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Facts

C Ltd, a company registered as a Grade A civil engineering contractor, has been awarded a contract for the construction of trunk sewer by an authority for a sewerage project. The main scope of the work under the contract includes the following:

- the construction of 450 reinforced concrete manholes along the pipeline route;
- the excavation of trenches;
- the installation of the pipes into the trenches and the backfill of the trenches after the pipeline has been laid;
- the road reconstruction and the reinstatement of services;
- any ancillary works required under the contract.

Under the contract it is agreed that the company will supply all material and labour required for the project, and subcontract the road reinstatement works.

Point in Issue

Whether in respect of the 'construction of sewer' contract in Mauritius, the company is involved in "construction activities" pursuant to item 24 of Part IV of the repealed First Schedule to the Income Tax Act , and therefore liable to tax at the rate of 15% for the year of assessment 2007/08.

Ruling

Construction of trunk sewers, which includes activities such as laying of pipes and road reinstatement, is not construction proper, although labelled as 'construction' This activity would only fall within the meaning of the term 'construction' if it formed an integral part of a construction undertaking, e.g. a building or a road construction project.

The company will therefore be liable to tax at the rate of 22.5% for the year of assessment 2007/08 and not 15%.