that will give us time to study them.

At 4.36 p.m. the sitting was suspended.

On resuming at 5.15 p.m. with Mr Speaker in the Chair.

Mr P. Bérenger (The Leader of the Opposition): Mr Speaker, Sir, unlike the hon. Minister of Finance, *je vais commencer par le gros morceau*, what was provided for in the Bill in regard to the Bank of Mauritius.

I need hardly remind the House, Mr Speaker, Sir, that in the Budget Speech, at paragraph 85, all that the hon. Minister of Finance had said was -

“(...) the list of collaterals which the Bank may accept when granting advances will be broadened.”

Mr Speaker, Sir, you will remember that when I spoke, I said that I was very disturbed, that what was being contemplated was very serious. I took note that the Prime Minister, the front Bench listened carefully to what I had to say on this very important issue. Nevertheless, when the Bill came, it was worse than I had expected, it was much worse than the signal that had been sent in the Budget Speech. In fact, it was playing with fire, it was setting in motion a time bomb that was provided for. Until the Bill was circulated, Mr Speaker, Sir, the Bank of Mauritius made advances only to Government - fair enough – and to banks. But the security which it would have to take from the Banks was detailed. There was a list of securities: Gold Coins or Gold Bullion and so on, Bank of Mauritius Bills or foolproof security, Mr Speaker, Sir. It was provided also, until that point in time, not only until the Finance Bill was circulated, not only was the Bank of Mauritius lending only to the Government or the Commercial Bank and when lending to Commercial Banks against foolproof security, but there was also a paragraph which read –

“In exceptional circumstances the Bank could grant advances to financial institutions on such terms and conditions and against such security as the Board may determine.”

Drastic changes came with the Bill and the most surprising thing was that the Board was kicked out. Wherever it was mentioned that the Bank of Mauritius could do this or that, grant advances, look at the security, it was always as approved by the Board. I don't know what went through the hon. Minister's mind, I don't know who suggested that, but, at this point in time, the Board was thrown overboard - if I may say so - everywhere. When it was proposed in the Bill that the Bank of Mauritius could lend, not only to financial institutions, but to such other entities as the Bank, not the Board, it was explosive what was contained in the Bill, in a way incredible,

with the Bill, the Bank of Mauritius - not without the approval of the Board - that is, the Governor could decide which other entities the Bank would make advances to, would decide what other securities, the Bank of Mauritius, not the Board, would accept. I was going to be very, very tough, and I am very happy that all this has been thrown overboard. There still remain two small amendments in the same logic that, with the amendments to the Bill, we are reintroducing the Board everywhere. At least, we have that guarantee. It is no longer the bank, the management, that is, the Governor; it is the Board, Mr Speaker, Sir.

I was going to ask what are those exceptional circumstances that we have in mind when we would give that kind of power to the Governor outside the control of the Board. The more exceptional circumstances - I would think as a layman - there are on the horizon, the more it is necessary for the Board to be involved, and not just the Governor. I have in mind certain big problems ahead. I won't say more, and I hope the hon. Prime Minister also knows it. There are some very big problems on the horizon. I thought Government was losing its head, coming with that kind of Bill, when there are indeed serious problems on the horizon. *Mais, tant mieux, la raison a prévalu.* I had the occasion of putting in a word with the hon. Prime Minister. We were discussing something else, but I am really happy that amendments are being brought to the Bill that was circulated, to bring us back to where we were, that is, everything will have to go through the Board. At least, we have that guarantee.

I am still quite uneasy with that definition of other entities - the amendment - so that the bank can grant advances not just to financial institutions, but to such other entities as the Board may decide. I still wish to have some clarification on that. And then, the Board will take over. But are we going to allow - if I may say so - the Bank of Mauritius to make advances not just to Government, not just to commercial banks, but to other entities, including private entities? I hope this is clarified. I think we would be travelling down a very dangerous lane if we did that. Are we going to leave it to the Board to decide, apart from foolproof guarantees, security; what other security? For example, as I said earlier, even as amended, the Board would have the power to accept as security what is called toxic assets elsewhere. Are we going to accept that commercial banks, which are in difficulty, give, as guarantee to the Bank of Mauritius, toxic guarantees that they have with private companies? We will be watching. *Nous donnons le bénéfice du doute au Board.* But we are going to raise issues here; we are going to watch very

carefully, because this idea of lending to other entities, apart from Government and commercial banks, is something very, very dangerous.

I am glad - I won't use expressions like back-pedal; the Bill should never have come in the form it came - that the most toxic aspects of the Bill have been removed. But we will be very careful and very watchful also, Mr Speaker, Sir, because I repeat, there are big problems on the horizon - I won't go into any more details - which the Bank of Mauritius will have to handle. *Nous donnons le bénéfice du doute au* Board of Mauritius, but we will be very watchful, Mr Speaker, Sir.

I still would suggest, in the same line, because we have reintroduced the control of the Board, for example, to promote the development of foreign exchange and derivative market. We have reintroduced the expression 'with the approval of the Board', which was not in the Bill. This time, we have put it in. Very good! But there are two places where I am going to propose amendments. There is nothing new; just in the same logic, that is, everything important - not day to day management - should be under the control of the Board. At (E)(III)(vi), it is said that the bank can accept 'such other security as the bank may determine'. It is logical that it must be with the approval of the Board. I repeat: at (E)(III)(vi), it is said that the bank can accept 'such other security as the bank may determine'. In the same logic, it should be the bank can accept 'such other security as the bank may determine, with the approval of the Board'.

The same applies for acquisition of immovable property. At page 4, it is said the bank may 'purchase or otherwise acquire such immovable property or any right therein;' There also, I am going to propose an amendment that it should be with the approval of the Board. It is not the normal business of a bank to acquire immovable property. When it does acquire immovable property, it should be in the same logic; it should be with the approval of the Board. So, I am going to move these two amendments. But they are in the logic of the amendments which Government itself has proposed, and I am glad that we are not going to play with fire in the way which the Bill was proposing.

I don't know if it's Christmas spirit, but I must say that I didn't expect those amendments. *Qui a mal inspiré le ministre des finances* to put them in the Bill? I don't know. Maybe, he was in a bad mood; maybe, he could not get at me, and so he got at others. I don't

know. But, today, it's very different. He comes with amendments, which I was going to propose. All the amendments!

(Interruptions)

Of course, in the logic of what I had said, I was going to propose four other amendments to bring back the required approval of the Board. So, I had prepared, on the eve of Christmas, a thunderous speech, on the one hand, to hit at that Bill and so on. And also, I was going to say, Mr Speaker, Sir, that this Bill must be read together with what we would have heard concerning procurement! We heard the same sweet talk, as far as procurement is concerned, when I put my PNQ. Good!

C'est une bonne façon de finir l'année, both on the Finance Bill and on procurement. I hope that, next year, when Parliament meets, we won't have such Bills before the House, which have to be deeply amended, Mr Speaker, Sir.

A last word on the Bank of Mauritius. There is nothing in the Bill concerning the Sovereign Wealth Fund to be set up, the amendments to be brought to the functions of the Monetary Policy Committee (MPC), and the merger of the Central Bank and the Financial Services Commission. In the case of the change in the functions of the MPC, and the merger of the Central Bank and the Financial Services Commission, it is normal that it is not in the Bill. Because the Minister of Finance informed us that Government was seeking expert advice before moving on. But in the case of the Sovereign Wealth Fund, I can understand that it is not in the Bill because the hon. Minister of Finance proposed it and the Governor of the Bank went public to take a stand against that proposal on the occasion of the launching of the ABC Bank a few days ago. He went as far as going public to take a stand against the setting up of the Sovereign Wealth Fund. So, we will see how Government is going to revisit that issue. I have done with the Bank of Mauritius, Mr Speaker, Sir.

I will move on to small planters. For small planters, Mr Speaker, Sir, in the Bill, after including through a PNQ, I had raised the issue that tax exemption on the first 60 tonnes should apply to all small planters, not to the factory owners and so on, but I had made the point that it should apply to all small planters, as defined in the law. I had even put a PNQ and the result is that at page 33 of the Bill, we have now a paragraph where there is no more any mention of 'solely'. As we know, in the Budget Speech, the Minister had proposed that it is only the small

planters who rely ‘solely’ on sugar income that could benefit and, on both sides, we had said that it is unfair. The hon. Minister of Finance started accepting that apart from sugar income, it could be pension, it could be rent, or this and that. Finally, that expression has disappeared. Finally, it applies to all small planters cultivating less than 15 hectares of land. Why introduce a new concept? At paragraph 33, now we are told: ‘the income derived on the first 60 tonnes of sugar accruing to a planter who is an individual cultivating less than 15 hectares of land’.

I am going to propose an amendment, but I would suggest that Government should propose an amendment, that we delete the words: ‘who is an individual’; it would read simply ‘the income derived on the first 60 tonnes of sugar accruing to a planter cultivating less than 15 hectares of land’. So, we delete the expression ‘who is an individual’. What does that mean? Why do we put that there? I expected the hon. Minister of Finance to give an explanation as to why we have done away with ‘solely’ and we introduced the concept that the small planters must be cultivating ‘as an individual’. What does that mean? I am sure that we all know *les réalités de ce milieu*. Lots of the small planters are doing it *à travers une succession et une société*. So, that will not apply. We need clarification, but, anyway, I would suggest that Government comes forward and deletes these four words ‘who is an individual’, so that it would simply read: ‘the income derived on the first 60 tonnes of sugar accruing to a planter cultivating less than 15 hectares of land’. Otherwise, what this concept of ‘an individual’ means is that small planters who are cultivating with members of the family through a *succession* or a *société, ad hoc société* will not benefit from that tax exemption which would clearly be unfair. Does the hon. Minister know how many would disqualify? I put the same question as I put when there was this question of ‘solely’. Do we know how many small planters will not qualify? I think there are quite a number. *On est à la veille de la Noël*, let us turn a page on that and I would suggest that Government comes forward and deletes those four words ‘who is an individual’, Mr Speaker, Sir.

Concerning small planters, in the Bill there is provision on the reform of the cess. We had been informed that there was a committee meeting and the Minister of Agriculture had informed us that the committee would finish its work by the end of November. I take it that the committee finished its work and the Government relied on their report to come with the proposals concerning cess reform. But, it is only the outline that is in the Bill; all the details will be

gazetted later on. I would suggest that a copy of the report of that committee on cess reform be placed in the Library, pending the details of cess reform being gazetted.

It is the same thing on 4x4. The hon. Minister, at page 11, used strong words and said –

“...I am re-establishing full duty-free facility on all types of double cab vehicles (4x4) for eligible small planters, farmers, fishermen’s cooperative societies and qualified SMEs.”

There is nothing in the Finance Bill and it is not surprising; I suppose that it will be done through Government Notice. I would like clarification on that but, full must be full. We must go back to square one where we were before the previous Minister of Finance came up with all sorts of complications.

Regarding VAT, again, I was going to be very tough, as we know that the Minister of Finance had said that *la farine, fertilisants, yaourt, poulet*, would see their intrants hit by Value Added Tax and we know what would have been the results. Mr Speaker, Sir, I remember when I reached that point in my speech, I said that all these prices are going to increase, it is unfair towards not only the consumers, but those local producers; it is unfair. I remember when I made the point, the hon. Prime Minister turned to hon. Xavier Duval and said: ‘*vrai ça?*’ And hon. Xavier-Luc Duval said yes. But, it is good that Government is going back on that. It is a good thing. I was going to propose an amendment but I need not propose it now.

For the Corporate Social Responsibility (CSR), there is nothing in the Bill and I am not surprised, but I take this opportunity to repeat – we do not even have gazetted regulations for the CSR Committee, the way it works, the way NGOs qualify and so on. In a Finance Bill of two or three years ago, we created the CSR, but only *la coquille qui n'est pas restée vide mais c'était quand même la coquille*, and it is through guidelines, not even gazetted regulations, that the CSR is functioning. I think this is unacceptable. It is a lot of money and for the protection of the Minister concerned and of everybody, I think Government should come with proper legislation then there would be regulations under that legislation. But there must be a proper legal framework for the way the CSR Committee, the way funds are received, handled and disbursed and so on. So, I appeal to Government to come forward with full-fledged legislation as far as the CSR issue is concerned, Mr Speaker, Sir.

The change in status of the Bank of Mauritius, at page 26, the hon. Minister of Finance has said: ‘the DBM will be transformed into a Development Finance Agency to more effectively support SMEs and there would be a new coordinated institutional framework that brings together the Small and Medium Enterprises Development Authority, the National Productivity and Competitiveness Council, the National Institute for Corporative Entrepreneurship, the National Women Entrepreneurs Council and Enterprise Mauritius. There is nothing in the Bill and I am not that surprised, because if Government goes ahead, it would warrant a full piece of legislation, but I would appeal to Government again not to go ahead along the declared intention. Yes, we should revisit DBM and SMEDA, but not this huge thing that is going to be created. There are other ways of helping SMEs, Mr Speaker, Sir.

Concerning the PSC, of course, there is a word in ..

(Interruptions)

Mr Speaker: I have to intervene here and say that this Bill has been prepared in line with the rulings I gave a couple of years ago and that only matters that are related to finance or has financial implications that are included in the Bill. I understand that other aspects of the Budget Speech will be subject matter of another Bill which will be introduced in the House at a later stage. Then, the hon. Leader of the Opposition will have an opportunity to comment on them.

Mr Bérenger: Mr Speaker, Sir, I don’t think that there will be any Bill coming. May I remind you that the hon. Minister of Finance used language, which I would describe as undiplomatic, to be fair because the hon. Minister of Finance has said: “the PSC will further delegate recruitment and so on.” I am glad that, in the meantime, the hon. Prime Minister has made it clear that the Constitution has it that it is the PSC which delegates and that things will remain like that. It is thus not surprising that we find nothing in the Bill.

For the occupational permit, Mr Speaker, Sir, there is nothing again in the Bill to bring down from 75,000 to 45,000 what needs to be the minimum requirement for an occupational permit. Can I appeal to Government not to go forward? There was a reply to a question on Tuesday: “We have delivered these last months, since that has been in operation, 7,278 occupational permits.” It is a lot. I would wish Government to, at least, explain why bring it down and, therefore, increase by many thousands again? One thing which is missing - and in

that case it should not be missing - is what the hon. Minister said on the Land-Based Oceanic Industry ...

Mr Speaker: I am sorry! Whatever is in the Bill is in the Bill and whatever is not in the Bill is not in the Bill!

Mr Bérenger: Yes, Mr Speaker, Sir.

Mr Speaker: This is a Bill restricted only to things that will have effect on the finance of the Government. It is a restricted Bill. I understand that the hon. Minister of Finance will come with a Bill on all other aspects of the Budget speech. So, we will have to wait for that Bill to come.

Mr Bérenger: Mr Speaker, Sir, it is your ruling, but anyway he had said that Government is coming forward to amend the Maritime Zone Act. It is a simple one, which should have been in that Bill. That is my point!

Mr Speaker: Although it is mentioned in the Budget, there are so many other things that have been mentioned in the Budget speech, but which does not form part of the Bill because these matters do not relate to finance. So, I think I will have to crave the indulgence of the hon. Leader of the Opposition here and wait for the proper Bill to come before the House.

Mr Bérenger: I hope it does not take too long because in that case it is urgent for the Land-Based Oceanic Industry to move forward. There is urgent need to amend that piece of legislation. It is so urgent that I think that the occasion should have been today. But, we will see when the Bill comes, Mr Speaker, Sir.

On public debt, I must say that we disagree and that I am going to propose an amendment later on. In the Budget Speech, there was no reference for public debt, but there was a point made that public sector debt will increase to 60.7% of GDP. We know that worldwide, this is the danger signal, Moody's, World Bank, IMF; they looked at that figure, total public sector debt. What I find unacceptable - that is why I'll propose an amendment - is that after having made reference to the total public sector debt increasing above 70%, in the Bill a proposal is made and the hon. Minister of Finance referred to that at page 37 - a committee of not more than five senior public officers is going to be set up and the committee will see whether any debt

incurred by a public enterprise, which satisfies the criteria set out in the schedule, shall for the purpose of this section, not be regarded as a public sector debt.”

This is not proper. The criteria, Mr Speaker, Sir, are very open.

The criteria in the first schedule are -

- 1) Managerial independence, including pricing policy and employment policy.
- 2) Transparent and stable relations with the Government, including for subsidies and transfers, quasi-fiscal activities, and the nature of the regulatory and tax regime.
- 3) Solid governance structure, including periodic external audits, publication of comprehensive annual reports and shareholders’ rights.
- 4) Sustainable finances, including market access, less than full leveraging (debt-to-asset ratio comparable to the industry average), profitability and record of pass investment.
- 5) Absence of other risk factors, including vulnerabilities stemming from contingent liabilities.

So, we are going to have a committee of officials that will examine whether the CEB or the CWA or any other public enterprise, if they are supposedly qualified – it is very vague – as per criteria in that schedule, so the debt held by that public enterprise will no longer come into the public sector debt in general. I don’t think that’s good at all. It gives a wrong picture of the real public debt situation. If we go ahead with that and if that committee sits and finds this or that public enterprise is qualified as per the criteria, so its debt will be withdrawn from the total public debt and we will have an incomplete and a wrong view of public debt in general. I believe that this is going to cause a credibility problem. If Moody’s, and if others start doubting whether the real figure that we are putting forward as public sector debt is the real figure, I listen to the hon. Minister of Finance and I don’t know why we go and pick that kind of quarrel. I think we should stick to the definition of public sector debt as established and we should not go ahead. I am going to propose an amendment to that part of the Finance Bill.

Thank you, Mr Speaker, Sir.

(05.48 p.m.)

The Minister of Education and Human Resources (Dr. V. Bunwaree): Mr Speaker, Sir, we are meeting this afternoon in the course of the debate over the Finance Bill for the coming financial year. This is, as we know, a routine democratic parliamentary exercise. It is meant for the implementation of Budget proposals once the Budget has been read for a third time and passed in the Assembly. Following your ruling, given two or three years ago, and I must say ruling which was given after complaints made from the Opposition and from the hon. Leader of the Opposition, we decided that the Finance Bill should include measures, proposals, which are in relation with tax and national taxation, national finance, and, of course, matters which are consequential or incidental to them. This is what we are doing today. It is clear, therefore, why the Finance Bill comes at this time.

In the past we used to have the Budget in the month of June, it was passed by 30 June and the Finance Bill used to come to the House early in the month of July, by mid-July, because we had to legislate and implement the Budget proposals. Now that the Budget is being voted in the Assembly during the month of December, we have the Finance Bill coming at this time and the Leader of the Opposition seems to be happy because of the festive mood which has started in the country. This is true, but I must remind him, as well as Members of this House, that every year it is going to be like that. Therefore, every year the Finance Bill is going to come during the festive mood and let's hope that it is going to draw consensus each time as it seems to be this year.

Mr Speaker, Sir, when the Budget Speech was on, in fact, I had the opportunity to speak after the Leader of the Opposition and I did criticise a few points that were mentioned. I did also say that, for the first time, I found that the speech of the Leader of the Opposition was *un peu décousu*, but I also said that not to be demagogical there were a few positive aspects in the speech and these would be taken care of. I did say that it is when the Finance Bill comes to the House, that whatever comes out of the thinking, will be taken into consideration and this is what is happening today.

In fact, those few positive things that were mentioned by the Leader of the Opposition were not mentioned by him only, they were facts. In many quarters, we did realise that there were certain aspects that could create confusion and I must also say that we have just started in this new way of budgeting in the month of December and we had elections this year, in the month of May and after elections we had a new Cabinet, a new Government and new Ministers.

Time also was of an essence, the Budget was prepared by a new Minister of Finance for less than five months which, of course, could not take into consideration all the aspects that certain amendments are being brought to the Bill today and especially concerning the Bank of Mauritius as the Leader of the Opposition said, we are all happy - well I won't say that the Board was kicked out as he said. In fact, the Board was not being given the responsibility that we believed it ought to and this is being reintroduced. The same thing for the small planters, the same thing for the exempt VAT regime for certain items. I think this augurs well for the country and we should congratulate the Minister of Finance for having listened, examined and decided that better take certain measures now so that the Budget does not go with some negativity and let the country be the winner. I wish to congratulate him for having taken *le taureau par les cornes comme on dit* and propose these amendments as they have come to the House.

Mr Speaker, Sir, I won't dwell on the Bank of Mauritius Act because it has already been mentioned by the hon. vice-Prime Minister and Minister Finance and also by the Leader of the Opposition, but it is good to note that the Bank of Mauritius Act is being amended for certain specific reasons – one is to allow the Bank to promote Islamic money market as has been mentioned by my colleague, the Minister of Finance, but also amendments to empower the Bank of Mauritius to issue large variety of instruments for the management of liquidity. And, we know its importance, especially in these days of international crisis. Also the list of collaterals which the Bank may accept when granting advances is being widened; this is in clause 2 (b) (f).

I wish to mention also that possibility to grant advances to the customers of the bank in exceptional circumstances for a period of six months instead of three months. I won't dwell, Mr Speaker, Sir, on the Financial Services Act because it has already been canvassed, but I wish to say insofar, as the Excise Act is concerned, that amendments are being brought forward to strengthen control over excisable goods in line with the budget measures taken to discourage consumption damaging to health; this is important. The following amendments are being made to the Act in that sense. Empowering the Director-General of the Mauritius Revenue Authority to suspend, revoke or cancel an excise license as a result of false or misleading information submitted by licensee. If the licensee being no longer a fit or proper person, in the case of failure to pay license fees, in the case of contravening the provision of the Excise Act or the conditions attached to the license, and also, I must say the unauthorised transfer of the license and

conducting business in such a way that it is a danger to public health, public order or public safety.

Still in the Excise Act amendments are made to allow for the displaying or affixing the notice of suspension, revocation or cancellation on the license premises for a period of 14 days. Amendments also for the doubling of the quantum of all excise license fees with effect from 01 January 2011 and providing for a doubling in the MID levy rates to 30 cents on each litre of petroleum products and each KG of coal and LPJ as from 04 January 2011.

I now come to the Income Tax Act, Mr Speaker, Sir. We know that to implement the various policy measures which have been announced in the 2011 Budget Speech, actions have been taken with regard to the National Residential Property Tax, the NRPT as we said. The NRPT is being abolished with effect from 01 January 2010. Moreover, interest income is being re-instated into the list of exempt income under the second schedule of the Income Tax Act, also with retrospective effect again from January 2010 and therefore as a result there will be no NRPT, nor tax on interest as from the next submission of income tax returns which will be, I believe in March 2011.

However, it is good to note also, that any tax withheld by banking institutions during the current fiscal year, on interest received on bank deposits will be converted into a tax credit that will be deductible into two equal installments against the income tax liability of the tax payer at the time of submission of the income tax returns and this is 2012 and 2013 and also any unused tax credit will be refunded in 2013.

Mr Speaker, Sir, I won't go into the solidarity income tax that has been well canvassed and has been taken again today by the hon. Minister of Finance, but still in so far as income tax is concerned, on education we know that an interesting measure is being reintroduced because it used to exist with other quantum.

An additional income exemption is being introduced for taxpayers who are not subject to the solidarity income tax if their dependent children, up to a maximum of three, are following a non-sponsored full-time undergraduate course and paying tuition fees of, at least, Rs44,500 per annum. The amount of fixed exemption has been mentioned in the Finance Bill also as being Rs80,000 per child studying in Mauritius at an institution recognised by TEC and Rs125,000 per child studying at a University overseas appearing on a list to be maintained by the Tertiary

Education Commission. This exemption will be granted for three consecutive years - *cela va de soi* - of study per child irrespective of the duration of the course and if, in 2011, a child is in the third year of a five-year course, his parent will receive the benefit for the full three years: 2011, 2012 and 2013.

However, if a child stops his three-year course for one year and starts again, his parents then will no longer be entitled to the benefit. I think this is very clear. In order to support his claims to the MRA, a person entitled to the exemption will have to produce a certificate from the University, confirming that tuition fees above Rs44,500 have been paid in respect of a non-sponsored undergraduate full time course and, for a University abroad, the MRA would grant the exemption even if the fees - I am told - paid are not classified as tuition fees, which is a very interesting and important measure, and a relief for these parents.

Mr Speaker, Sir, I would like to say a few words on the measures that are being proposed for education and, in fact, I will end on that topic. The income tax relief exemptions that I have just mentioned will have an effect, of course, for many parents - relief for many parents - who are financing the higher studies of their children; they will benefit henceforth from this tax relief. This will definitely encourage and support these parents to, in turn, support their children in their higher education pursuits. So, this is a much welcome measure.

Mr Speaker, Sir, it is also in line with our policy to increase the gross tertiary enrolment ratio. We have mentioned already - Government, as well as my colleague, the Minister for Tertiary Education, mentioned that in his speech - that we want to increase this ratio, and everybody in the country knows that now. It is actually around 45% to 47%, and we wish it to become, in the coming years, above 70%. So, through this tax relief, I am sure that parents will be interested, and will be encouraged to allow their children to continue tertiary education. Therefore, as I said, this measure has been widely acclaimed in the country, and very well received by the public at large.

Mr Speaker, Sir, I would wish now to dwell on an issue, still in the line of education, which has, for a very long time, not been questioned or even reviewed. We have preferred to go along the trodden path lest we may err. But, I have always been convinced that we have to make the dreams of many more Mauritians become a reality, and not just for a few. I am, Mr Speaker, Sir, referring here to the laureate scheme which, for many, is the sumnum of their quest for

academic excellence, and a passport for improvement in their socioeconomic status. This Government - we must admit - has been bold enough to question the restrictive nature of this scheme, and open it up, in the name of equity, to a much larger number of meritorious students.

Mr Speaker, Sir, the notion of merit - in this Budget and the Finance Bill, which is making it become law - has been expanded to take on board not simply academic merit, but social merit as well; and it is for the first time in this country. This Finance Bill provides for the grant of an additional 24 scholarships - as was mentioned in the Budget Speech by the hon. Minister of Finance - to be awarded to meritorious students coming from low-income families. This is an additional investment, which this Government is making in our human capital. At the same time, we are providing incentives for such laureates to pursue their studies in Mauritius, not necessarily always go abroad, because we have very good universities in Mauritius and we know that, in some cases, it is more difficult to get a seat in the University of Mauritius than to get a seat in a University abroad, for legal studies, for example.

So, this additional investment is being made for our human capital and, at the same time, we are providing incentives, as I said, for the laureates to pursue their studies in Mauritius, and thereafter benefit a two-year internship in a Government Ministry or Department. This is something new.

There is always the question of brain drain of our youngsters doing so well. Even if they sign bonds before they go on scholarship abroad, when the time comes for them to decide to come back to the country, it becomes very difficult. How often are we faced with problems which are very difficult to solve? Now, we are providing the possibility for a two-year internship in a Government Ministry or Department, and this will take care of that brain drain at the same time. It is a well-known fact also that the large majority of our laureates - many of them - do not return home to serve the country. So, this measure goes in line to try to help them to understand that the country also needs their brains and, therefore, give them the possibility of working. Then, if they work for these two years, they get another incentive, because this measure guarantees not only the development of our intelligentsia, but the retention of those talents and competencies to support and sustain the development of the emerging growth pillars, which are becoming more and more skills and technology intensive. Once they decide to stay, - I hasten to add - we do not close the door to them; they will have an inclination to being exposed

to studies overseas. The fact of having agreed to work for two years in Mauritius will give them the opportunity for them to go abroad and be awarded postgraduate scholarships. As such, the State scholarships will offer two options to the laureates; either they opt to study locally, and they will benefit from another postgraduate scholarship studies afterwards.

These are things which are new and which did not exist until today. The best brains that this country has produced, Mr Speaker, Sir, have already proved their capacity to take Mauritius to new heights. Our country will continue to produce elites, of course, but equity dictates that we should not refrain from making the system becoming an elitist one only. Do you know how many times we have had laureates being awarded scholarships, but having refused those scholarships because the amount that was being offered to them was not sufficient for them to do the studies they had chosen? So, they decided to decline the scholarships – sometimes, up to Rs560,000 per year for three years - because that was not enough for them, and the amount that was needed for topping up could not be afforded by their families. They decided to stop there; either to go to work or to a University in Mauritius, to allow them to do some other degrees, but not in the line they had chosen, where their vocation seems to have been.

Mr Speaker, Sir, therefore, this is a breakthrough, I must say, and I wish to congratulate the hon. Minister of Finance, once again, because it was not easy to take that decision. I am happy that this measure has been applauded by one and all. Therefore, the laureate scheme is going to change now. It's a question of two years' study. So, we are not going to apply it this year, as we are making the legislation, but it will become a reality in the year 2012 when the students will be sitting for Higher School Certificate for the first time, and the results will be coming in February 2013. We need to give them two years' notice. So, when they go in Lower VI next year, they will already learn that the changes in the scheme will be there, and will be afforded to them as from the year in which they will be sitting for the examination for the first time, that is, after two years' study.

Mr Speaker, Sir, after having congratulated the hon. Minister of Finance, I wish also to congratulate all of us, because this Finance Bill is making the Budget become a reality, it is making consensus in a festive mood, but in a serious mood as well.

Before ending, may I remind the House that there is a list of other measures? In fact, you made the Leader of the Opposition realise that there are things which are not in this Finance Bill,

but which are bound to come in another form, because they are not directly related to taxation or financial measures, but they are important pieces of amendments which need to be brought to certain pieces of legislation. They will certainly be coming in the form of another Bill and according to the urgencies of these measures, action will be taken in due course.

Thank you very much, Mr Speaker, Sir.

(06.11 p.m.)

Mr S. Obeegadoo (Third Member for Curepipe & Midlands): Mr Speaker, Sir, at the very outset, let me say that I have no intention whatsoever of covering the ground already variably dealt with by the hon. Leader of the Opposition and I would wish simply to restrict myself to Clause 5 of the Finance Bill, referring to amendments to the Education Act, to which reference has just been made by the hon. Minister of Education.

M. le président, les amendements qui sont proposés et qui sont devant nous aujourd’hui, les amendements à l’*Education Act* dont découlent du discours du budget, les paragraphes 193 à 200 qui proposent une révision en profondeur du système de bourses d’État pour les études universitaires. Première remarque, pour bien comprendre à la fois la logique du gouvernement et pour bien comprendre notre prise de position, c’est que ces propositions ne datent pas d’hier. Il y eut un *White Paper* commandité par le gouvernement Travailliste avant 2000 déjà, qui aborda le sujet. Quand je devins ministre, je demandai avec la Commission pour l’Education Tertiaire, une mise à jour de ce rapport, les propositions me furent soumises à la veille des élections de 2005 et de l’arrivée au gouvernement de l’Alliance sociale en juillet 2005, le ministre de l’éducation d’alors publie donc un *White Paper on Tertiary Education* qui vient formuler ces mêmes propositions qui se retrouvent dans le discours du budget qui est devant nous sous la forme d’amendement. On a perdu cinq ans, mais comme le dit la formule consacrée : mieux vaut tard que jamais.

Le MMM accueille positivement ces propositions, d’abord parce qu’elles tiennent compte de l’évolution de la situation depuis l’indépendance avec des possibilités croissantes d’entreprendre des études universitaires à Maurice même. Deuxièmement, parce qu’en exploitant ces possibilités, l’État propose d’offrir un plus grand nombre de bourses, à la fois pour

des études de premier cycle à Maurice même, mais aussi de deuxième cycle à l'étranger et, troisièmement, parce qu'en prévoyant un certain nombre de bourses spécifiquement pour les familles, les ménages à bas revenus, le gouvernement reconnaît que le financement public de l'enseignement supérieur peut assurer une redistribution à l'envers au profit des familles aisées et donc c'est pour cela que le MMM, sur le principe général, soutient ces propositions.

Toutefois, quand on parle à Maurice de bourses universitaires, nous touchons un sujet extrêmement sensible et c'est pour cela, comme le disait le ministre de l'éducation tout à l'heure, que les gouvernements qui sont venus, qui sont repartis auparavant, ont longtemps hésité avant d'y toucher. Sujet très sensible mais ô combien symbolique parce que dans l'esprit des mauriciens en général le système de lauréat c'est le symbole même de la récompense pour un travail assidu. C'est la reconnaissance de l'excellence en éducation, c'est un moyen d'ascension sociale. N'est-ce pas? Et c'est pour cela qu'il y a deux impératives. *As we, lawyers, would say, Mr Speaker, Sir, the imperative of certainty in the law and the imperative of transparency.* Il faut que l'on soit certain de ce que propose la loi et il faut que ce soit transparent que le mécanisme proposé soit transparent, d'où nos inquiétudes.

Les amendements sont imminents, doivent être votés dans quelques minutes et pourtant il y a des questions à être clarifiées. D'abord, que proposent ces amendements ? De quoi s'agit-il ? Il faut bien comprendre qu'actuellement ceux qui terminent le cycle secondaire à Maurice sont offerts 31 bourses. Une de ces bourses est offerte par la *MCB Foundation*, rien ne va changer je présume, alors oubliions cette bourse. Il nous reste 30 bourses. Deux premières bourses que l'on appelle les *SSR Scholarships*. Les deux premiers élèves de la filière scientifique pour des études de médecine pour une durée de cinq ans et le montant n'est pas défini. Je crois comprendre que cela va être le *statu quo*, sauf comme le dit le projet de loi, désormais ces bourses seront attribuées par le *SSR Foundation* et seront renommées *SSR National Scholarships*, soit le gouvernement n'explique pas le pourquoi de la chose, *but we have no quarrel*.

Deuxième catégorie, ce sont les *State of Mauritius Scholarships*, 16 bourses d'une durée maximale de quatre ans, montant non défini et, ici, le *Finance Bill* vient proposer qu'il y ait désormais un choix entre la formule actuelle, où, premier cycle à Maurice, frais universitaires payés plus R 200,000 par an, ensuite deuxième cycle à l'étranger - je ne vais pas répéter ce qui est stipulé dans le projet de loi - et, troisièmement, stage de deux ans dans la fonction publique.

Troisième catégorie, *Additional Scholarships* qui furent introduits pour remplacer les bourses australiennes. 12 bourses, dont deux réservées à Rodrigues d'une durée maximale de quatre ans, mais une allocation financière plafonnant à R 510,000 par an et ici il y a le choix de la formule actuelle mais avec une dotation budgétaire drastiquement réduite de R 590,000 à R 100,000 par an ou la nouvelle formule, étude premier cycle à Maurice, frais universitaires plus R 200,000, deuxième cycle à l'étranger, stage de deux ans dans la fonction publique, mais ce qui est le plus important c'est que nous passons de 12 bourses à 50 bourses dont 50 sont - pour reprendre les termes du discours du budget - *reserved for students from families with modest income*. Ceci est traduit dans l'amendement devant nous par référence à un plafond de revenu à être déterminé, *such amount as may be prescribed*.

Il y a toute une série de questions qui restent en suspens. Vous me direz, M. le président, que le projet de loi ne traite que du principe général. Mais c'est une question très sensible et il y a un certain nombre de questions qui restent en suspens.

Premièrement, la discrimination sexuelle. Nous savons qu'il y a des années de cela, l'on introduisit dans la loi deux listes séparées, fille et garçon ; initialement ce fut fait pour promouvoir les intérêts des filles. Aujourd'hui, et ce depuis des années, ce système est discriminatoire contre les filles parce qu'invariablement les filles font mieux que les garçons pour les résultats. Donc, ce projet de loi aurait pu - comme le mentionne le *White Paper* de l'Alliance sociale de juillet 1997 sur lequel j'avais aussi travaillé - tout simplement avoir une petite phrase disant '*without reference to gender belonging*'. Ce n'est pas le cas, et je présume, donc, qu'il n'y a aucune intention d'enlever la discrimination sexuelle du système existant.

Deuxième question : des études à Maurice, très bien, mais dans quelle filière ? Pour les *additional scholarships*, nous passons de douze à cinquante. L'on ne nous dit pas les trente huit bourses additionnelles seront offertes par rapport à quelle filière - scientifique, économique, classique ? On ne le sait pas. Pour quelle filière universitaire, le *White Paper* encore proposait que l'on privilégie les sciences et la technologie ? Rien n'est mentionné dans le projet de loi que nous sommes censés voter. Des études à Maurice - de quelle durée ? *Undergraduate*, études de premier cycle, comme vous le savez, M. le président, peuvent être d'une durée de trois ans ou de quatre ans. En médecine, ça peut-être plus de quatre ans. Rien n'est dit ! Des études à Maurice de premier cycle à temps partiel aussi - lorsque le ministre de l'enseignement supérieur qui n'est

pas dans la Chambre, parle d'un taux d'inscription de 45% à Maurice, la critique qui est constamment adressée à nous, mauriciens, par la Banque Mondiale, c'est que ce taux inclut les études à temps partiel. Nous savons qu'il y a beaucoup de personnes à l'Université de Maurice qui suivent des cours à temps partiel. Est-ce que cette bourse va aussi couvrir des études à temps partiel ? L'on ne sait pas.

Troisième question : des études à Maurice - dans quelles institutions? Le discours du budget fait mention de l'existence de quelque chose comme soixante et une institutions d'enseignement tertiaire et nous savons que les trois-quarts ne sont pas des universités à proprement parler, mais offrent des diplômes d'université étrangère aux étudiants mauriciens. Les enseignements sont dispensés à Maurice. Est-ce que des études de premier cycle à Maurice se référeront aussi à ces diplômes ? Donc, étudier pour des diplômes étrangers ! Rien n'est dit parce que le projet de loi ne parle de *approved tertiary education institution*.

Quatrième question : Rodrigues, actuellement - comment ça se dit, discrimination positive, *affirmative action* - il y a deux bourses des trente bourses accordées par l'État qui sont réservées à Rodrigues. Les douze bourses passent à cinquante. Combien pour Rodrigues ? L'on ne sait pas ! Personne ne le dit et pourtant c'est une considération ô combien importante pour le développement de la République et le combat contre la pauvreté.

Cinquième question – passons aux études de deuxième cycle à l'étranger. Quelle durée? Un *Master* en France désormais c'est deux ans. Par contre, un diplôme de *MSc/MA* en Angleterre, c'est toujours d'une durée d'une année. Est-ce que l'on va couvrir des études pendant deux ans ou un an ? Rien ne nous éclaire ! Quel sera le montant ? Est-ce que pour ces bourses pour des études de deuxième cycle il y aura un montant maximal ? Personne ne le sait ! Le projet de loi ne fait mention nullement de cette question. Quelles seront les filières ? Un boursier pourra-t-il opter pour n'importe quelles études au niveau du deuxième cycle ? Rien n'est dit ! Mais plus important, quelles seront les critères ? Le projet de loi vient nous dire : il peut obtenir '*subject to securing a seat at university for that purpose*' ? Cela voudra-t-il dire qu'un boursier ayant obtenu un *third-class* pour sa licence, mais obtenant une place dans une université quelconque - et nous savons aujourd'hui combien d'universités suspectes, douteuses, existent à travers le monde - pourra être financé avec l'argent du contribuable. Rien ne nous éclaire encore une fois !

Sixième question : l'octroi d'assistance financière sera-t-elle équitable ? Nous savons qu'une des grandes questions prêtant à controverse dans le système actuel c'est que les sommes varient selon le pays, selon le cours, selon la discipline et, souvent, les lauréats sont tentés pour maximiser leurs bénéfices de choisir le cours le plus long, le plus couteux, pour pouvoir obtenir le maximum d'argent. Y aura-t-il équité dans l'allocation financière? Rien encore une fois ne nous éclaire !

Deux dernières questions, M. le président, *internship* - on nous dit deux ans d'*internship* que je traduirai comme stage dans la fonction publique mauricienne, mais à quelle condition ? *Will there be a stipend?* Y aura-t-il un salaire? M. le ministre de l'éducation nous disait que c'était une réponse au *brain drain*, mais faut-il que ces stages soient attrayants, soient attrayants ? Quel sera le statut des bénéficiaires ? Que gagneront-ils ? Rien encore une fois n'est dit !

Finalement ma dernière question, M. le président, est une question qui nous trouble profondément et qui trouble profondément l'opinion publique mauricienne aujourd'hui. Vingt-quatre bourses réservées, donc, *for students from families with modest income* - selon quel critère ? Le gouvernement mauricien n'a pas de renseignements fiables pour tous les citoyens mauriciens quant à leurs revenus. Nous connaissons tous l'importance du secteur informel de l'économie. Comment va-t-on déterminer sur une base objective et dans la transparence qui appartient ou pas à des *families with modest income* ? Cela inquiète profondément, M. le président, les mauriciens. Et y aura-t-il des critères académiques ? Dira-t-on *twenty-four reserved for students from families with modest income on condition that they obtain three As or four As or five As*. Rien ne le dit! Donc, je répète, M. le président, ce sont des questions, vous pourrez me dire que quand tel projet de loi ne traite que des principes généraux, mais ce sont des questions très importantes touchant à un sujet très sensible pour les mauriciens et notre argument aujourd'hui c'est qu'avant que les représentants du peuple que nous sommes ne soient appelés à en débattre - c'est beaucoup dire puisque nous n'avons pas de détails - mais approuver ces amendements, nous aurions dû, tout au moins, avoir été fournis de détails, de clarifications, d'explications.

M. le président, savez-vous que dès le lendemain du discours du budget, je formulais une interpellation parlementaire reprenant l'essentiel de ces questions posées, laquelle interpellation devait être répondue le 30 novembre en écrit, réponse par écrit, et la réponse fut effectivement

déposée donc - j'ignore la date exacte, probablement, il y a deux semaines à la bibliothèque de l'Assemblée - et voilà ce que disait le ministre de l'éducation et c'est très édifiant -

“With regard to the State of Mauritius Scholarships whereby laureates will have the possibility to choose from different options available, i.e. the current scheme or the new scheme, it is necessary to point out that the details, modalities and implementation of the new Scholarships Scheme announced in the Budget speech are being worked out”.

Deux semaines de cela ! Plus important -

“As soon as the matter will be finalised (c'est quoi this matter to be finalised? Details, modalities and implementation!) appropriate amendments will have to be brought to the Education Act and Education Regulations”.

J'ai écouté avec attention le ministre des finances qui n'a fait nulle mention de la clause 5. J'ai écouté avec encore plus d'attention le ministre de l'éducation qui nous a parlé en terme général de la grande avancée que constituait la démarche du gouvernement mais, sans aucunement, nous donner les *détails, modalities and implementation*. La réponse déposée par le ministre de l'éducation est on ne peut plus clair : *‘as soon as the matter will be finalised’*, donc, ce n'est qu'après que les détails auraient été finalisés que l'on serait appelé à discuter, à débattre et à approuver ces amendements.

Donc, M. le président, je voudrais souligner qu'il n'y a aucune urgence. J'ai vérifié ce matin même auprès du *Mauritius Examinations Syndicate* la date butoir pour l'enregistrement des élèves voulant concourir pour les bourses de l'État cette année était le 01 juin. Nous avons tout le temps pour que le gouvernement travaille tous ces détails, finalise tous ces arrangements proposés avant de venir nous proposer à nous tous, députés de la majorité, de l'Opposition, d'approuver ces amendements. C'est pour cela, M. le président, qu'au nom du MMM, je voudrais proposer le report des amendements de la clause 5 du *Finance Bill* jusqu'à ce que nous ayons tous ces éléments. Il serait cavalier de la part du gouvernement de nous demander d'approuver le principe général et puis de finaliser les détails qui ne seraient dès lors sujet à aucun débat ici, au Parlement. Donc, mon propos, aujourd'hui, M. le président, au nom de l'Opposition, c'est de demander le report de cet amendement de la clause 5, spécifiquement à la rentrée parlementaire l'année prochaine, lorsque, je l'espère, le gouvernement pourra nous éclairer quant à toutes ces questions que j'ai soulevées.

J'en ai terminé, M. le président.

(6.31 p.m.)

Ms K. R. Deepalsing (Third Member for Belle Rose and Quatre Bornes): Mr Speaker, Sir, I would like to start by saying that I am glad to note that there is some amount of consensus on the side of the Opposition, especially on the general principles of the education measures and some other measures. Also, I think, as the hon. Leader of the Opposition has said, we have a good tone and we are here to serve the interest of the nation and I think it is a good thing that we debate this Finance Bill on a good tone.

Mr Speaker, Sir, to come to some of the comments that the hon. Member who spoke before me made about education, I would like to congratulate the Minister of Finance and Government for indeed bringing in the Finance Bill the clause 5 on the Education Act to give the additional scholarships. As the hon. Member has said, it is a measure which promotes social mobility and, as we all know, our Prime Minister has always put emphasis on education. In fact, I think we all just received the End-of-Year Greetings from the Prime Minister and the theme of this year – every year there is a theme – is Education for All and I think that this is on a good note that this is in the Finance Bill.

About the comments that hon. Obeegadoo has made about the details, I am sorry this is a bit of demagogic. I will explain why. When you come, you talk about the general principles. All these other details will be contained in a regulation, as the Member has himself said, there is time, the Minister of Education will work on all these details about the modalities and will include it in the regulations. Now, the hon. Member has asked pertinent questions; there are pertinent questions. What I think the hon. Minister and Government would like to have is for the Opposition to submit their proposals. These things will be worked out. I mean, there is no party politics about this. If you have ideas other than the pertinent questions - as I said, there are pertinent questions - then come with your proposals. Submit your proposals to the Minister of Education or submit it by public consultation or whatever and I have no doubt that the valid proposals will be taken on board by Government and by the Minister. So, there is no need to make a big thing about suspending the vote of clause 5. I don't think there is any need for that kind of demagogic. What I would also like to do...

Mr Bérenger: Mr Speaker, Sir, on a point of order! It has been ruled by the Chair that the word ‘demagogic’ should not be used in the House.

Mr Speaker: Hon. Ms Deerpalsing, you just said good tone, good everything and then now you are trying to use...

Ms Deerpalsing: I withdraw. I am just saying that they should just...

(Interruptions)

Ok, I withdraw. Mr Speaker, Sir, I was just inviting the hon. Member to submit his proposals, that’s all.

Mr Speaker, Sir, I would like to also congratulate Government for the measures that we had mentioned - I would go quickly on this - our programme which are in the Finance Bill: the NRPT, income tax on interest and also the measure for the 60 tonnes of sugar. I also welcome amendments that have been circulated today. On page 2 of the amendment, there is also a clause for people not to file a return. I really welcome this because in the PNQ that the hon. Leader of the Opposition had asked, I had asked a supplementary question talking about the burden of compliance on small planters who are not equipped to have an accountant. Some of them - they are of the older generation – do not keep receipts for fertilisers and so on. So, I think it is a good thing that there are a number of categories of people who will not have to file a return at all.

About the point made by the hon. Leader of the Opposition about individual or planter, it is a valid point, but I think the majority of small planters in this country, even those who are cultivating sugar cane *sur une succession*, usually, more often than not, they are doing it, if there are two or three brothers, it is one of the brothers or one of the children who does the filing of the tax on behalf of the other. So, there are some cases of *succession*, but as far as I know there is not a lot of registered *succession*. So, there is a question for the Minister of Finance to find out how many there are that are filing the return on their own name or filing under the *succession*. In fact, if there are sizeable numbers which are like a registered *succession*, then I think it is valid that these people should benefit from the measure about being exempted from the first sixty tonnes of sugar for cultivating less than 15 *hectares* of land.

Now, Mr Speaker, Sir, let me come to a few reserves or concerns that I have and I am sure the hon. Minister of Finance will probably elaborate and enlighten the House. The one

thing that actually got me to say that I would like to say few words about the Finance Bill, Mr Speaker, Sir, is this thing about the Bank of Mauritius Act which is being amended and the key word here that made me react and want to speak is the word ‘derivatives’. The hon. Leader of the Opposition has rightly pointed out that now in the amendment it is said that it is only with the approval of the Board that the Bank of Mauritius will be able to promote the development of foreign exchange and derivatives markets. But, Mr Speaker, Sir, before that in the Bank of Mauritius Act, subsection (d) says –

“promote the development of the foreign exchange and derivatives markets and formulate and implement appropriate intervention policies in the foreign exchange market.”

The bit about promoting the development of derivatives markets was not there before. I have to say, Mr Speaker, Sir, that I am a bit concerned about this ‘derivatives’ bit. Mr Speaker, Sir, I do not think it is a secret to anyone that the derivatives have been at the heart of the global financial meltdown. Fair enough that the Board will decide but, Mr Speaker, Sir, it is worth mentioning that derivatives are very complex animals, extremely complex animals, that even the high priest of this Federal Reserve Bank, Mr Alan Greenspan, after all this thing came and confessed that there was a flaw in his reasoning.

Mr Speaker, Sir, the Federal Reserve Bank is populated with people who have Ph.Ds in Financial Engineering. I have done a bit of corporate finance, I have done a few courses in financial engineering, I have to tell you they are very difficult concepts to grasp. To wrap your mind around derivatives, what they are and what the underlying asset is, is very difficult. Even if it goes through the Board, my concern is whether the Board’s members of the Bank of Mauritius will, without questioning their ability, but when we see what has happened in the US - as I said, Mr Alan Greenspan was no fool, a very brilliant and intelligent man - but his confession came too late for the thousands and millions of people who had suffered the consequences of that flaw in his reasoning.

I think, Mr Speaker, Sir, when we are talking about the Bank of Mauritius, promoting – not regulating – this is the key word, the development of derivatives markets. What are derivatives? I think it is the duty of each and every Member of this House to understand what a derivative is although they are very difficult and complex animals. In fact, Mr Speaker, Sir,

derivatives are financial instruments which can be used to hedge any type of risk or exposure on the market. Derivatives by themselves have no intrinsic value, they derive – that's why the word derivative – their value from something else. And usually, that something else is a bet on something. Let me try to explain what derivatives do? They hedge the risk of owning things that are subject to unexpected price fluctuations, for example foreign currencies, stocks and Government bonds. There are two main types of derivatives. One is the future which is contracts for future delivery at a specified price and the second one is an option which gives one party the opportunity to buy or sell from another party at a prearranged price. There are simple examples that go back. Now that all this has happened, we have had thousands of books in the last three years since 2007, since the crisis, that have been written about the crisis and derivatives. Examples that are mentioned go back to 12th or 13th Century. There are many examples. For example, in the 13th Century there are English Cistercian monasteries who frequently sold their wool up to 20 years in advance. That's a type of derivative because you are taking a bet that you are going to deliver so much wool 20 years in advance. In the 17th Century, in fact, between 1634 and 1637, there was a tulip mania in Holland where fortunes were lost after a speculative boom in tulip futures. What do people have to say about the derivatives market because we are talking about the Bank of Mauritius promoting derivative markets? Mr Speaker, Sir, in a memo dated back in November 1990 to Senior Executives of the Cardiff based bank, Julian Hodge Bank, Sir Julian Hodge, this gentleman in Britain said, I quote -

“In no circumstances enter the derivatives training market without first agreeing it with me in writing. At some time in the future, it could bring the world's financial system to its knees.”

This was in 1990. Warren Buffett in his Chairman's letter to the Berkshire Hathaway 2002 Annual Report, is arguably the world's largest stock market adviser, and I quote the words he used in the 2002 Annual Report –

“We view them (that is, derivatives) as time bombs, both for the parties that deal in them and the economic system.”

“In our view, however, derivatives are financial weapons of mass destruction, carrying dangers that, while now latent, are potentially lethal.”

As I say, these concerns are in a good tone of debate and it's an important one and the question that arises is: is it the role of the Bank of Mauritius to promote - this is the word that is used in the Finance Bill - the derivatives market? Mr Speaker, Sir, in my opinion, I say "no", it is as if you have had cyclone Carol which has just wiped out all thatched roofs in the country and somebody is saying: I am going to put up a thatched roof house. We are all politicians and politicians are not very risk averse, I know, but on this issue I think we have to be very risk averse. A Central Bank cannot afford to be playing in credit derivatives market. That's my opinion, Mr Speaker, Sir. In fact, the Central Bank should be regulating, not promoting and investing in these things.

In fact, let me tell you, Mr Speaker, Sir, we already have the global board of trade which offers a basket of commodity and currency derivatives products. That's on the global board of trade. What they do is they trade and so on in credit derivatives and other derivatives. That is regulated by the FSC. We are talking here about promoting derivatives in the Finance Bill; we are talking about going and investing in the global board of trade. But even then, I tend to have a little bit of a risk averseness because, Mr Speaker, Sir, derivatives have got such a bad name that I think we have to be very concerned if the Bank of Mauritius is planning to either promote or invest in these kinds of derivatives and even if it does go and invest in derivatives which personally I would not recommend. But even if it does, what the Finance Bill does not have and I think it should have, is the guidelines. What kind of derivatives, what amount, what percentage of exposure etc.? To start with, I would say none at all. But even if it does, I think there is a need for clear and transparent guidelines for the Bank of Mauritius. Mr Speaker, Sir, this is too important because as a small country - we have seen what has happened and what is happening now in the US and the UK - we simply cannot afford to end up with not even one little bit of toxic financial waste. We cannot afford to have any of that especially on the portfolio of a Central Bank because that would really be the end. My appeal to the hon. Minister of Finance would be to enlighten us and also to see with the Bank of Mauritius whether they can prepare proper transparent guidelines so that we can all be a little bit more at ease.

Mr Speaker, Sir, I would just like to say a few words about the amendment to the Financial Services Act. There is one little section, section 23, where it is said -

“Where the Commission refuses an approval under subsection (1), it shall notify the licensee in writing, giving good reasons for the refusal.”

That talks about the FSC refusing to accredit an officer of the financial institution. With regard to this clause in the Finance Bill which says ‘where the Commission refuses an approval, it shall notify the licensee in writing, giving reasons for the refusal’, my question which arises on that is: how will that work in practice? Because they will now ask the FSC to give the reasons for the refusal of *accréditer un officier*. But, the problem in practice is that the FSC usually gets this information from international institutions, on the basis of confidentiality. I think that we have to look at how this is going to work in practice.

Mr Speaker, Sir, let me now move to page 20 of the Finance Bill where we talk about the gains from immovable property. I think there is no problem about the principle, and the questions that arise are from the Tables that are proposed on pages 21 and 22. On page 21, there is a Table, which is a multiplying factor. If you bought a piece of land for Rs100,000 in 1965 and you sell it, it will be deemed to be multiplied by 7. So, it will be deemed *de valoir R 700,000 aujourd’hui*, and if you sell it for Rs2 m. you would subtract. But, the question that arises is where do these multipliers come from. Mr Speaker, Sir, I tried to check around. I called the CSO, and it does not have any property price index in Mauritius. What the CSO has and collects information on is a construction index; how much construction prices evolve over the years. But, they do not have information about how the property prices have evolved over the year. I tried to find out whether any other institution in Mauritius has a property index, and the answer is that there is no such thing as a proper property index; that has yet been developed. The Bank of Mauritius apparently started to do it but, till now, it also does not have a housing or property price index. I am assuming that the technicians in the Ministry of Finance have taken these figures probably from the Government Valuation Office. I think that, in the interest of transparency, it would be good that Government or the Ministry publishes these figures to see that this multiplier of 7 or 7.5 is in line and really reflects how property prices have really moved over the years. I think that would be the same thing for next page as well, Mr Speaker, Sir.

When we talk about the SIE schemes that would be allowed a deduction under the same property gains from immovable property, page 21, paragraph (7) states that those who have gains in immovable property for the purpose of recouping costs under the SIE schemes will be allowed

deduction from the total gains. I think this means all the VRS which are recouping costs for indebtedness of the sugar corporate sector. When we look at page 23, paragraph (14) says -

“Subject to subsection (7) - which was for the corporate - any loss incurred in an income year under this section -

- (a) shall not be allowed as an allowable deduction under this Act, and
- (b) shall not be carried forward (...)".

Mr Speaker, Sir, we know that the spirit of the schemes under the SIE Act was to allow the sugar corporate to recoup costs because of indebtedness. But, what this is saying is that, if you are a small planter, therefore, you are not a sugar corporate falling under the SIE schemes. When you have gains from these immovable property that you are selling, because you might be indebted, a small planter is not allowed these deductions; the corporate is, under the SIE schemes, but a small planter who is indebted will not be allowed to benefit from the deduction. I would appeal again to the Minister of Finance that this kind of discrimination does not exist, because there are a lot of small planters who are very indebted, and we all know that. I think that it is only fair. Of course, I realise why this is there. It's because we do not want to open up the floodgate to any Tom, Dick and Harry who would want to come and claim on that. But I think that, on cases of small planters, who are really up to their neck in debt, there should be a favourable consideration, because the corporate are getting it under the SIE schemes whereas the small planters are not getting it.

Mr Speaker, Sir, I have two last clauses on which I want to comment. The first one is on page 34 with regard to the Land (Duties and Taxes) Act that is being amended. For anybody, under the ERCP, who has benefited from exemptions for land transfer tax, but has not yet done what he was supposed to do with the land, clause 10(a) says that they can -

“(...) claim from the transferor the land transfer tax that was exempted together with a penalty equal to 20 per cent of the amount of the land transfer tax exempted.”

Those are for the ones who benefited from land transfer tax exemption under the ERCP. My question to the hon. Minister of Finance would be; what about those who benefited under the previous Stimulus Packages? Because, really, the bulk of people who benefited from exemption

on the land transfer tax - there are a few in the ERCP - is to be found in the Stimulus Packages I and II of the previous Minister of Finance. What about those people who did benefit from exemption on the land transfer tax and have not done what they were supposed to do? Are they not being imposed this claim which is being imposed on those who have benefited under the ERCP? I think that there also, we could have a little bit of clarification from the hon. Minister of Finance, so that we can have the same kind of measure that applies to all people.

The last measure that I would like to comment on, Mr Speaker, Sir, is on page 36 regarding the cess. The hon. Leader of the Opposition has spoken about that. On page 36, in clause 11 Mauritius Sugar Authority Act amended, paragraph (b)(2)(c) states -

“For the crop 2012 and subsequent crop years, the global rate of leviable cess shall not exceed 4 percent of the ex-Mauritius Sugar Syndicate price.”

I was talking to the hon. Minister of Agro-Industry the other day, and I think we all agree that the Mauritius Sugar Syndicate should also reform itself. When we look at paragraph (d), it says -

“In this section, “ex-Mauritius Sugar Syndicate price” means the uniform average net price per tonne of sugar referred to in the Articles of Association 1967 of the Mauritius Sugar Syndicate.”

We are talking about reduction in cess funded institutions like the MSA, the Sugar Planters Mechanical Pool, and a whole bunch of institutions.

Mr Speaker, Sir, I think it is time for the Mauritius Sugar Syndicate to incorporate itself and no longer go under this 1967 Articles of Association because this means that the Sugar Syndicate is exempt from the laws under Companies Act where there has to be transparency, good governance, supply of reports, public reports that everybody can see how the money – because the first institution which receives the sugar proceeds is the Sugar Syndicate. Then they take whatever they need to run the organisation and then they distribute to the others to run the other cess funded institutions. But for all intents and purposes, the Sugar Syndicate also is a cess funded institution when we look at the principles because they take the proceeds of sugar, they subtract what they need to run operational cost of the MSS and this is why the amendment in the Finance Bill says ex-Mauritius Sugar Syndicate. I see no reason why the Mauritius Sugar

Syndicate should be out of the provisions of reforms that are needed for all cess funded institutions. I think I have covered everything that I had to cover, but I would like to just end on, again, Mr Speaker, Sir, placing emphasis on this issue of derivatives.

Thank you, Mr Speaker, Sir.

(07.01 p.m.)

Mr K. Li Kwong Wing (Second Member for Beau Bassin & Petite Rivière): Mr Speaker, Sir, allow me to start by making some comments on what the previous Members said about this Finance Bill and then I will make my own comments on some specific paragraphs of the Bill.

I must say that I subscribe fully with what the hon. Member before me said concerning the role and the powers of the Central Bank. But, first of all, we must look at the background of what has been happening recently because the Central Bank has that habit of sometimes being not just the regulator of the market, but it also wants to become a market player. So, that is a background that we have to bear in mind.

More importantly, I think the hon. Member talked about the paragraph concerning the promotion of the development of the foreign exchange and derivatives market, but I would rather pay attention to another more specific paragraph under the Bill, which is in section 6 (1) (A), where it said that the following new paragraph will be inserted under section 6, regarding Powers of the Bank. What does it say? It adds this paragraph, which says that the Bank of Mauritius will be allowed now to develop the foreign exchange and derivatives market. It is just not to promote; it is to develop. So what does that mean? It is questionable whether the Bank of Mauritius should actually develop derivatives markets. This is not the role of the Central bank because it is centered on the money market and not on derivatives market. At best, the Central Bank can have an oversight on the capital market, but not to develop derivatives markets or even to promote it. The Central Bank is a regulator. We cannot see the Central Bank sitting with tonnes of derivative products on its books which will weaken its balance sheet because, as rightly said, by Warren Buffett - “derivatives are financial weapons of mass destruction”. So I am a bit surprised though that the hon. Member did not bring her arguments to logical conclusion and moved for deletion of this paragraph, which says that the bank will now be allowed to develop

the foreign exchange and derivatives market. I would have hoped that she will come with a motion at Committee Stage to delete this paragraph.

The second thing which I would like to talk on this issue of the Central Bank is that it is now allowed under the Section (E) to grant facilities and advances for fixed periods up to six months instead of three months. So, it says that the maximum period for granting these facilities will now be not three months, but six months. In fact, what happens is that the Central Bank, which is now moving, is expected to move the market at the short end, less than three months, will now do deals which has a maximum of six months. But this is not again something which is prudent because the Central Bank is a lender of last resort. So, its deals are essentially for overnight funds for a maximum of three months to regulate the good working of the money market. So, it should not engage its funds with borrowers up to six months because the longer term for which the Central Bank will give facilities, the more it will be shifting itself from its true role as a market marker to that of a market player in the money market. So, this also is something which we should be very wary about.

The third point is about the securities, that is, the new range of securities and collaterals that the Central Bank will be accepting from borrowers, which I presume should primarily be financial institutions, but now they have extended it to other entities. These other entities can be public enterprises, State enterprise, but it can also be private enterprises and this is where the shoe pinches. So, when you allow for such security as the bank may determine or its Board may approve, you extend the securities which essentially should have been Bank of Mauritius bills to now include notes, bonds, Shari'ah compliant instruments and a whole list of other assets.

In the past, the Bank of Mauritius would accept only Bank of Mauritius bills as securities that are eligible. But now all kinds of instruments, which are not liabilities of the Central Bank, will now be treated in the same category as liabilities of the Central Bank for the purpose of securing its facilities and advances. If other types of financial instruments would be approved by the Board as security, then I would propose that they should be properly rated because the Bank of Mauritius bill is a top class bill, gilt-edged. So, if you accept other securities as the Board may approve, then we should have a rating system to rate these instruments. But this is nowhere mentioned. So if we don't have this kind of rating for security, which is comparable to the Bank of Mauritius instruments, then the bank will be opening a Pandora's box and all kinds of

securities of suspect standards will be allowed. This will start looking like quantitative easing and will dilute the standards of security. This is the point that I would like to make about the Bank of Mauritius issue.

The last point is about the latest amendments. It is good that amendments have now been brought at the last minute to the Finance Bill to restore the powers of the Board over advances and acceptance of securities. One thing that we need to bear in mind, if we leave decisions solely in the hands of management; management is protected by the normal course of business. So, they can get off scot-free with any kind of decision or mismanagement. But when it is approved by a Board, the board has a fiduciary responsibility and its directors are personally liable for whatever misdeeds that have been carried out. That is why it is important to restore the power of the Board in any decisions concerning the use of securities, the investment in securities or the provision of any advances and facilities by the Central Bank.

The other point, on which I would like to make a few observations, concerns the Banking Act. When I compare the paragraph under the Banking Act, which is supposed to be replaced in the definition of banking business, on Section (3)(A)(2), the definition of banking business which is replacing the former definition, in fact, carries no difference, except a typing error where in the new definition it is said: “the use of such deposits of funds”, whereas the previous definition it wants to replace said: “the use of such deposits or funds”. In fact, “the use of such deposits or funds” would have been more appropriate to the one which we are considering under this Bill.

This concerns the amendment under the Banking Act and the other amendment under Banking Act concerns the provision which allows the financial institutions to publicise their financial statement on the website instead of in three newspapers. Maybe we are living in a digital age, but still I think it would be wise if we would require the financial institutions to make a notice in the newspaper to announce that the financial statements are now posted on the website and so if the public want to check the financial statements on a quarterly basis, they can have the opportunity to do so.

I come now to the Financial Services Act, just to point out two issues which, in fact, have been canvassed by the current CEO of FSC very recently. There are two provisions with which he has a lot of reservation. First, it is the transfer of profits of the FSC directly into the

Consolidated Fund. This may have the potential of weakening the financial solidity of the FSC because if we take out 85% of the profit of the FSC and transfer it directly to the Consolidated Fund, it has a possibility of weakening the financial solidity of a regulator of financial institutions like the FSC and this is not good for the credibility of the financial services sector. The second point is about the merger of FSC with the BOM. It is good to mention the reservation of the CEO of the FSC which says that...

Mr Speaker: It is not before the House now.

Mr Li kwong Wing: Yes, it is o.k. It is good that it has not been canvassed so far, as we say that there has been some reservation about that. The next item is about the Gambling Regulatory Authority where the betting tax and licenses and other rates have been increased. The danger of this is that, first, it may lead to clandestine betting and we may receive less betting revenues and the other thing is that we would have expected to have some accompanying measures which have been mentioned actually by the Minister in reply to one of my PQs concerning the gambling, but I have seen no mention in the law concerning, for example, the setting up of a Trust for responsible gambling and education of compulsive gamblers plus also the question of banning advertising of casinos and gambling which is done very aggressively on the airwaves and television.

I now come to the central part of the Finance Bill - the Income Tax Act. The Budget itself is full of taxes. That is why it was called a more tax Budget and that is why, I think, I have to take some time to consider all these pieces of legislation concerning amendments to the Income Tax Act. One thing that these amendments have been able to achieve is that he has put tax planning in the forefront of everybody's mind because everything is being taxed.

I start with the gains from immovable property which is on page 20...

Mr Speaker: I will ask the Deputy Speaker to take the Chair.

At this stage the Deputy Speaker took the Chair.

Mr Li Kwong Wing: Mr Deputy Speaker, I come to the chapter on gains from immovable property which is a new tax that has been introduced. It is the first time that it is introduced in our legislation. We welcome his new tax, but there are a few things that are not very correct with this new tax.

First, Mauritius is one of the very few, if not the only country in the world, where the Gains Tax, on immovable property is applied on the principal private residence. In all legislations and in all jurisdictions where there is this kind of Gains Tax the principal place of private residence is excluded from the Gains Tax. I would propose that this is added to the legislation because somebody who has been living in his principal private residence, if he happens to sell it, it must be for some very serious reasons that he sells it, we would not expect him to be made to suffer Gains Tax on that.

Second thing, we have been given a list of items which we can deduct from the proceeds of the sale of the immovable property. What are these items? We have the cost of the acquisition and the registration duty that has been paid on it, the capital expenditure incurred on it, the land transfer tax on its sale and any cost incurred in connection with the sale.

What I have problem with is the capital expenditure which is allowed as a deduction. How do you calculate the capital expenditure that has been incurred over the years on your private property which you are selling? Nobody keeps any track record of whatever expenditure, renovation or refurbishment that he has done on his property. This is the first thing.

Second thing, in Mauritius everybody is a *touche à tout*, is a jack of all trades, he does 'do it yourself', self-refurbishment. How do you expect him to have collected all these receipts of all the expenditure he has made as capital expenditure? This is a very tall order and I think this is going to open the door to a lot of litigation because I am sure the MRA is going to reject and refuse whatever sum that you will bring in as capital expenditure, because you have no receipt to prove it. It will open the door to a lot of litigations. What is also not clear is that during the years you have been servicing a housing loan to buy that property, is the interest you have been paying over the years for this property taken as an item which should be deducted from the proceed of the sale of the property? That is not clear.

The other thing is, as rightly pointed out by hon. Ms Deepalsing, the multiplying factor. There is an indexation clause which gives the multiplying factor to calculate the value of the property in terms of its cost of acquisition if it is acquired before 1988. Now, this is very arbitrary, first of all, as rightly pointed by hon. Ms Deepalsing, how do you arrive at these figures? It is not transparent at all, it is very subjective, it is very arbitrary.

Secondly, you can't have a single figure because a property which is in a very prime area cannot be valued, cannot be applied with the same multiplying factor as a property which is in a remote and unmarketable area. It creates a very arbitrary calculation because you will apply the same factor across the island and the same factor for indexation which is not clear. This is something which needs to be revisited specially because if you have bought your land after 1988, that is where we had the boom, after 1998 we talked of *le miracle économique* and there was a big boom which took place in the country, which caused all the land prices to skyrocket.

This is where the multiplying factor should have been highest but after 1988, we have no multiplying factor and you are asked to look at capital expenditure; how much you spent to renovate or refurbish your property. That's not fair.

The second point which has cropped up is the question of the tax on profit which is not realised. If we look at paragraph 6, this is what it says –

“Where land is acquired and is sold or transferred after having been developed in the course of a business, the difference between its value as at the date the authority for *Morcellement* or for building and land use was given, as the case may be, and its original cost as adjusted under subsection (4) shall be deemed to be gains (...).”

It means, therefore, if you have acquired a property for the purpose of making a business and a development, the development will be completed in 3 or 5 years' time and then you will start selling. So, you have not started making your profit, you have not started making money but, in the meantime, the difference - the gains - in the course of the business, will be taxed. So, you are actually putting a tax on a profit that has not been realised. So, this also is quite unfair.

The other thing is the case of inherited property. At paragraph 8, it is said –

“Where land or other immovable property is acquired –

(a) by inheritance or legacy;”

“...and the cost of its acquisition is not known or is at a nominal price, and the immovable property is thereafter sold or transferred, the proceeds from the sale or transfer shall be discounted by reference to the year in which the immovable property

was acquired, in accordance with the following Table and the discounted amount shall be deemed to be the cost of its acquisition”.

Here again, the discounting factor is calculated in a very arbitrary way and, secondly, this is a kind of an inheritance tax by the backdoor. Again, the hon. Minister of Finance has made another historic action by re-introducing inheritance tax in a disguised way. In fact, this is a disguised inheritance tax because if you have inherited property and you are re-selling it, you have a discounting factor to arrive at the cost acquisition of inherited property and whatever gains you have made on sale you have to pay tax on it. So, what is it, if it is not an inheritance tax by stealth? This is very dangerous. That’s why I call it pickpocket.

Number 3 is the question of litigation. If somebody is dissatisfied with the calculation of the acquisition cost and with the calculation of the gains, what will happen? The Director-General of the MRA will become like the property valuer because he has the decision/power, he has the last say, on the value of the property. So, what will happen is that there will be a deluge - an avalanche - of cases where people will question that valuation and so we will have a situation where administering this gains tax will be a nightmare for everybody and this is what this Budget precisely is doing - to re-install tax at the forefront of everybody’s mind and this is why this Budget is so bad.

Number 4 is if there is so much litigation, I hope that the Minister of Finance will come up with what we could call a kind of a rapid Appeal Tribunal where we can deal with all these divergence in interpretations and valuations, the most expeditiously as possible; because this concerns property which people have been saving, sacrificing, working hard, to acquire and when they sell it they don’t want to live in a nightmare where there is a sword hanging on your head of how much tax you need to pay on it.

I, now, come to the question of the solidarity income tax. In the case of solidarity income tax we have to point out the very discriminatory nature – because this is the characteristic of this Budget, it is very discriminatory – there is no level playing field and it is very inconsistent. The solidarity income tax will apply to the same dividend and the same interest but when it is paid to an individual, you are liable to the solidarity income tax. Yet, if that individual is a non-resident he does not have to pay the solidarity income tax on that dividend that he received. It is the same dividend so why should a resident pay and a non-resident not pay? The second thing is, the

individual - so long as he earns a total income of Rs2 m. - will pay the solidarity income tax but a company will not be paying the same tax. So, there is no level playing field and this is not a tax which is fair. It is against the canons of taxation which says it has to be simple, equitable and fair.

I come to the next item which is the interest relief for housing loan. When you look at the interest relief on housing loan, it is now Rs120,000 for an individual taxpayer or for a couple, but before this interest relief on housing loan was removed, what was the amount that was given as relief? Before it was abolished, the interest relief was Rs125,000 for an individual taxpayer and Rs240,000 for a couple. Now after inflation, after all prices have increased, instead of having a higher interest relief we are having Rs120,000, not just for an individual taxpayer but, for a couple. So, we are moving backward. This again is a very unfair treatment that is being given. We have the impression that the Minister of Finance is giving something but, at the same time, his heart is so big that he wants to take back something. So, in this case - '*gros le coeur*' as we say in Creole - what has he done? He said: "okay, we will give interest relief on housing loan; we are going to re-introduce this, although at a lower amount than before it was abolished." Fair enough! I give him credit for that. But, then he says that there are restrictions and conditions. "I give you this, but you must be a first-time buyer and this is valid only for five years." But, you know, housing loan is for 20 years and some banks are even giving loans for 30 years now and the hon. Minister was very proud that now banks are giving loan even for 30 years to 40 years, but why restrict the relief for five years? Then it concerns housing loan that takes place after 01 July 2006. So, all this is very discriminatory; either you give it *avec grâce*, *avec générosité*, *avec magnanimité* or you don't give it, but if you give it, give it properly.

The other thing is the refund of excess income tax under paragraph 9, on page 30. The Bill provides that where the income of an individual does not consist exclusively of emoluments, the MRA has up to six months to refund that individual. But, Mr Deputy Speaker, Sir, this is extremely unfair because that individual has up to three months to submit and pay his tax and if he does not do so, he is liable to interest and penalties; but, then when he has paid excess amount, he will be refunded after six months and it is the same thing for a company. There is a delay of six months to refund that company in case it has paid excess tax under TDS or whatever, but this is only on paper because in practice it does not get its refund after even one or two years because the company has up to six months after its year end to make its return and

then, the Government says it must be given a delay of six months before it refunds any excess tax.

It makes you six months to make the returns and six months to get the refund, that is, one year. More often, it is more than one year, it affects the cash flow of companies and it is not fair. What, in fact, should be proposed and which is what I would like to propose to the hon. Minister of Finance, is that you have a set off system as under VAT. If he has made an excess payment for a year and then for the next year or the next quarter when you make your return, you have a sum to pay then you should be allowed to set off what you have paid in excess to what you have to pay eventually and pay only the difference, the balance. This should have been allowed in the introduction of this paragraph 9.1 concerning refund of excess income tax.

I come to the refund of tax on interest which is withheld at source by the banks and this is abolished for the year as from the year 2010. But then what happened, this is supposedly an electoral pledge which the hon. Minister has very resoundingly fulfilled in spite of the labour adamant attitude concerning maintaining it. So, it is to his credit. He has abolished it. But, again, his attitude of giving something and taking something back again. Pickpocket as usual! What happened is, instead of giving, refunding the interest that has been deducted at source in 2010, now, he is proposing to refund that money in two instalments as from 2012 and 2013 and if there is still credit in 2013 then he will refund the balance in cash. That is most unfair, Mr Deputy Speaker, Sir. If it has been abolished now, just refund the money to the guy now. Because what happens? If the guy, next year in 2012, does not have to pay any income tax, where will he credit or set off the money that has been deducted in the year 2010? He is going to be pick-pocketed again. This is a very unfair item.

The other thing is the tax deduction at source. In fact, it is not completely abolished because he has re-introduced it. You see giving something and taking something back. He re-introduced it again, but he says now the tax will not be 15%, it will be 10% and if you have more than Rs5m. savings, you will have your interest deducted at source. So, have you abolished the tax or not? You can't abolish the tax and then have all types of bells and whistles which make it appear that it is neither here nor there.

The other item concerns the deduction for tertiary education. Now, again we hear the hon. Minister saying that he is re-introducing the interest relief for the cost of tertiary education

up to three children. Very good! Much to his credit! But then, the sum of Rs80,000 was the same amount that was given in 2006 when the famous Labour reform took place and abolished it. But now we are in 2010, going to the year of assessment 2011, but they are still maintaining the Rs80,000. So, has there not been inflation on the way? And has the university fee not increased in the meantime? I don't understand the logic of the hon. Minister of Finance in that except that he wants to give and at the same time he wants to take back.

Now, I come to the question of land transfer tax. On the question of land transfer tax, let us set the background. Under the former law, the land transfer tax was 5% before the introduction of this Finance Bill and it is applied on all transactions, whether it is on inherited land or on agricultural land. Now what happens with this amendment, the land transfer tax is 5% if it is done after five years, but it is 10% if the transaction is done within five years. It has increased the land transfer tax in any circumstance if it is more than five years. Again, he has not done any favour. So, this is why I ask: what you are doing? What should have been done I think is to restore the land transfer tax basis to the state as it was before the famous Labour reform in 2006. He has come on a separate mandate to make a new departure with a different agenda. So, why does he not put in his agenda and restore it to pre-2006 basis when he was the famous Minister of Finance of the day? I don't understand, to tell you frankly, Mr Deputy Speaker, Sir.

Let me turn to the registration duty. There are two types of registration duty. There is a registration duty which is paid on the purchase of a land, on the deed of purchase. This registration duty has now been exempted for first-time buyers. Very good! Because that exemption has been removed by the big Labour reform! So, he comes back, he restores, he re-installs a new regime. Very good! Very much to his credit, very brave and courageous to dismantle this labour policy! Now, what happened is while he has exempted the registration duty for first-time buyers, he has limited it to the value of a land up to Rs750,000. Why have you limited it to Rs750,000 for the first-time buyer of a bare land? How was this figure arrived at? I don't understand because prior to 2006, the value of bare land for a first-time buyer on which you are exempted from registration duty was Rs1.1 m. When price of land has increased, instead of raising the value of bare land to more than Rs1.1 m. you are reducing it to Rs750,000. Where is the logic? Very bad! Now, in the case of bare land where you have constructed your house, you have a residential building. In that case the Minister of Finance has raised the exemption

limit, has reintroduced the exemption of registration duty and raised the limit to Rs1.5 m., but there I totally support him because it was Rs1.3 m., he has raised it to Rs1.5 m. Very good! I would have wished that he had adopted the same policy all the time, but then if he has given exemption of registration duty on the purchase of a property with residential building up to the value of Rs1.5 m., then why don't you give the registration duty exemption on the deed of a loan because anybody who buys a property has also to contract a loan to buy it, but then when he contracts the loan he pays registration duty which prior to 2006 again before the great Labour reform, was exempted. So, I would have hoped that it would have been logical for the hon. Minister of Finance to exempt registration duty on housing loan, on the deed of loan for purchase of a property which is on the same value which he has granted for purchase of property. So, housing loan which is up to the value of Rs1.5m. should be exempted from registration duty. This is what should have been introduced in the law.

Let us now come to the question of Value Added Tax. In the case of Value Added Tax, the Minister has made a big case, quoting the WTO, International Best Practices in order to change the status of the VAT from zero-rated to exempt, and I heard everybody thumping the table and saying: this is a great move. Now, I see a paper which amends the Finance Bill to restore again the VAT status from exempt to zero-rated. Unfortunately, I don't think I have heard people thumping on the table, did I? So, there it is a total U-turn. There is a complete volte-face in this case on this issue; but then if there has been a volte-face, there was also in the Budget Speech - if I have read it correctly - the mention of the fact that he will reintroduce VAT on the Mauritius Turf Club, on horse stables, on management services to Tote operators. But, I don't see it. So, has there been again some volte-face, some U-turn? Maybe, it is the festive mood, *bonhomme* Noël coming around so I don't know who is giving to whom, what he is taking out of whom.

Mr Deputy Speaker, Sir, the other item I want to deal with is the Public Debt Management. I think that it has been thoroughly canvassed by the hon. Leader of the Opposition. We have a re-characterisation of public debt and this is again on very arbitrary, on very discretionary criteria. I heard the hon. Leader of the Opposition mentioning all these criteria, but these are quite subjective so I don't know how some of the public debt of public enterprises are going to be excluded or discounted from the public debt stock, but a word of caution is that there

should be full transparency in all these decisions to be properly spelt out whenever the debt stock of the country is published in Government documents.

Allow me to end, Mr Deputy Speaker, Sir, with a last item which is on audit. The Director of Audit carries a list of institutions on which he has the authority to audit, but then if you look at the list of these statutory bodies published by the Director of Audit, very often, the statutory body is on the list but then it is not sure what will happen when the audit is carried out. This amendment to the Finance Bill makes it very clear now. What does it say? The amendment to the Statutory Bodies (Accounts and Audit) Act, contained in page 44, says the following -

‘(1) (a) Subject to paragraph (b), every Board shall, every financial year, with the approval of the Minister, appoint an auditor to audit the financial statements of the statutory body.’

So, the Board of the statutory body can appoint its own auditor. Then it says –

(b) Paragraph (a) shall not apply where the enactment establishing the statutory body provides that the Director of Audit shall audit its financial statements.’

What does it mean? It means that if the law does not require that the Director of Audit should audit the account of that statutory body, if the law of the statutory body does not require the Director of Audit to be the auditor of that statutory body, then even if the name of that statutory body appears in the list of the Director of Audit, the Board can decide to appoint another auditor.

For me, there is *anguille sous roche* because it will probably apply to many statutory bodies which may want to get out of the ambit of the Director of Audit and it will, therefore, fall foul of all the safeguards and controls that are inbuilt in the system now. So, this paragraph also is quite dangerous.

Therefore, Mr Deputy Speaker, Sir, I have explained all the problems of implementation that will arise in the case of many of these amendments. I have also explained the limitations and the *manquements* of many of the pieces of amendments that have been introduced which give the feeling of trying to do something and then taking it back, kind of a pick pocketing approach. All these, according to me, need to be revisited and maybe even corrected.

I hope that the hon. Minister of Finance will give due consideration to our proposals and also will give the due relief and proper allowance in order to alleviate the heavy tax burden that is now being made to bear by the working people of Mauritius, also by the lower-income group and even the middle-class.

So, in this festive mood, I hope that I am not preaching in the desert and I hope that Government will pay due attention to what I have said today.

Thank you, Sir.

(07.47 p.m.)

At this stage, Mr Speaker took the Chair.

The vice-Prime Minister, Minister of Finance and economic Development (Mr P. Jugnauth): Mr Speaker, Sir, first of all, I wish to thank all the Members who have intervened and who have given their views on the Bill that is before the House.

Mr Deputy Speaker, Sir, I just want to say that, as you have already ruled in the past, the Finance Bill should include only measures that have financial implications. Therefore, this Bill contains all the measures in the Budget that have direct financial implications and, in accordance with your ruling, therefore, all the other measures that do not particularly or specifically have direct financial implications will have to come in another Bill. In the Budget, there are measures that will, of course, be included in that other Bill that will come before the House, but there are measures that will also be made to apply through regulations. There are also other measures that will need, in fact, a Bill on its own to come before the House to be debated. For example, Members have spoken on the issue of merger of Bank of Mauritius and FSC and I have said that, first of all, we are going to be guided by experts who will make recommendations and, eventually, as and when Government will move forward, it will require that a proper Bill on its own comes before this House.

There are other issues that have been mentioned in the Budget that need further work, that need to be, in fact, looked at very carefully before we again come before this House. That is why the Finance Bill is always a very crucial tool to be able to implement measures that have been announced in the Budget and that is also why we have targeted specific areas like financial services, banking, education, consolidating the sugar industry, the housing issues, the

consumption of alcoholic drinks because it concerns excise duties, reviewing of licence fees for gambling activities, public debt management and tax policies.

There have been wide consultations before the preparation of the Budget. Of course, once the Budget is presented to this House, there are debates, especially, me, as Minister of Finance, I listened to all the comments that are made. I also carried out a number of consultations with regard to the issues that have been mentioned in the Budget and with regard to the views that are being expressed by different stakeholders who are going to be in one way or the other affected by those measures. That is also why we are open all the time. Announcing all the measures in the Budget does not mean to say that we have to implement everything as was announced. As I say, what is the purpose of having debates in the House, listening to views from my colleague Ministers, my colleague backbenchers from the Government side, Members from the Opposition also and the stakeholders, purposely, because the intent is to try to do something that is good for the country, that is in line with also our vision, our policies, but that will not as far as possible be detrimental to any particular sector. That is why just as I have done through consultations prior to Budget, I have listened and I kept on listening to all the comments that have been made and that is the reason why we are coming also with amendments at Committee Stage. I am happy that some, at least, the major amendments, there are a few amendments, but there seems to be consensus on the amendments. So, that is good and that is good also for the festive mood, I suppose we should all be happy. But this is the democratic process and, as I say, our priority is that we look at the aspirations of the people and at the stakeholders. I have said that the Budget has depth and breadth, because it cuts across the short-term, the medium-term and the long-term. The policies and the measures taken together, in fact, constitute the action plan for putting Mauritius on a modern development path. What we want to do is to prepare the nation to succeed in a context, specially now, which is so difficult in a global environment, which is increasingly becoming more and more competitive and unpredictable also. The legal framework that we want to put in place is to be able to implement those core policies of the Budget, because we want to strengthen the financial services, we want to strengthen the banking sector, we want to create greater scope for value creation in what is the most productive industry of our economy.

The amendments we have made concerning the sugar industry illustrates, in fact, this determination of Government to support those who have been at the base of the economic

prosperity and development of the country, especially when they have to face very challenging times. The implementation of the new reform and innovative scholarships schemes will now be possible and I am sure it is going to benefit more students and with a much greater dose of social justice. In fact, this is an example of how we are changing, we are moving on to adapt, not only our policies and legislation to ensure that we create more wealth, but we also share that wealth more equitably and similarly the legal framework that will allow us to implement the housing with good living programme.

Let me say one word with regard to the changes that we have made in the legislation with regard to the sales and consumption of alcoholic drinks and gambling activities, because that again also shows our determination to protect our population and to improve the quality of life of our citizens. Mr Speaker, Sir, the amendments to the Income Tax Act also reflects our resolve to create a balance between a competitive tax policy while, at the same time, maintaining its equity and fairness.

I will not respond to all the issues that have been raised that are not contained in the Finance Bill. I will respond to a number of issues that have been raised, but not necessarily in the order that they have been raised, but there are quite a number of them. Let me start with the issue of the Banking Act. The definition of 'banking business' at a(ii). Hon. Li Kwong Wing has, in fact, rightly said that 'the deposits or funds', he has pointed out, in fact, instead of 'deposits or funds', it should be of 'deposits of funds'. Indeed, I am informed that this is a typing mistake and that it should read 'deposits of funds'. Therefore, I will request the Clerk of the National Assembly to just correct this typing mistake. The number of issues that have been raised by the hon. Member with regard to immoveable property and he has made the point that the table that we have is arbitrary. First of all, we must have a mechanism, we must have a system to put in place and the figures that are mentioned with regard to the different years of acquisition are not arbitrary, because we have basis for calculation. This has been raised also by hon. Ms Deepalsing. We have taken the different rates of inflation for the different years to come up with the figures that are taken as multiplying factor, both for the years 1963 to 1987 and for the years 1988 to 2010. In fact, there is a document which I can lay on the Table of the Assembly, I can send also to my colleagues and to hon. Li Kwong Wing, to show how this calculation has been done in order to arrive at this figure. As I said, it is based on Consumer Price Index from CSO and the average has been taken for the different years.

The other issue that has been raised is at page 22. Hon. Li Kwong Wing made that remark to say that we are introducing, in fact, the inheritance tax in a disguise way. Inheritance tax was paid when somebody was inheriting an immovable property. There was not the issue of sale; there was the issue of inheriting. When somebody has passed away, the heirs would be inheriting and they had to pay a tax, and at that time, we all know that the tax was so high, sometimes the heirs had to even sell the property to be able to pay the tax. Now this has been abolished and it is not even comparable to the application of the gains, because somebody can inherit a property, as long as he keeps the property, there is no tax at all. It is only when that person sells the property. But even for that, we have made a provision. We say that if that person sells the property for the first time, if the value of that property does not exceed Rs5 m., he will not pay any tax, even if he has other properties. We can call that a first time seller, in a way, as opposed to a first-time buyer. It is not correct to say that we have introduced, through the back door, inheritance tax. As I said, it is only when somebody sells the property and even for that, we have made provisions to protect somebody who sells the property that is worth less than Rs5 m.

The hon. Member has talked about solidarity income tax which is discriminatory. But let me remind him who will be paying, in fact, this solidarity income tax. It is the big boys. I won't call them fat cats, I don't know how fat they are. But, at least, they are the *gros paleto*. They are those who would be earning hefty amounts of dividends, hefty interests and even the amount together with their income must exceed Rs2 m. I think everybody can calculate and can see who are the people eventually will be liable to this solidarity income tax. I think it is fair. What is the philosophy of this Government? The philosophy is that, especially in difficult times - we should not look at the measures in isolation; we should look at the Budget as a whole. How many measures have, in fact, been announced and are going to be implemented with regard to the poor, those who are at the lowest rung of the ladder and the middle class. How many social measures are contained in this Budget with regard to education, housing and so on? But these have to be financed. The hon. Member is saying that this is a pickpocket Budget. If pickpocket means that we have to put our hands in the pockets of the fat cats in order to finance measures for the poor and for the middle class, yes, we are proud to be pickpockets. The solidarity tax which the hon. Member is saying is discriminatory ...

(Interruptions)

We pick in the big pockets!

As regards the other issue concerning the interest relief for housing, the hon. Member said we are moving backwards. I am surprised, Mr Speaker, Sir, coming from the hon. Member. What my predecessor did when he abolished all the exemptions that obtained in the past? He said that he was going to calculate all those exemptions and give one block exemption with regard to a taxpayer. That is how he came to the figure, with regard to an individual, it's Rs255,000; with one dependent: Rs365,000, up to Rs465,000. That is, in fact, included in that block exemption. What this Government is doing is over and above that block exemption. That remains, but, in fact, we have moved much further than that. By giving that kind of exemption for housing, I think it is a big effort and, in fact, we should have been commended for doing that because we are not reducing on the block exemption.

The same thing applies for education. He said why we are giving Rs80,000 and Rs125,000, it should have been increased. Again, we are giving for housing and education. Education is not for one child, you can claim exemption up to three children if they studying locally or abroad. For those studying abroad, it is Rs125,000 per child and locally, Rs80,000 per child. Do you know how much it will cost Government? Again, this shows, over and above what taxpayers were benefiting, with the vision that the hon. Prime Minister and the Government have for education and housing, we are doing a lot.

Concerning interests, the point was made that we are giving and we are taking back. We are giving, especially to the middleclass, but we are taking from those who earn millions of rupees, Mr Speaker, Sir.

Concerning that one I did not understand very well because when the hon. Member was talking about it we have come back to the VAT exemption to zero rated. He made a comment about MTC. I hope I understood him well. Is he saying that MTC should not be subject to VAT? Mr Speaker, Sir, in fact, they have not been subjected to VAT so far and I must say, legally speaking, they have been contravening the law, because they are subject to VAT. You cannot, on your own, decide not to be subject to VAT unless you get an exemption, unless it is in the law. This is not in the law. What we are doing? In fact, I must say, Government is kind enough not to be calling them for all the VATs that they should have been paying for so many years. What we are saying is that they should comply with the law. We have found out that this

was not the case before. They comply with the law and, therefore, all these operations will be subject to VAT.

With regard to the Bank of Mauritius, concerning the issue of derivatives, let me assure, especially my friend, hon. Ms Deepalsing, that we must be careful what we say because they are already financial institutions which are involved in derivatives transactions. And taking and learning from what has happened elsewhere. This is why the Bank of Mauritius must see to it that when they promote, it is done in a fair and regulated manner. When I say that we must be careful, what we want to do is to attract foreign institutions to set up their base here and to transact business. One example that I was going to quote and it is good that the hon. Member has said it, is the Global Board of Trade (GBOT). It has set up its base in Mauritius and they are transacting on derivatives. It is bringing foreign exchange to the country. It is also uplifting the image of the country and it is bringing business to the country. Of course, there is risk in everything that we do, Mr Speaker, Sir. A Commercial Bank will lend to a client, but if we look at all the loans that are given we will see that there will be some loans that are non-performing. We will see that there are some loans which, at the end of the day, the bank will have to write off. But, if we say there has been a non-performing client and the bank had to write off this loan, then we just don't do the business. I think we have to be proactive. I agree that there are problems, we just have to learn from what has happened elsewhere, but what we need to do is we have to see to it that we have people who are knowledgeable and who have got the expertise in the field. Those who are going to be involved in those transactions, of course, have to see to it that they are as careful as they are.

Therefore, this issue, Mr Speaker, Sir, after all, it is not going to be one person as there is going to be a Board and the people who are going to be the members of that Board will have to be those who are up to a standard. And it will be up to Government because, at the end of the day, we decide and we make the nominations. So, we have to see to it that we put the right and competent people in that position.

With regard to scholarships, hon. Obeegadoo has mentioned about them and their eligibility criteria. I must say that this issue of criteria will be worked out by the Ministry of Education and the whole mechanism that is provided under section 33 of the regulations. Amendments will have to be brought to the Education Act. I understand that they will take

effect, if ever all the criteria have been worked out, as from 30 March 2011. Of course, we will welcome any suggestions or proposals, as I am sure that the hon. Minister of Education will have consultations, and I hope that we will also receive proposals from the hon. Member with regard to that.

On the issue of public debt management, first of all, let me say that the law is not being changed with regard to the 60% that Government should not go beyond in terms of the public sector debt. But, we will not be able to accept the amendment that is being proposed by the Opposition because the Act, in fact, provides for debt relating to a public enterprise that is not to be regarded as a public sector debt where it satisfies the criteria that have been set out in the Schedule.

The hon. Leader of the Opposition has made reference to the Committee; it is going to be a committee of high ranking officials who are going to look into this issue and will be applying the criteria and deciding whether a debt is to be regarded as a non-public sector debt. Furthermore, there are going to be safeguards that are provided, namely this annual exercise will be carried out with an international institution that is recognised for its expertise. It will also be subject to the approval of Government. As I said, the threshold of 60% that has been specified in the law is not being increased.

Mr Speaker, Sir, with regard to the amendments to the Bank of Mauritius Act that have been proposed by the Leader of the Opposition that, the Bank of Mauritius acquiring or leasing immovable property for the purpose of operating an Islamic money market, and as such this will be a day to day business of the bank and it will not be practical for each transaction to be subject to the approval of the Board. In fact, we are going to prevent the proper functioning of the Bank of Mauritius if each time the Governor would have to go the Board to seek approval. Therefore, this amendment also cannot be retained.

With regard to the entities that the Bank of Mauritius will make advances, let me say, Mr Speaker, Sir, in the past, I was in a former Government where when we carried out the reform for the sugar industry, the Bank of Mauritius, in fact, made advances to the sugar industry. How did they make these advances? The Bank of Mauritius had to go through Commercial Banks in order for the Commercial Banks to be able to on-loan to the sugar industry to carry out their reforms. When we do that, what happens is that there is a fee that we have to pay to the

Commercial Banks because they will not do it for free. This year, in the measures that have been announced in the ERCP, Government, in fact, took the decision that, because the small planters were facing difficulties, 80% advance on their revenue would be given and this has been financed by the Bank of Mauritius and the Bank of Mauritius did it through the Mauritius Sugar Syndicate. This is the kind of entity and this is kind of situation we envisage whereby the Bank of Mauritius would be able to make advances. I can understand, probably one can think that it can be any entity - because I heard the hon. Leader of the Opposition saying that CWA, CEB. We know that CWA is in a difficult situation, that why probably he mentioned CWA, but ...

(Interruptions)

Anyway! Let me say that the fear is, whether the Bank of Mauritius would make advances to an entity, which is not so sound, probably. Let me reassure hon. Members, that this is the reason why we have included an entity in this Financial Bill.

With regard to the issue of 60 tonnes of sugar, let me say that an associate or a *sociétaire* in a *société* is, in fact, an individual and he will benefit if the *société* will benefit from this. An heir in a succession will also benefit. What we don't want, is for a company to benefit that is why we have put individual and individual, therefore, will cover these two above cases that I have mentioned.

Mr Speaker, Sir, there was this issue of the first time buyer. Let me say again that the normal price of bare land for the construction of a house, for a first time buyer, therefore, would be Rs750,000 and even those acquiring land above Rs750,000 will benefit; the limit is Rs750,000 for a first-time buyer. The exemption that has been given for the gains, I have already dealt with.

Mr Speaker, Sir, I think that I have dealt with the issues that have been raised. To conclude, I would like to reiterate our conviction that the Budget is about, in fact, realising the Mauritian Dream, working together towards the day when we will be counting the value of our output in the trillion of rupees. The Budget is about our vision, our country without absolute poverty, reputed to be a Duty-Free Shopping Paradise, fully democratised, endowed with a modern world class physical fabrics and environmental clean and sustainable. We have balanced policies; we have looked at the aspirations of the people, with an uncompromising commitment to fiscal rectitude and responsibility.

As I have said, Mr Speaker, Sir, it is a Budget that sends a clear message that this Government and this generation of Mauritians are like all the generations who have toiled before us, rising to the challenge of the day.

Thank you, Mr Speaker, Sir.

Question put and agreed to.

Bill read a second time and committed.

COMMITTEE STAGE

(Mr Speaker in the Chair)

THE FINANCE

(MISCELLANEOUS PROVISIONS) BILL

(No. XX of 2010)

Clause 1 to stand part of the Bill

Clause 2 (Banking of Mauritius Act amended)

Motion made and question proposed: ‘that the clause stand part of the Bill’.

Mr Jugnauth: Mr Chairperson, I move in terms of the amendment circulated –

“ (a) in clause 2, in paragraph (b)(i) -

(i) by deleting subparagraph (B) and replacing it by the following subparagraph –

(B) by inserting, after paragraph (d), the following new paragraph –

(da) with the approval of the Board, promote the development of the foreign exchange and derivatives markets;

(ii) by deleting subparagraph (F) and replacing it by the following subparagraph –

- (F) in paragraph (o), by inserting, after the words “financial institutions”, the words “and such other entities”;
- (iii) by deleting subparagraph (G);”

Mr Bérenger: Mr Chairperson, I move for an amendment to Clause 2 (b) - (i) (E), that instead of ‘the Bank’ accepting such other security as the Bank may determine, that it should be ‘the Board’ in line with other amendments.

Amendment defeated.

Clause 2, as amended, ordered to stand part of the Bill.

Clause 3 ordered to stand part of the Bill.

Clause 4 (Customs Act amended.

Motion made and question proposed: ‘that the clause stand part of the Bill’.

Mr Jugnauth: Mr Chairperson, I move in terms of the amendment as circulated

—

“(b) in clause 4, by inserting, after paragraph (a), the following new paragraph, the existing paragraph (b) being relettered (c) accordingly –

- (b) in section 9(1), by deleting the words “section 3(5)” and replacing them by the words “section 3”;”

Amendment agreed to.

Clause 4, as amended, ordered to stand part of the Bill.

Clauses 5 to 8 ordered to stand part of the Bill.

Clause 9 (Income Tax amended).

Motion made and question proposed: ‘that the clause stand part of the Bill’.

Mr Jugnauth: Mr Chairperson, I move in terms of the amendment circulated -

(i) in paragraph (c), the proposed new section 10A, by deleting subsection (15) and replacing it by the following subsection –

(15) The gains chargeable under subsection (1) in an income year shall be reduced by the amount of the gains or 2 million rupees, whichever is the lesser, in respect of an individual or co-owner who is an individual.

(ii) in paragraph (q), in the proposed section 112 –

(A) in subsection (1)(b)(iii), by deleting the words “Tourism Act” and replacing them by the words “Tourism Authority Act”;

(B) by deleting subsection (2) and replacing it by the following subsection –

(2) A planter, who is an individual, shall not be required to submit a return under this section where, in an income year –

(a) he cultivates sugar cane on less than 15 *hectares* of land, in the aggregate;

(b) the sugar accruing to him from the sugar cane cultivation does not exceed 60 tonnes; and

(c) his net income, other than his basic retirement pension, is solely derived from sugar cane cultivation.

(iii) in paragraph (zc)(iii), in subparagraph (B), by adding, after item 22, the following new item –

23. Gains derived from the sale or transfer of an immovable property or any interest in an immovable property by –

- (a) an individual;
- (b) an associate in a *société*, in respect of his share in that immovable property; or
- (c) an heir of a deceased person, in respect of his undivided rights in that immovable property when sold or transferred to a person who is an heir of the deceased person,

provided that –

- (i) the sale or transfer is the first one made after 31 December 2010 by the seller or transferor; and
- (ii) the proceeds from the sale or transfer do not exceed 5 million rupees.”

Clause 9, as amended, ordered to stand part of the Bill.

Clauses 10 to 18 ordered to stand part of the Bill Clause 19 (Value Added Tax Act amended).

Motion made and question proposed: ‘that the clause stand part of the Bill’.

Mr Jugnauth: Mr Chairperson, I move in terms of the amendment circulated -

- “(d) in clause 19, by deleting paragraphs (f) and (g) and replacing them by the following paragraphs –
- (f) in the First Schedule, in item 12, by inserting, after the words “health institution”, the words , “other than cosmetic surgery services,” ;

(g) in the Fifth Schedule, in item 2, by deleting paragraph (e) and replacing it by the following paragraph –

(e) sugar, sugar cane;”.

Amendment agreed to.

Clause 19, as amended, ordered to stand part of the Bill.

Clauses 20 to 21 ordered to stand part of the Bill.

The Schedules ordered to stand part of the Bill.

The title and enacting clause were agreed to.

The Bill, as amended, was agreed to.

On the Assembly resuming with Mr Speaker in the Chair, Mr Speaker reported accordingly.

Third Reading

On motion made and seconded, the Finance (Miscellaneous Provisions) Bill (No. XX of 2010) was read the third time and passed.

(08.28 p.m.)

The Prime Minister: Mr Speaker, Sir, before I move for the adjournment of the House, I would like, in my capacity as Leader of the House, to say a few words on what has been an eventful year for the National Assembly.

The first sitting of the Fourth National Assembly was held on the 18 January 2010; three sittings were held, six Bills were introduced and four Bills which were introduced in 2009 were read a third time and passed.

The last sitting was held on 30 March 2010 and the National Assembly was dissolved the next day, that is, 31 March 2010. During these three sittings of the Fourth National Assembly, a total of 128 Parliamentary Questions as well as three Private Notice Questions were addressed to the Government.

The first sitting of the Fifth National Assembly following the general elections was held on 18 May 2010 and it was marked by the administrating of Oath of Allegiance to affirmation or declaration by Members. This was followed by your own election, Mr Speaker, Sir, as well as that of the Deputy Speaker.

The Government Programme 2010/2015 was read by the President of the Republic of Mauritius on 08 June 2010. As at to today, we have had 29 sittings, 14 Bills have been introduced and four other Bills have been circulated. The Government has replied to 755 Parliamentary Questions requiring oral answers as well as 229 Parliamentary Questions, not requiring an oral answer. Furthermore, Government has replied to 21 Private Notice Questions from the hon. Leader of the Opposition.

Mr Speaker, Sir, we would like to express our deep appreciation to you for your characteristic sense of fair play and impartiality in presiding over the deliberations of the House, and your spontaneous guidance whenever the need arose. We wish also to thank the Deputy Speaker, for his impartiality and his contribution to the smooth running of the debates and in committees, whenever he was called upon to preside over our deliberations.

I would also like to express to all hon. Members my appreciation for their participation, and their valuable contribution to the debates. Our thanks are also extended to the Clerk of the National Assembly, the Deputy Clerk, the Clerk Assistant and all the members of the staff of the National Assembly, including the staff of the Library, for the services they have provided to the House, and to all the civil servants who have assisted in the work of Parliament, and the Police officers who have also been present.

Mr Speaker, Sir, may I kindly request you, in my own personal name and in that of all Members of the House, to present the season's greetings to the President of the Republic and Lady Jugnauth, as well as, to the vice-President, Mrs Monique Ohsan-Bellepeau. I convey to you, Mr Speaker, Sir, Mrs Purryag and your family, our best wishes for a merry Christmas and a happy new year. My best wishes also go to the hon. Leader of the Opposition and his family, and also to the other hon. Members of the House and their families.

I thank you, Mr Speaker, Sir.

The Leader of the Opposition (Mr P. Bérenger): Mr Speaker, Sir, we also wish to extend our season's greetings to all the personalities mentioned by the hon. Prime Minister, including the hon. Prime Minister.

Mr Speaker: Hon. Members, I wish to associate myself with the season's greetings, as expressed, to the President of the Republic and to Lady Jugnauth, and the vice-President of the Republic. I will, with great pleasure, convey the message to them. In my own name and on behalf of the staff of the National Assembly, I thank Dr. the hon. Prime Minister and the hon. Leader of the Opposition for their kind words and good wishes. In return, I am pleased to extend my best wishes for a merry Christmas and a happy new year to Dr. the hon. Prime Minister and Mrs Ramgoolam, to the hon. Ministers, to the hon. Leader of the Opposition, and to all hon. Members and their families. I also wish to thank the hon. Members for their cooperation and understanding throughout the year. Once again, my best wishes for a merry Christmas and a happy new year.

The Prime Minister: Mr Speaker, Sir, I move for the adjournment of the House to Tuesday 22 of March 2011, at 11.30 a.m.

The Deputy Prime Minister rose and seconded.

Question put and agreed to.

Mr Speaker: The House stands adjourned.

At 08.32 p.m. the Assembly was, on its rising, adjourned to Tuesday 22 March 2011 at, 11.30 a.m.