NOTES FOR COMPLETION OF ANNUAL RETURN OF INCOME OF COMPANY & TRUST

YEAR OF ASSESSMENT 2013

These notes are intended to assist in the completion of the return. If further information is required please contact the Mauritius Revenue Authority (MRA), Ehram Court, Ground Floor, Cnr Mgr Gonin & Sir V. Naz Streets, Port Louis, Tel 207-6010. Website: http://www.mra.mu

Note 1 **Declaration**

This section should be completed after filling in all items on pages 1 to 4.

Regarding payment, cheque should be crossed and made payable to the *Director-General, MRA*. Full name and tax account number of the company should be written on the verso of the cheque.

Note 2 ***Trading and Profit and Loss account***

The details of trading and profit & loss a/c should be given on page 2.

No accounts should be attached. Any item of expenditure in the Trading & Profit & Loss a/c not indicated in the return should be included in item 40 'other expenses'.

Note 3 ***Balance Sheet***

The details of Balance Sheet's items should be given on page 3.

Note 4 ***Computation of chargeable income***

The profit as per the profit & loss a/c is not the taxable profit as not all items of income are taxable nor are all items of expenses deductible for tax purposes. The net profit/loss as per profit and loss a/c needs to be adjusted on page 4 to arrive at the chargeable income.

Income to be expressed in Mauritian Rupees

All transactions should be expressed in Mauritius currency at the rate in force at the date the amount is remitted, or where there is no remittance, the rate in force at the end of the income year. However, where a company prepares its financial statements with the approval of the Registrar of companies in either US dollars , Euros, GB pound sterlings, Singapore dollars, South African rands, Swiss francs or such foreign currency as approved by the MRA, it should submit its return and pay tax in that currency. The return should be filed electronically.

General Rule for deduction of expenses

Any expenditure or loss to the extent to which it is exclusively incurred in the production of the gross income of the business is deductible from the gross income.

Unauthorised deductions

The items of expenditure that are specifically prohibited by section 26 of the Income Tax Act includes -

(a) any investment, expenditure or loss to the extent to which it is capital or of a capital nature;
(b) any expenditure or loss to the extent to which it is incurred in the production of income which is exempt income;
(c) any reserve or provision of any kind;
(d) any expenditure or loss recoverable under a contract of insurance or of indemnity;
(e) any expenditure incurred in providing business entertainment or any gift;
(f) income tax or foreign tax;
(g) any expenditure or loss to the extent to which it is of a private or domestic nature.

- ***Item 2 - Expenditure incurred in the production of exempt income***

(1) Expenditure or loss exclusively incurred in the production of exempt income is not allowable.

(2) Where expenditure or loss is incurred in the production of both gross income and exempt income, that part of the expenditure or loss attributable to the production of exempt income shall be calculated using the following formula:

$$\frac{\text{exempt income} \times \text{expenditure or loss}}{\text{total gross income (including exempt income)}}$$

(3) Where the proportion of exempt income to total gross income in the above formula is 10 per cent or less, no part of the expenditure or loss as determined above shall be disallowed.

- **Dividends payable**

Dividends payable are not deductible in computing the chargeable income of a company.

- ***Item 12 - Dividends receivable***

Dividends receivable from a resident company are exempt from tax. However, where a company's income includes exempt income, the expenses incurred to produce such exempt income should be added back in Item 2 of Page 4. Dividends receivable from outside Mauritius are taxable.

- ***Item 13 - Other exempt income***

Other types of income exempted under Part II of the Second Schedule to the Income Tax Act may be deducted under this item.

- ***Item 14 - Annual allowance***

Depreciation, being a provision, is not an allowable expenditure. A company may instead, claim deduction in respect of annual allowance on capital expenditure at the prescribed rates.

Capital expenditure incurred on	Rate as a % of Base Value	Rate as a % of Cost
1. Industrial premises excluding hotels	-	5%
2. Commercial premises	-	5%
3. Hotels	30%	-
4. Plant or Machinery –		
(a) costing or having a base value of 30,000 rupees or less	100%	100%
(b) costing more than 30,000 rupees –		
(i) ships or aircrafts	20%	-
(ii) aircrafts and aircraft simulators leased by a company engaged in aircraft leasing	-	100%
(iii) motor vehicles	25%	-
(iv) electronic and high precision machinery or equipment, computer hardware and peripherals and computer software	50%	-
(v) furniture and fittings	20%	-
(vi) other	35%	-
5. Improvement on agricultural land for agricultural purposes	25%	-
6. Scientific research	25%	-
7. Golf courses	15%	-
8. Acquisition or improvement of any other item of a capital nature which is subject to depreciation under the normal accounting principles	-	5%

Where a company, not carrying on the business of tour operator or car rental, incurs capital expenditure on or after 1 January 2011 on a motor car costing more than three million rupees, the annual allowance shall be 25% of three million rupees.

- ***Item 15 - Investment allowance***

Investment allowance may be claimed by a company which incurs capital expenditure in the island of Rodrigues for the construction of industrial premises or for the acquisition of new plant and machinery for certain activities.

- ***Item 18 - Other deductible items***

A further deduction of the amount incurred on emoluments of a disabled person or emoluments or training costs of an employee employed in any business set up in the island of Rodrigues is allowable over and above the amount already claimed in accounts.

- ***Items 20 & 21 - Loss brought forward from previous year***

  (i) Section 59 of the Income Tax Act provides that losses incurred may be deducted in computing net income in an income year.

  Where the loss cannot be fully relieved in an income year, the unrelieved loss may be carried forward and set-off against net income derived in the following 5 income years.

  (ii) The time limit of 5 years is not applicable for the carry forward of the loss attributable to annual allowances in respect of capital expenditure incurred on or after 1 July 2006.

  (iii) However, the time limit of 5 years will apply to losses attributable to annual allowance in the case of a company which has opted to claim annual allowance at the rates prevailing on 30 June 2006.

- ***Item 23 - Transfer of loss on takeover or merger***

  The law provides for the transfer of unrelieved losses where a company takes over another company engaged in manufacturing activities or where 2 or more companies engaged in manufacturing activities merge into one company, provided that the acquiree company is dissolved after the takeover and on such conditions relating to safeguard of employment as may be approved by the Minister.

Note 5 ***Calculation of tax***

Income Tax Rate

The rate of tax applicable to all companies is 15%.

- ***Item 32 - Special tax credit***

  Section 161A of the Income Tax Act provides for a special tax credit in respect of investment in a company set up for the purpose of operating a spinning factory, and in a company engaged in weaving, dyeing and knitting of fabrics.

- **Item 34 - *Alternative Minimum Tax***

  This is applicable where a company's "*normal tax payable*" is less than 7.5% of its book profit. It is not applicable to:

  - a company which is exempt from tax; or
  - where 10% of the aggregate amount of any dividend declared and any amount distributed by way of shares in lieu of dividend do not exceed the "*normal tax payable*".
  - a company holding a category 1 Gobal Business Licence under the Financial Services Act.

"*Normal tax payable*" is the tax payable arrived at by multiplying the chargeable income of the company by the applicable tax rate and after allowing for any tax credit except credit in respect of foreign tax.

Book Profit is the accounting profit reduced by -

(i) dividends receivable from resident companies;

(ii) profits on disposal or revaluation of fixed assets; and

(iii) profits or gains from sale or revaluation of securities,

where such items are credited to profit and loss a/c

and increased by -

(i) expenditure attributable to the production of dividend, profits or gains from the sale/revaluation of fixed assets/securities;

(ii) loss on disposal or revaluation of fixed assets; and

(iii) loss from sale or revaluation of securities,

where such items are credited to profit and loss a/c.

- ***Item 36 - Corporate Social Responsibility (CSR)***

  Every company is required to set up a CSR Fund equivalent to 2% of its chargeable income for the preceding year to implement an approved programme or to finance an approved NGO.

Where a company has not spent the whole or part of the amount of the CSR Fund, it may carry forward to the year of assessment 2014 the amount unspent up to a maximum of 20% of the amount provided, **subject to the approval of the CSR Committee**. The balance remaining, if any, is payable at the time the return is submitted.

Where the amount spent out of the CSR Fund exceeds the amount provided under the Fund, the excess to the extent of 20% of the amount provided, may be carried forward and offset in equal instalments against any amount provided to be spent under the Fund in respect of the 5 succeeding years.

For more information, consult Statement of Practice on CSR (SP 2/12) available under Media Centre, Publications on MRA website.

CSR is not applicable to:

(i) a GBL 1 company;

(ii) a bank, in respect of income derived from non-residents or GBL corporations;

(iii) an IRS company;

(iv) a non-resident societe, a trust or a trustee of a unit trust scheme.

- ***Item 37 - Solidarity levy on telephony service providers***

  This is applicable to a telephony service provider whose book profit exceeds 5% of its turnover. The solidarity levy payable shall be the aggregate of 5% of book profit and 1.5% of turnover and should be paid at the time the return of income is submitted.

- ***Item 41 - Tax deducted at source (TDS)***

  A company should take credit of TDS in accordance with the Statement of Income Received provided by the payer for the income year immediately preceding the due date for the submission of the relevant annual return.

  The TAN of the payer should be inserted where the TDS has been deducted on income derived by the company directly.

  Where the company is entitled to deduct the share of TDS on income derived by a Soceite, the TAN of the Societe should be inserted.

  Attach additional sheet(s) if necessary to give the required details.

- ***Item 43 - Tax paid under APS***

  Relates to amounts already paid under Advance Payment System for year of assessment 2013.

- ***Item 44 - Tax payable***

  The total tax balance is payable by the due date for submission of the annual return of income.

- ***Item 45- Interest on unpaid tax***

  The law provides for payment of interest at the rate of 1 per cent per month or part of the month during which the tax remains unpaid.

- ***Item 46 - Penalty***

  Penalty is provided under the law for late submission of return, late payment of tax and failure to submit return electronically.

  - **Late submission of return (LSR)**, a penalty of Rs 2000 per month or part of the month is payable until the time the return is submitted. The total penalty is restricted to Rs 20,000.
  - **Late payment of tax (LPT)**, a penalty of 5 per cent of the amount of tax is payable on the amount of tax remaining unpaid.
  - **Failure to submit return electronically (FSRE)**, a penalty of 20 per cent of the tax (not exceeding Rs 100,000) or Rs 5,000 where no tax liability is declared in the return, is payable where after a written notice is given to a person by the *Director-General*, he fails to justify the failure to submit his return electronically.