

COVID-19 LEVY GUIDE

MARCH 2021



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FOREWORD

The **Mauritius Revenue Authority (MRA)** regularly publishes guides on selected tax issues and this COVID-19 Levy Guide is in line with its strategy to educate taxpayers to facilitate tax compliance. The COVID-19 pandemic had a toll on the economic activities of the country and beyond. The Covid-19 period in Mauritius started on 23 March 2020 and ended on 01 June 2020. To mitigate the risks of business closures and loss of employment, the Government came up with the Wage Assistance Scheme to provide financial support to employers.

The COVID-19 Act 2020, which was enacted on 16 May 2020, provides for the imposition of a COVID-19 Levy on companies, individuals and resident sociétés that benefitted from the allowances under the Government Wage Assistance Scheme (GWAS). Every employer having benefited from the GWAS in an income year has a requirement to declare the Levy in the income tax return and pay it on or before the due date for the submission of the return.

This COVID-19 Guide is expected to serve as a valuable source of information in helping employers to compute the COVID-19 Levy. It provides a number of detailed scenarios to ensure that employers calculate and remit the correct amount of the Levy to the MRA.

The MRA hopes this Guide will raise the level of tax consciousness among its stakeholders, namely employers, with the COVID-19 Levy.

1. Liability to COVID-19 Levy

According to Section 111Z(1) of the Income Tax Act (ITA), every employer who has benefited from an allowance under the Wage Assistance Scheme shall be liable to the COVID-19 Levy payable in respect of the year of assessment (YOA) commencing on 01 July 2020 (YOA 2020/2021), on 01 July 2021 (YOA 2021/2022) or on 01 July 2022 (YOA 2022/2023).

The employer referred above can be:

- i. an individual;
- ii. a resident société;
- iii. a company whose accounting period ends on any date during the period starting on 1 May 2020 and ending 31 December 2020, and starting on 1 May 2021 and ending on 31 December 2021; or
- iv. a company whose accounting period ends on any date during the period starting on 1 January 2021 and ending on 30 April 2021, and starting on 1 January 2022 and ending on 30 April 2022.

2. Chargeable income for levy

For the purpose of calculating the COVID-19 levy, chargeable income is defined as “the aggregate amount remaining after deducting from the gross income all allowable deductions except the unrelieved amount of a loss carried forward under section 59 from a previous year of assessment” (Section 111Y of the ITA)

Example:

Gross income : Rs. 1,000

Allowable deductions : Rs. 600

Loss brought forward : Rs. 300

Chargeable income for tax purposes:

$$1000 - 600 - 300 = \text{Rs. } 100$$

Chargeable income for levy:

$$1000 - 600 = \text{Rs. } 400$$

3. Levy payable by an employer (individual)

According to Section 111Z(2)(a)(i) of the ITA, in the case of an employer who is an individual, the levy is payable in respect of two years of assessment:

- YOA 2020/2021; and
- YOA 2021/2022

Amount of levy (Section 111Z(3)(a) of the ITA):

i. YOA 2020/2021

Levy payable in the YOA 2020/2021 is equivalent to:

- (A) the total amount paid to him under the Government Wage Assistance Scheme during the income year ended 30 June 2020; or
- (B) 15 per cent of the gross income derived by him under section 10(1)(b), (c) and (g) after deduction of any expenditure allowable under sections 18, 19 and 24, whichever is lower.

ii. YOA 2021/2022

Levy payable in the YOA 2021/2022 is equivalent to:

- (A) the **TOTAL** amount paid to him under the Government Wage Assistance Scheme as reduced by the amount of levy payable for the year of assessment 2020/2021; or
- (B) 15 per cent of the gross income derived by him under section 10(1)(b), (c) and (g) after deduction of any expenditure allowable under sections 18, 19 and 24, whichever is lower.



Note:

Income under section 10(1)(b), (c) and (g) of the ITA are as follows:

- (b) any gross income derived from any business;
- (c) any rent, royalty, premium or other income derived from property;
- (g) any other income derived from any other source.

Expenditure allowable under sections 18, 19 and 24 of the ITA are as follows:

- 18. Expenditure incurred in the production of income;
- 19. Expenditure incurred on;
- 24. Annual allowance.

i. **Example 1**

Mr. X received WAS amounting to Rs. 20,000 during the income year ended 30 June 2020. Levy payable in YOA 2020/2021 and 2021/2022 is as follows:

Year of Assessment	2020/2021 (Rs.)	2021/2022 (Rs.)
Gross income derived under Section 10(1)(b),(c),(g)	380,000	800,000
WAS	20,000	-
Gross income (Inclusive of WAS)	400,000	800,000
Expenditure allowable under sections 18,19,24	350,000	600,000
Levy paid in preceding year	-	7,500
Total allowable deductions	350,000	607,500
Chargeable income for levy purposes	50,000	192,500
Levy is lower of:		
- WAS or WAS as reduced by levy payable in YOA 20/21	20,000	12,500*
- 15% of A	7,500	28,875
Hence levy is (lower of B and C)	7,500	12,500

A

B

C

* WAS - Levy 2020/2021 = Rs. 20,000 - Rs. 7,500 = Rs. 12,500

Total WAS received: Rs. 20,000

Total levy payable: Rs. 7,500+ Rs. 12,500 = Rs. 20,000

N.B: No Balance after two years.

ii. **Example 2**

Mr. Y received WAS amounting to Rs. 20,000 during the income year ended 30 June 2020. Levy payable in YOA 2020/2021 and 2021/2022 is as follows:

Year of Assessment	2020/2021 (Rs.)	2021/2022 (Rs.)	
Gross income derived under Section 10(1)(b),(c),(g)	380,000	500,000	
WAS	20,000	-	
Gross income (Inclusive of WAS)	400,000	500,000	
Expenditure allowable under sections 18,19,24	240,000	400,000	
Levy paid in preceding year	-	20,000	
Total allowable deductions	240,000	420,000	
Chargeable income for levy purposes	160,000	80,000	A
Levy is lower of:			
- WAS or WAS as reduced by levy payable in YOA 20/21	20,000	-*	B
- 15% of A	24,000	12,000	C
Hence levy is (lower of B and C)	20,000	-	

* WAS - Levy 2020/2021 = Rs. 20,000 - Rs. 20,000 = Rs. 0

Total WAS received: Rs. 20,000

Total levy payable: Rs. 20,000

N.B: No Balance after two years.

4. Levy payable by a Resident Société or Company

According to Section 111Z(2)(a)(iii) of the ITA In the case of a resident société or company whose accounting period ends on any date during the period starting on 1 May 2020 and ending 31 December 2020, and starting on 1 May 2021 and ending on 31 December 2021 , the levy is payable in respect of two years of assessment:

- YOA 2020/2021; and
- YOA 2021/2022

Amount of levy (Section 111Z(3)(b) of the ITA):

i. YOA 2020/2021

Levy payable in the YOA 2020/2021 is equivalent to:

- (A) the total amount paid to him under the Wage Assistance Scheme during the corresponding accounting period; or
- (B) 15 per cent of his chargeable income for levy, whichever is lower.

ii. YOA 2021/2022

Levy payable in the YOA 2021/2022 is equivalent to:

- (A) the **TOTAL** amount paid to him under the Wage Assistance Scheme as reduced by the amount of levy payable for the year of assessment 2020/2021; or
- (B) 15 per cent of his chargeable income for levy, whichever is lower.

i. Example 1

Company A closes its accounts on 30 June and received WAS amounting to Rs. 200,000 in year 1 only.

Year of Assessment Year ended	2020/2021 30-Jun-20 (Rs.)	2021/2022 30-Jun-21 (Rs.)	2022/2023 30-Jun-22 (Rs.)
Gross income	9,800,000	12,000,000	13,000,000
WAS	200,000	-	-
Gross income (Inclusive of WAS)	10,000,000	12,000,000	13,000,000
Less:			
Allowable deductions (Except unrelieved amount of loss b/f under S59)- incl Wages and salaries	9,000,000	9,350,000	10,000,000
Levy paid in preceding year	-	150,000	50,000
Total allowable deductions	9,000,000	9,500,000	10,050,000
Chargeable income for levy purposes	1,000,000	2,500,000	N/A
Levy is lower of:			
- WAS or WAS as reduced by levy payable in YOA 20/21	200,000	50,000*	N/A
- 15% of A	150,000	375,000	N/A
Hence levy is (lower of B and C)	150,000	50,000	N/A

* WAS - Levy 2020/2021 = Rs. 200,000 - Rs. 150,000 = Rs. 50,000

Total WAS received: Rs. 200,000

Total levy payable: Rs. 150,000 + Rs. 50,000 = Rs. 200,000

N.B: No Balance after two years.

ii. **Example 2**

Company A closes its accounts on 30 June and received WAS amounting to Rs. 200,000 in year 1 and Rs 800,000 in year 2.

Year of Assessment Year ended	2020/2021 30-Jun-20 (Rs.)	2021/2022 30-Jun-21 (Rs.)	2022/2023 30-Jun-22 (Rs.)	
Gross income	9,800,000	12,000,000	13,000,000	
WAS	200,000	800,000	-	
Gross income (Inclusive of WAS)	10,000,000	12,800,000	13,000,000	
Less:				
Allowable deductions (Except unrelieved amount of loss b/f under S59)- incl Wages and salaries	9,000,000	9,350,000	10,000,000	
Levy paid in preceding year	-	150,000	495,000	
Total allowable deductions	9,000,000	9,500,000	10,495,000	
Chargeable income for levy purposes	1,000,000	3,300,000	N/A	A
Levy is lower of:				
- WAS or WAS as reduced by levy payable in YOA 20/21	200,000	850,000*	N/A	B
- 15% of A	150,000	495,000	N/A	C
Hence levy is (lower of B and C)	150,000	495,000	N/A	

* $WAS \text{ year 1} + WAS \text{ year 2} - Levy \text{ 2020/2021} = Rs. 200,000 + Rs. 800,000 - Rs. 150,000 = Rs. 850,000$

$Total \text{ WAS received: } Rs. 200,000 + Rs. 800,000 = Rs. 1,000,000$

$Total \text{ levy payable: } Rs. 150,000 + Rs. 495,000 = Rs. 645,000$

$N.B: \text{ Balance after two years: } Rs. 1,000,000 - Rs. 645,000 = Rs. 355,000$

iii. **Example 3**

Company B closes its accounts on 31 August and received WAS amounting to Rs. 400,000 in year 1 only.

Year of Assessment Year ended	2020/2021 31-Aug-20 (Rs.)	2021/2022 31-Aug-21 (Rs.)	2022/2023 31-Aug-22 (Rs.)
Gross income	5,000,000	7,500,000	15,000,000
WAS	400,000	-	-
Gross income (Inclusive of WAS)	5,400,000	7,500,000	15,000,000
Less:			
Allowable deductions (Except unrelieved amount of loss b/f under S59)- incl Wages and salaries	3,500,000	6,800,000	12,000,000
Levy paid in preceding year	-	285,000	62,250
Total allowable deductions	3,500,000	7,085,000	12,062,250
Chargeable income for levy purposes	1,900,000	415,000	N/A
Levy is lower of:			
- WAS or WAS as reduced by levy payable in YOA 20/21	400,000	115,000*	N/A
- 15% of A	285,000	62,250	N/A
Hence levy is (lower of B and C)	285,000	62,250	N/A

A

B

C

* WAS - Levy 2020/2021 = Rs. 400,000 - Rs. 285,000 = Rs. 115,000

Total WAS received: Rs. 400,000

Total levy payable: Rs. 285,000 + Rs. 62,250 = Rs. 347,250

N.B: Balance after two years = Rs. 400,000 - Rs. 347,250 = Rs. 52,750

iv. **Example 4**

Company B closes its accounts on 31 August and received WAS amounting to Rs. 400,000 in year 1 and Rs. 100,000 in year 2.

Year of Assessment Year ended	2020/2021 31-Aug-20 (Rs.)	2021/2022 31-Aug-21 (Rs.)	2022/2023 31-Aug-22 (Rs.)
Gross income	5,000,000	7,500,000	15,000,000
WAS	400,000	100,000	-
Gross income (Inclusive of WAS)	5,400,000	7,600,000	15,000,000
Less:			
Allowable deductions (Except unrelieved amount of loss b/f under S59)- incl Wages and salaries	3,500,000	5,500,000	12,000,000
Levy paid in preceding year	-	285,000	215,000
Total allowable deductions	3,500,000	5,785,000	12,215,000
Chargeable income for levy purposes	1,900,000	1,815,000	N/A
Levy is lower of:			
- WAS or WAS as reduced by levy payable in YOA 20/21	400,000	215,000*	N/A
- 15% of A	285,000	272,250	N/A
Hence levy is (lower of B and C)	285,000	215,000	N/A

A

B

C

* $WAS\ year\ 1 + WAS\ year\ 2 - Levy\ 2020/2021 = Rs.\ 400,000 + Rs.\ 100,000 - Rs.\ 285,000 = Rs.\ 215,000$

Total WAS received: $Rs.\ 400,000 + Rs.\ 100,000 = Rs.\ 500,000$

Total levy payable: $Rs.\ 285,000 + Rs.\ 215,000 = Rs.\ 500,000$

N.B: No balance after two years.

v. **Example 5**

Company C closes its accounts on 30 June, it is loss making in year 1 and received WAS amounting to Rs. 200,000 in year 1 only.

Year of Assessment Year ended	2020/2021 30-Jun-20 (Rs.)	2021/2022 30-Jun-21 (Rs.)	2022/2023 30-Jun-22 (Rs.)	
Gross income	7,800,000	10,000,000	9,000,000	
WAS	200,000	-	-	
Gross income (Inclusive of WAS)	8,000,000	10,000,000		
Less:				
Allowable deductions (Except unrelieved amount of loss b/f under S59)- incl Wages and salaries	9,000,000	7,000,000	5,000,000	
Levy paid in preceding year	-	-	200,000	
Total allowable deductions	9,000,000	7,000,000	5,200,000	
(Loss)/Chargeable income for levy purposes	-1,000,000	3,000,000		N/A A
Levy is lower of:				
- WAS or WAS as reduced by levy payable in YOA 20/21	200,000	200,000*		N/A
- 15% of A	-	450,000		N/A
Hence levy is (lower of B and C)	-	200,000		N/A

WAS - Levy 2020/2021 = Rs. 200,000 - Rs. 0 = Rs. 200,000

Total WAS received: Rs. 200,000

Total levy payable: Rs. 200,000

N.B: No balance after two years.

vi. **Example 6**

Company C closes its accounts on 30 June, it is loss making in year 1 and received WAS amounting to Rs. 200,000 in year 1 and Rs. 300,000 in year 2.

Year of Assessment Year ended	2020/2021 30-Jun-20 (Rs.)	2021/2022 30-Jun-21 (Rs.)	2022/2023 30-Jun-22 (Rs.)	
Gross income	7,800,000	10,000,000	9,000,000	
WAS	200,000	300,000	-	
Gross income (Inclusive of WAS)	8,000,000	10,300,000	9,000,000	
Less:				
Allowable deductions (Except unrelieved amount of loss b/f under S59)- incl Wages and salaries	9,000,000	7,000,000	5,000,000	
Levy paid in preceding year	-	-	495,000	
Total allowable deductions	9,000,000	7,000,000	5,495,000	
(Loss)/Chargeable income for levy purposes	-1,000,000	3,300,000		N/A A
Levy is lower of:				
- WAS or WAS as reduced by levy payable in YOA 20/21	200,000	500,000*		N/A
- 15% of A	-	495,000		N/A
Hence levy is (lower of B and C)	-	495,000		N/A

* WAS year 1 + WAS year 2 - Levy 2020/2021 = Rs. 200,000 + Rs. 300,000 - Rs. 0 = Rs. 500,000

Total WAS received: Rs. 200,000 + Rs. 300,000 = Rs. 500,000

Total levy payable: Rs. 495,000

N.B: Balance after two years: Rs. 500,000 - Rs. 495,000 = Rs. 5,000

vii. **Example 7**

Company D closes its accounts on 30 June, it is loss making in year 1 and year 2 and received WAS amounting to Rs. 200,000 in year 1 only.

Year of Assessment Year ended	2020/2021 30-Jun-20 (Rs.)	2021/2022 30-Jun-21 (Rs.)
Gross income	7,800,000	10,000,000
WAS	200,000	-
Gross income (Inclusive of WAS)	8,000,000	10,000,000
Less:		
Allowable deductions (Except unrelieved amount of loss b/f under S59)- incl Wages and salaries	9,000,000	13,000,000
Levy paid in preceding year	-	-
Total allowable deductions	9,000,000	13,000,000
(Loss)/Chargeable income for levy purposes	-1,000,000	-3,000,000
Levy is lower of:		
- WAS or WAS as reduced by levy payable in YOA 20/21	200,000	200,000*
- 15% of chargeable income	-	-
Levy	-	-

* WAS - Levy 2020/2021 = Rs. 200,000 - Rs. 0 = Rs. 200,000

Total WAS received: Rs. 200,000

Total levy payable: Rs. 0

N.B: Balance after two years: Rs. 200,000 - Rs. 0 = Rs. 200,000

viii. **Example 8**

Company D closes its accounts on 30 June, it is loss making in year 1 and year 2 and received WAS amounting to Rs. 200,000 in year 1 only.

Year of Assessment Year ended	2020/2021 30-Jun-20 (Rs.)	2021/2022 30-Jun-21 (Rs.)
Gross income	7,800,000	10,000,000
WAS	200,000	300,000
Gross income (Inclusive of WAS)	8,000,000	10,300,000
Less:		
Allowable deductions (Except unrelieved amount of loss b/f under S59)- incl Wages and salaries	9,000,000	13,000,000
Levy paid in preceding year	-	-
Total allowable deductions	9,000,000	13,000,000
(Loss)/Chargeable income for levy purposes	-1,000,000	-2,700,000
Levy is lower of:		
- WAS or WAS as reduced by levy payable in YOA 20/21	200,000	500,000*
- 15% of A	-	-
Levy	-	-

* $WAS \text{ year } 1 + WAS \text{ year } 2 - Levy \text{ 2020/2021} = Rs. 200,000 + Rs. 300,000 - Rs. 0 = Rs. 500,000$

Total WAS received: Rs. 500,000

Total levy payable: Rs. 0

N.B: Balance after two years: Rs. 500,000 - Rs. 0 = Rs. 500,000

5. Levy payable by a Resident Société or Company

According to Section 111Z(2)(b) of the ITA, in the case of a company whose accounting period ends on any date during the period starting on 1 January 2021 and ending on 30 April 2021, and starting on **1 January 2022 and ending on 30 April 2022**, the levy is payable in respect of two years of assessment::

- YOA 2021/2022; and
- YOA 2022/2023

Amount of levy (Section 111Z(3)(c) of the ITA):

i. YOA 2021/2022

Levy payable in the YOA 2021/2022 is equivalent to:

- (A) the total amount paid to him under the Wage Assistance Scheme during the corresponding accounting period; or
- (B) 15 per cent of his chargeable income for levy, whichever is lower.

ii. YOA 2022/2023

Levy payable in the YOA 2022/2023 is equivalent to:

- (A) the **TOTAL** amount paid to him under the Wage Assistance Scheme as reduced by the amount of levy payable for the year of assessment 2021/2022; or
- (B) 15 per cent of his chargeable income for levy, whichever is lower.

i. Example 1

Company E closes its accounts on 31 March and received WAS amounting to Rs. 100,000 in year 1 only.

Year of Assessment Year ended	2021/2022 31-Mar-21 (Rs.)	2022/2023 31-Mar-22 (Rs.)	
Gross income	5,000,000	10,000,000	
WAS	100,000	-	
Gross income (Inclusive of WAS)	5,100,000	10,000,000	
Less:			
Allowable deductions (Except unrelieved amount of loss b/f under S59)- incl Wages and salaries	3,500,000	7,750,000	
Levy paid in preceding year	-	100,000	
Total allowable deductions	3,500,000	7,850,000	
Chargeable income for levy purposes	1,600,000	2,150,000	A
Levy is lower of:			
- WAS or WAS as reduced by levy payable in YOA 21/22	100,000	-*	B
- 15% of A	240,000	322,500	C
Hence levy is (lower of B and C)	100,000	-	

* WAS - Levy 2021/2022 = Rs. 100,000 - Rs. 100,000 = Rs. 0

Total WAS received: Rs. 100,000

Total levy payable: Rs. 100,000

N.B: No Balance after two years.

ii. **Example 2**

Company E closes its accounts on 31 March and received WAS amounting to Rs. 100,000 in year 1 and Rs. 150,000 in year 2.

Year of Assessment Year ended	2021/2022 31-Mar-21 (Rs.)	2022/2023 31-Mar-22 (Rs.)	2023/2024 31-Mar-23 (Rs.)	
Gross income	5,000,000	10,000,000	15,000,000	
WAS	100,000	150,000	-	
Gross income (Inclusive of WAS)	5,100,000	10,150,000	15,000,000	
Less:				
Allowable deductions (Except unrelieved amount of loss b/f under S59)- incl Wages and salaries	3,500,000	7,750,000	12,000,000	
Levy paid in preceding year	-	100,000	150,000	
Total allowable deductions	3,500,000	7,850,000	12,150,000	
Chargeable income for levy	1,600,000	2,300,000		N/A A
Levy is lower of:				
- WAS or WAS as reduced by levy payable in YOA 21/22	100,000	150,000*		N/A B
- 15% of A	240,000	345,000		N/A C
Hence levy is (lower of B and C)	100,000	150,000		N/A

* $WAS\ year\ 1 + WAS\ year\ 2 - Levy\ 2021/2022 = Rs.\ 100,000 + Rs.\ 150,000 - Rs.\ 100,000 = Rs.\ 150,000$

Total WAS received: $Rs.\ 100,000 + Rs.\ 150,000 = Rs.\ 250,000$

Total levy payable: $Rs.\ 100,000 + Rs.\ 150,000 = Rs.\ 250,000$

N.B: No Balance after two years.

iii. **Example 3**

Company F closes its accounts on 31 January and received WAS amounting to Rs. 100,000 in year 1 only.

Year of Assessment Year ended	2021/2022 31-Jan-21 (Rs.)	2022/2023 31-Jan-22 (Rs.)	2023/2024 31-Jan-23 (Rs.)	
Gross income	3,000,000	4,500,000	15,000,000	
WAS	100,000	-	-	
Gross income (Inclusive of WAS)	3,100,000	4,500,000	15,000,000	
Less:				
Allowable deductions (Except unrelieved amount of loss b/f under S59)- incl Wages and salaries	2,700,000	4,300,000	12,000,000	
Levy paid in preceding year	-	60,000	21,000	
Total allowable deductions	2,700,000	4,360,000	12,021,000	
Chargeable income for levy purposes	400,000	140,000	N/A	A
Levy is lower of:				
- WAS or WAS as reduced by levy payable in YOA 21/22	100,000	40,000*	N/A	B
- 15% of A	60,000	21,000	N/A	C
Hence levy is (lower of B and C)	60,000	21,000	N/A	

* WAS - Levy 2021/2022 = Rs. 100,000 - Rs. 60,000 = Rs. 40,000

Total WAS received: Rs. 100,000

Total levy payable: Rs. 60,000 + Rs. 21,000 = Rs. 81,000

N.B: Balance after two years = Rs. 100,000 - Rs. 81,000 = Rs. 19,000

iv. **Example 4**

Company F closes its accounts on 31 January and received WAS amounting to Rs. 100,000 in year 1 and Rs. 400,000 in year 2.

Year of Assessment Year ended	2021/2022 31-Jan-21 (Rs.)	2022/2023 31-Jan-22 (Rs.)	2023/2024 31-Jan-23 (Rs.)
Gross income	3,000,000	10,000,000	15,000,000
WAS	100,000	400,000	-
Gross income (Inclusive of WAS)	3,100,000	10,400,000	15,000,000
Less:			
Allowable deductions (Except unrelieved amount of loss b/f under S59)- incl Wages and salaries	2,700,000	7,750,000	12,000,000
Levy paid in preceding year	-	60,000	388,500
Total allowable deductions	2,700,000	7,810,000	12,388,500
Chargeable income for levy purposes	400,000	2,590,000	N/A
Levy is lower of:			
- WAS or WAS as reduced by levy payable in YOA 21/22	100,000	440,000*	N/A
- 15% of A	60,000	388,500	N/A
Hence levy is (lower of B and C)	60,000	388,500	N/A

A

B

C

* $WAS\ year\ 1 + WAS\ year\ 2 - Levy\ 2021/2022 = Rs.\ 100,000 + Rs.\ 400,000 - Rs.\ 60,000 = Rs.\ 440,000$

Total WAS received: $Rs.\ 100,000 + Rs.\ 400,000 = Rs.\ 500,000$

Total levy payable: $Rs.\ 60,000 + Rs.\ 388,500 = Rs.\ 448,500$

N.B: Balance after two years = $Rs.\ 500,000 - Rs.\ 448,500 = Rs.\ 51,500$

v. **Example 5**

Company G closes its accounts on 30 April, it is loss making in year 1 and received WAS amounting to Rs. 200,000 in year 1 only.

Year of Assessment Year ended	2021/2022 30-Apr-21 (Rs.)	2022/2023 30-Apr-22 (Rs.)	2023/2024 30-Apr-23 (Rs.)	
Gross income	7,800,000	8,000,000	9,000,000	
WAS	200,000	-	-	
Gross income (Inclusive of WAS)	8,000,000	8,000,000	9,000,000	
Less:				
Allowable deductions (Except unrelieved amount of loss b/f under S59)- incl Wages and salaries	9,000,000	7,000,000	7,500,000	
Levy paid in preceding year	-	-	150,000	
Total allowable deductions	9,000,000	7,000,000	7,650,000	
(Loss)/ Chargeable income for levy purposes	-1,000,000	1,000,000		N/A A
Levy is lower of:				
- WAS or WAS as reduced by levy payable in YOA 21/22	200,000	200,000*		N/A
- 15% of A	-	150,000		N/A
Hence levy is (lower of B and C)	-	150,000		N/A

* WAS - Levy 2021/2022 = Rs. 200,000 - Rs. 0 = Rs. 200,000

Total WAS received: Rs. 200,000

Total levy payable: Rs. 150,000

N.B: Balance after two years: Rs. 200,000 - Rs. 150,000 = Rs. 50,000

vi. **Example 6**

Company G closes its accounts on 30 April, it is loss making in year 1 and received WAS amounting to Rs. 200,000 in year 1 and Rs. 300,000 in year 2.

Year of Assessment Year ended	2021/2022 30-Apr-21 (Rs.)	2022/2023 30-Apr-22 (Rs.)	2023/2024 30-Apr-23 (Rs.)	
Gross income	7,800,000	11,000,000	9,000,000	
WAS	200,000	300,000	-	
Gross income (Inclusive of WAS)	8,000,000	11,300,000	9,000,000	
Less:				
Allowable deductions (Except unrelieved amount of loss b/f under S59)- incl Wages and salaries	9,000,000	7,000,000	7,500,000	
Levy paid in preceding year	-	-	500,000	
Total allowable deductions	9,000,000	7,000,000	8,000,000	
(Loss)/ Chargeable income for levy purposes	-1,000,000	4,300,000		N/A A
Levy is lower of:				
- WAS or WAS as reduced by levy payable in YOA 21/22	200,000	500,000*	N/A	B
- 15% of A	-	645,000	N/A	C
Hence levy is (lower of B and C)	-	500,000	N/A	

* WAS year 1+ WAS year 2- Levy 2021/2022 = Rs. 200,000 + Rs. 300,000 - Rs. 0 = Rs. 500,000

Total WAS received: Rs. 200,000 + Rs. 300,000 = Rs. 500,000

Total levy payable: Rs. 500,000

N.B: No balance after two years.

vii. **Example 7**

Company H closes its accounts on 30 April, it is loss making in year 1 and year 2 and received WAS amounting to Rs. 200,000 in year 1 only.

Year of Assessment Year ended	2021/2022 30-Apr-21 (Rs.)	2022/2023 30-Apr-22 (Rs.)	2023/2024 30-Apr-23 (Rs.)	
Gross income	7,800,000	8,000,000	9,000,000	
WAS	200,000	-	-	
Gross income (Inclusive of WAS)	8,000,000	8,000,000	9,000,000	
Less:				
Allowable deductions (Except unrelieved amount of loss b/f under S59)- incl Wages and salaries	9,000,000	8,500,000	7,500,000	
Levy paid in preceding year	-	-	-	
Total allowable deductions	9,000,000	8,500,000	7,500,000	
(Loss)/ Chargeable income for levy purposes	-1,000,000	-500,000		N/A A
Levy is lower of:				
- WAS or WAS as reduced by levy payable in YOA 21/22	200,000	200,000*		N/A B
- 15% of A	-	-		N/A C
Hence levy is (lower of B and C)	-	-		N/A

* WAS - Levy 2021/2022 = Rs. 200,000 - Rs. 0 = Rs. 200,000

Total WAS received: Rs. 200,000

Total levy payable: Rs. 0

N.B: Balance after two years: Rs. 200,000 - Rs. 0 = Rs. 200,000

viii. **Example 8**

Company H closes its accounts on 30 April, it is loss making in year 1 and year 2 and received WAS amounting to Rs. 200,000 in year 1 and Rs. 300,000 in year 2.

Year of Assessment Year ended	2021/2022 30-Apr-21 (Rs.)	2022/2023 30-Apr-22 (Rs.)	2023/2024 30-Apr-23 (Rs.)	
Gross income	7,800,000	8,000,000	9,000,000	
WAS	200,000	300,000	-	
Gross income (Inclusive of WAS)	8,000,000	8,300,000	9,000,000	
Less:				
Allowable deductions (Except unrelieved amount of loss b/f under S59)- incl Wages and salaries	9,000,000	8,500,000	7,500,000	
Levy paid in preceding year	-	-	-	
Total allowable deductions	9,000,000	8,500,000	7,500,000	
(Loss)/ Chargeable income for levy purposes	-1,000,000	-200,000		N/A A
Levy is lower of:				
- WAS or WAS as reduced by levy payable in YOA 21/22	200,000	500,000*		N/A
- 15% of A	-	-		N/A
Hence levy is (lower of B and C)	-	-		N/A

* $WAS\ year\ 1 + WAS\ year\ 2 - Levy\ 2021/2022 = Rs.\ 200,000 + Rs.\ 300,000 - Rs.\ 0 = Rs.\ 500,000$

Total WAS received: $Rs.\ 200,000 + Rs.\ 300,000 = Rs.\ 500,000$

Total levy payable: Rs. 0

N.B: Balance after two years: $Rs.\ 500,000 - Rs.\ 0 = Rs.\ 500,000$

ix. **Example 9**

Company I closes its accounts on 31 March, it received WAS amounting to Rs. 75,000 on 26 March 2020 and Rs. 25,000 in April 2020.

Year of Assessment Year ended	2020/2021 31-Mar-20 (Rs.)	2021/2022 31-Mar-21 (Rs.)	2022/2023 31-Mar-22 (Rs.)
Gross income	9,000,000	5,000,000	10,000,000
WAS	75,000	25,000	-
Gross income (Inclusive of WAS)	9,075,000	5,100,000	10,000,000
Less:			
Allowable deductions (Except unrelieved amount of loss b/f under S59)- incl Wages and salaries	4,500,000	3,500,000	7,750,000
Levy paid in preceding year	-	-	100,000
Total allowable deductions	4,575,000	3,500,000	7,850,000
Chargeable income for levy	N/A	1,600,000	2,150,000
Levy is lower of:			
- WAS or WAS as reduced by levy payable in YOA 21/22	N/A	100,000	-*
- 15% of A	N/A	240,000	322,500
Hence levy is (lower of B and C)	N/A	100,000	-

A

B

C

* WAS year 1 - Levy 2021/2022 = Rs. 100,000 - Rs. 100,000 = 0

Note: In the example above, GWAS amounting to Rs 75,000 was received on 26 March 2020. Hence this sum should be accounted as income during the year ended 31 March 2020. However, levy is payable during the following year ended 31 March 2021 since the law does not provide for levy during the year of assessment 2020/2021 for those having year end prior to 01 May 2020.

6. Summary- Treatment of GWAS and Levy for calculation of 'chargeable income for levy purposes'

- i. **Treatment of GWAS:** The allowance received under GWAS is a subsidy that shall form part of the gross income of an entity in the year in which the GWAS is received. Therefore, it shall be included in the calculation of the chargeable income and is taxable.
- ii. **Treatment of levy:** To the extent that the levy will constitute reimbursement of the GWAS that has increased the chargeable income or reduced the loss that would have been available for carry forward, adjustment in respect thereof may be made against the gross income in the year in which the levy is payable. Thus, the levy shall be treated as an allowable deduction in the year in which the levy is payable.

7. Due Date for payment of Covid-19 Levy (Section 111Z(4) of the ITA)

The levy payable shall be declared by the employer in his return required to be submitted by him under Section 112, 116 or 119, as applicable, and shall be paid to the Director-General, on or before the date by which the return is required to be submitted.

8. Failure to pay the Covid-19 Levy (Section 111Z(5) of the ITA)

Where an employer who is required to pay a levy fails to do so on or before the date it is payable, the Director-General may, within a period of 3 years from the date the levy is payable, issue a claim to him requesting him to pay the levy, together with any penalty and interest applicable, within 28 days from the date of the notice.

9. Penalty and interest (Section 111ZA of the ITA)

Where an employer fails to pay the levy on or before the last day on which it is payable under section 111Z, he shall be liable to pay to the Director-General, in addition to the levy:

- (a) a penalty of 10 per cent of the amount of levy remaining unpaid; and
- (b) interest at the rate of one per cent per month or part of the month during which the levy tax remains unpaid.



COVID-19 LEVY GUIDE

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