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

## YEAR OF ASSESSMENT 2015-16

*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(a) Main business activity (Page 1 item 4)

Please consult "List of Activities" available under "Media Centre" on MRA website before entering appropriate sector, type and detail of activity.

### Note 1(b) Declaration

This section should be completed after filling in all items on pages 1 to 5.

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. **Where details are not provided, the company shall be deemed not to have submitted a return.**

### 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***

Any amount of income derived or expenditure incurred and remitted during an income year in a currency other than Mauritian rupees should be converted in Mauritian rupees at the exchange rate in force as at the date of remittance. Where any such amount is not remitted during the income year it should be converted at the exchange rate in force at the end of that 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 the return and payment of tax should be made electronically in that currency.

***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***

**(A)** 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, as follows:-

| Capital expenditure incurred on | Rate as a % of Base Value | 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% or | 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 of patents | 25% | - |
| 9. 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, carrying on business other than tour operator or car rental, has incurred 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 the base value, limited to three million rupees in the aggregate. Base value means cost less any amount allowed by way of annual allowance.

**(B)** Accelerated annual allowance on capital expenditure incurred as from 1 January 2013 may be claimed on the items listed below, as follows:-

| Capital expenditure incurred on | Rate as a % of Base Value | Cost |
|---|---|---|
| 1. Industrial premises dedicated to manufacturing | 30% | - |
| 2. Plant or machinery costing 50,000 rupees or less | - | 100% |
| 3. Electronic and high precision machinery (including computer hardware and software) | - | 50% |
| 4. Plant and machinery (excluding passenger car) by a manufacturing company | - | 50% |
| 5. Scientific research | - | 50% |

Where annual allowance has been claimed under paragraph (A), no allowance should be claimed under paragraph (B). It is to be noted that no annual allowance is allowable unless proper books of accounts and records are kept.

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

  In addition to annual allowance, investment allowance may be claimed by a company which incurs capital expenditure in the island of Rodrigues for

  (i) the construction of industrial premises; or

  (ii) the acquisition of new plant and machinery for the processing of agricultural, fisheries or livestock products or for manufacturing activities.

  The rate of investment allowance is 100% of the capital expenditure and may be claimed in the year in which the expenditure is incurred.

- ***Item 17 - Allowance for disabled employee and emoluments incurred in Rodrigues***

  An additional deduction equivalent to the amount already claimed in accounts is allowable in respect of expenditure incurred on -

  (i) emoluments in respect of a disabled person; or

  (ii) emoluments and training costs in respect of an employee employed in any business set up in the island of Rodrigues.

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

  (a) 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 only.

  (b) However, where a company's accounting year ends -

  (i) on any date betweeen 1 January 2015 and 30 June 2015, it may not carry forward and set-off in its return for the year of assessment 2015-16 any unrelieved loss relating to year of assessment 2009.

  (ii) on any date between 1 July 2015 and 31 December 2015, it may not carry forward and set-off in its return for the year of assessment 2015-16 any unrelieved loss relating to year of assessment 2010.

  (c) The time limit of 5 years and paragraph (b) are 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.

- ***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 34 - Special tax credit***

  A company is entitled to tax credit in respect of capital expenditure incurred on new plant and machinery, excluding motor cars, during the period 1 January 2014 to 31 December 2018 provided that -

  (a) the capital expenditure exceeded 100 million rupees; and

  (b) the plant and machinery is used in Mauritius by the company for manufacturing or producing the following goods or products -

  (i) computers, electronic or optical products
  (ii) electrical equipment
  (iii) film
  (iv) furniture
  (v) jewellery and bijouterie
  (vi) medical and dental instruments, devices and supplies
  (vii) pharmaceuticals or medicinal chemicals
  (viii) ships and boats
  (ix) textiles
  (x) wearing apparels

  The credit is allowable in the income year the plant and machinery is acquired and each of the two subsequent income years. The amount allowable is equal to 5% per annum of the cost of the plant and machinery.

  Any excess credit may be carried forward for a maximum period of five consecutive income years following the income year in which the capital expenditure was incurred.

- ***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 a programme in accordance with its own CSR framework and having as its objects the alleviation of poverty, the relief of sickness or disability, the advancement of education of vulnerable persons or the promotion of any other public object beneficial to the Mauritian community.

  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 2016-17 the amount unspent up to a maximum of 20% of the amount provided. The balance remaining, if any, shall be remitted to MRA 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.

  Details of CSR projects implemented and amount spent during the income year should be provided on page 5 of the return. Additional sheets in the same format may be attached, if necessary.

  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 société, a foundation, a trust or a trustee of a unit trust scheme.

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

  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.

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

  Where a company's accounting year ends on any date between 1 January 2015 and 30 June 2015, it should take credit of TDS in accordance with the "Statement of Income Received" provided by the payer for the year ended 31December 2014 and for the six months period ended 30 June 2015.

  In any other case, a company should take credit of TDS in accordance with the "Statement of Income Received" for the income year immediately preceding the due date of 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 Société, the TAN of the Société 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 2015-2016.

- ***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 0.5 per cent per month or part of the month during which the tax remains unpaid.

- ***Item 46 - Penalty***

- **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, up to a maximum of Rs 20,000. However, where the company is a small enterprise having an annual turnover not exceeding 10 million rupees, the maximum penalty is Rs 5,000.

- **Late payment of tax (LPT):** A penalty of 5 per cent of the amount of tax is payable in case of late payment. However, where the company is a small enterprise having an annual turnover not exceeding 10 million rupees, the rate of penalty is 2 per cent.