



MAURITIUS REVENUE AUTHORITY

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Statement of Practice (SP 2/09)

Claim for Foreign Tax Credit

Under section 77 of the Income Tax Act, a resident of Mauritius deriving income from abroad is entitled to claim credit in respect of foreign tax **paid** against income tax payable in Mauritius on that foreign source income. Similar provisions for foreign tax credit are made in different tax treaties in force in Mauritius except that the credit allowable is in respect of foreign tax **payable** in the foreign country.

2. The basis period of tax year used in Mauritius for the taxation of income is not necessarily the same in other tax jurisdictions so that income arising in a given period may be taxed in different tax years in Mauritius and in the source country. This dissimilarity may also give rise to different tax payment dates.

3. Mauritius income tax system operates on an accrual basis. Foreign source income should therefore be reported in Mauritius in respect of the basis period in which the income is earned or has accrued. In order to enable the matching of foreign source income with the foreign tax payable on that income, credit for foreign tax should be claimed in the basis period in which the foreign source income is declared. This practice is in accordance with the tax treaty provisions and is applicable also to non-treaty cases to ensure uniformity.

4. However, for a claim to be admissible, the MRA has to be satisfied that relief is given only in respect of foreign tax that has in fact been paid. Where foreign tax is paid in the same year in which the foreign source income is derived but before the relevant return of income is submitted to the MRA, any claim for foreign tax credit should be supported by official receipts and any other documentary evidence. But where, at the time the credit is claimed in the return of income of a company, the foreign tax has not been paid, a note to that effect should be made in the accounts of the company.

5. It is understood that credit may also be claimed in respect of foreign tax which does not involve any payment (e.g. tax sparing credit). In such circumstances, full details accompanied by relevant documents regarding the claim should be submitted to the MRA

6. As regards presumed tax credit available to the global business sector, any claim for foreign tax credit in respect of a year of assessment should continue to be made on basis of the total tax liability for that year of assessment, as reported in the tax return of the company.

7. Where returns of income are submitted electronically to the MRA, official receipts and other relevant documentary evidence to support claims for foreign tax credit should be readily available on request by MRA for audit purposes.

8. Where any foreign tax in respect of which a credit has already been claimed is not paid within a period of two years after the claim is made in the return of income, such credit shall be clawed back and treated as additional tax in the year the claw-back is made. The responsibility to add back as tax the amount originally claimed as foreign tax credit rests with the company, failing which the MRA will impose penalty in accordance with the law.

02 June 2009