

TR 120

Facts

A Ltd is a company incorporated and registered in Mauritius since July 2004. It is a subsidiary of the French group X based in France, specialised in language teaching through telephone and internet in France, making use of its software "*Cyberteacher*". A Ltd which is specialised in language teaching on the European market has entered into a contract with X for the use of the latter's software with private enterprises and individuals. It holds an investment certificate under the ICT scheme for the setting up of a call centre to provide e-learning services and is as such engaged in the export of services.

The activities of A Ltd comprise production and sale of tutored e-learning language teaching services destined to students throughout the world as well as back-office services. The languages taught are mainly English, French and Spanish, and not less than seven languages in all may be taught. The mode of teaching is currently through the telephone, and through Skype in the case of the English language.

For the purpose of carrying out its activities and to drive prospective clients to its websites, A Ltd incurs marketing and advertising expenses. Two modes of advertising are in use, off-line and on-line. Off-line advertising comprises use of bill-boards, media and seminars whereas on-line advertising is done through the internet. More than 99% of the advertising is done in Europe.

Point of Issue

Whether A Ltd is entitled to deduct from its gross income twice the amount of the expenditure incurred in respect of marketing and promotional expenses under the provisions of section 67A of the Income Tax Act?

Ruling

Section 67A of the Act provides that "*a company engaged in tourism and export activities may deduct from its gross income twice the amount of any expenditure incurred in that income year on overseas marketing, export promotion...,overseas advertising and preparation of tenders for the export of goods and services.*"

On the basis of facts provided, any off-line marketing and advertising carried out overseas through the use of media, billboards and seminars would qualify as deduction under the above provisions of the Act. However, advertising carried out through the internet which is an access available to anybody both locally and abroad cannot be said to be '*overseas marketing and advertising*' and therefore will not qualify for deduction under the above provisions.