

GUIDE ON CORPORATE SOCIAL RESPONSIBILITY (CSR)

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List of Abbreviations

APS	Advance Payment System
CSR	Corporate Social Responsibility
ITA	Income Tax Act 1995
MRA	Mauritius Revenue Authority

1.0 Introduction

Corporate bodies in Mauritius are required to operate a CSR fund in accordance with Section 50L of the Income Tax Act 1995 (ITA).

This Guide is to assist all those concerned in remitting the correct CSR amount at the appropriate time and clarify the areas where CSR money can be used.

CSR is applicable to all profitable companies and resident société except for the following:

- (a) A Global Business company;
- (b) A bank for its transactions with non-residents or with corporations holding a Global Business Licence;
- (c) An IRS company;
- (d) A non-resident société, foundation, trust; and
- (e) A freeport Operator or Private Freeport Developer in respect of income derived from export.

Some companies, as listed in Sub Part C of Part II of the Second Schedule of the ITA, are exempted from payment of tax but are liable to CSR. A list of such companies are shown at annexure 1.

Previously a company was given the right to expense the whole CSR fund according to its own CSR framework and any amount unspent at the closing date of accounts was then remitted to the MRA at the time the return was submitted.

Following the Finance Act 2016, a company has now an obligation to remit a percentage of its CSR fund to the Director-General in accordance with Section 50L(2)(a) of the ITA.

2.0 The meaning of CSR

CSR programme is defined in Section 2 of the ITA as a programme having as main objective to alleviate poverty, to relieve sickness or disability, to advance the education of vulnerable persons or to promote any other public object beneficial to the Mauritian Community.

3.0 Calculation of CSR

(a) (i) Company

All profitable companies are required in a year to set up their CSR Fund of an amount equivalent to 2% of their chargeable income of the preceding income year.

(ii) Société

In the case of a resident société the net income is deemed to be the chargeable income and any distribution of its net income shall be deemed to be dividends.

(b) For a CSR fund set up on or after 01 January 2017 up to 31 December 2018, 50% of the CSR fund shall be remitted to the Director-General; and

For a CSR fund set up on or after 01 January 2019, the amount to be remitted has been increased to 75%.

Examples are shown below:

The CSR amount to be remitted (i.e) 50% or 75% will depend on whether the CSR fund was set up on '*01 January 2017 to 31 December 2018*' or on '*01 January 2019*'.

Example 1

Company A has a financial year ending on 30 June 2019. Its CSR fund was set up at the start of the year (i.e) on 01 July 2018 which pertains to the timeframe of '*01 January 2017 to 31 December 2018*'. Thus 50% shall be remitted to the Director-General.

The CSR fund will be computed on 2% of its previous year's chargeable income, which is, the chargeable income reported in the year ended 30 June 2018.

Company B has a financial year ending on 30 June 2020. Its CSR fund was set up on 01 July 2019 which is after '*01 January 2019*', thus 75% shall be remitted to the Director-General.

The CSR fund will be computed on 2% of its previous year's chargeable income, which is, the chargeable income reported in the year ended 30 June 2019.

Illustration: Assuming the chargeable income for the year ended 30 June 2018 was Rs 2m. The CSR fund on 01 July 2018 will be 2% of Rs 2m (i.e Rs 40,000).

Example 2

Company C has a financial year ending on 31 December 2019. 75% of its CSR fund shall be remitted to the Director-General since it was set up on '**01 January 2019**'.

The CSR fund will be computed on 2% of its previous year's chargeable income, which is, the chargeable income reported in the year ended 31 December 2018.

Illustration: Assuming the chargeable income for the year ended 31 December 2018 was Rs 4m. The CSR fund on 01 January 2019 will be Rs 80,000.

Remaining % of the CSR Fund

The remaining 50%/ 25% of the CSR Fund shall be used by the company –

- (i) in respect of a CSR Fund set up before 1 January 2019, to implement a CSR Programme in accordance with its own CSR Framework;
- (ii) in respect of a CSR Fund set up on or after 1 January 2019, to implement a CSR Programme or finance a non-governmental organisation implementing a CSR Programme in the priority areas of intervention as specified in 4.0 below.

4.0 Priority Areas of Intervention

A CSR programme can be implemented in the following priority areas of intervention as per the 10th Schedule of the ITA :

- Dealing with health problems
- Educational support and training
- Environment and sustainable development

- Family protection, including gender-based violence
- Fields of advocacy, capacity building and research for consideration as crosscutting throughout the priority areas of intervention
- Leisure and sports
- Peace and nation-building
- Road safety and security
- Social housing
- Socio-economic development as a means for poverty alleviation
- Supporting people with disabilities
- Such other areas as the Minister may determine

The priority areas specified above shall target individuals and families who are registered under the Social Register of Mauritius and **vulnerable** groups under the Charter of the National Social Inclusion Foundation.

5.0 Prohibition to use CSR Fund

Activities and contributions which do not qualify under the CSR Fund are as follows:

- Any activity discriminating on the basis of race, place of origin, political opinion,
- colour, creed or sex
- Any activity promoting alcohol, cigarettes or gambling
- Any activity targeting shareholders, senior staff or their family
- Contribution to any Government department or parastatal body
- Contribution to natural disasters mitigation programme
- Contribution to political or trade union activities
- Contribution to religious or spiritual activities
- Sponsorship for the purpose of marketing for companies
- Staff welfare and training of employees

6.0 Remittance of CSR to the MRA

The amount of CSR Fund shall be remitted to the Director-General as follows –

- (a) in the case of a company required to submit an APS Statement under Sub-part AA of the ITA, ‘Advance Payment System’ –

- (i) for the first three quarters, 25 per cent for each of the quarters together with the APS Statement are required to be submitted under section 50B of the ITA; and
 - (ii) for the last quarter, 25 per cent at the time the company submits its annual return under section 116 of the ITA;
- (b) in the case of a company which is not required to submit an APS Statement under section 50B(4), together with its annual return under section 116 or 119 of the ITA.

Authorisation to remit a reduced amount to the MRA

In respect of CSR Fund set up on or after 01 January 2019, where the company has not completed a project which was started prior to 01 January 2019 and which is in accordance with the guidelines set by the National Social Inclusion Foundation, it may apply to the National Social Inclusion Foundation for approval to retain an additional amount of less or equal to 25% of the CSR Fund out of 75% payable to the MRA.

7.0 Illustrations

For companies with financial year ending 30 June 2019

The financial year of the company is from July to June.

In this case the CSR Fund was created on 01 July 2018 and CSR fund amounts to Rs 500,000. Hence, at least 50% of the CSR Fund, Rs 250,000 will have to be remitted to the Director-General, MRA for onward payment to the National Social Inclusion Foundation. This payment to the MRA should be made through the company's APS statement as follows:

Quarter	Period	Amount to be remitted		Payable on/before
1	01 July 2018 to 30 September 2018	25%	Rs 62,500	27.12.2018
2	01 October 2018 to 31 December 2018	25%	Rs 62,500	01.04.2019
3	01 January 2019 to 31 March 2019	25%	Rs 62,500	26.06.2019
Annual Income Tax Return		25%	Rs 62,500	27.12.2019

The remaining 50% of the CSR fund, Rs 250,000 may be used by the company to implement a CSR programme in accordance with its own CSR framework.

Any unspent CSR balance as at **30 June 2019** has to be remitted with the Annual Income Tax Return.

For companies with financial year ending 31 December 2019

The financial year of the company is from January to December.

CSR Fund is set up at the beginning of the year and therefore the CSR fund, based on the company's chargeable income of the preceding year, was created on 01 January 2019. CSR fund amounts to Rs 600,000. Hence, at least 75% of the CSR Fund, Rs 450,000 will have to be remitted to the Director-General, MRA for onward payment to the National Social Inclusion Foundation. This payment to the MRA should be made through the company's APS statement as follows:

Quarter	Period	Amount to be remitted		Payable on/before
1	01 January 2019 to 31 March 2019	25%	Rs 112,500	26.06.2019
2	01 April 2019 to 30 June 2019	25%	Rs 112,500	30.09.2019
3	01 July 2019 to 30 September 2019	25%	Rs 112,500	27.12.2019
Annual Income Tax Return		25%	Rs 112,500	26.06.2020

Any unspent CSR balance as at **31 December 2018** has to be remitted with the Annual Income Tax Return.

The remaining 25% of the CSR fund, Rs 150,000 may be used by the company to implement a CSR programme in the priority areas of intervention.

Some examples showing the financial year end, the date for the setting up of CSR Fund and the amount of CSR to be remitted to Director-General, are given below:

Financial year ended	CSR fund set up	Amount to be remitted (%)
31 March 2019	01 April 2018	50
30 September 2019	01 October 2018	50
30 November 2019	01 December 2018	50
31 March 2020	01 April 2019	75
30 June 2020	01 July 2019	75
31 October 2020	01 November 2019	75

8.0 Freeport Operator

Where a freeport operator or private freeport developer is engaged in the sale of goods on the local market, CSR fund shall be calculated using the formula set out below –

$a \times c \times 2$ per cent
b

where –

a is the gross income derived from sale of goods on the local market for the preceding year

b is the gross income derived from all the activities of the freeport operator or private freeport developer for the preceding year

c is the chargeable income for the preceding year.

9.0 Assessment

Where, in respect of a year of assessment, the Director-General has reason to believe that money has not been spent in respect of a CSR Fund as specified in section 3.0 above, he may raise an assessment under section 129 of the ITA.

Annexure 1

'11. Income derived by a small enterprise under the Small and Medium Enterprises Development Authority Act 2009;

11A. Income derived by a small enterprise which does not benefit from exemption under item 11, set up prior to 1 June 2015 and registered under the Small and Medium Enterprises Development Authority Act;

13. Income derived by a company registered with the Board of Investment established under the Investment Promotion Act, as a company engaged in the provision of health services;

26. Income derived by a person engaged in a bio-farming project duly approved by the Food and Agricultural Research and Extension Institute or by the Commission responsible for the subject of agriculture of the Rodrigues Regional Assembly;

28. Income derived by a person licensed under the Captive Insurance Act 2015;

32. Income derived from fishing activities by an industrial fishing company incorporated on or after 1 September 2016 and approved by the Board of Investment;

34. The income of a company set up on or after 1 July 2017 and involved in innovation-driven activities for intellectual property assets which are developed in Mauritius;

35. Income derived from the manufacture of pharmaceutical products, medical devices and high-tech products by a company;

36. Income derived from the exploitation and use of deep ocean water for providing air conditioning installations, facilities and services by a company;

37. Income derived from food processing activities by a company incorporated under the Companies Act and holding a registration certificate issued by the Economic Development Board to operate a food processing plant;

38. income derived by a company from activities carried out as a project developer or project financing institution in collaboration with the Mauritius Africa Fund for the purpose of developing infrastructure in the Special Economic Zones.'