

**GUIDANCE NOTES FOR COMPLETION OF ANNUAL RETURN OF INCOME OF A COMPANY  
(OTHER THAN AN INSURANCE COMPANY)**

**YEAR OF ASSESSMENT 2004-2005**

These notes are intended to assist in the completion of the return. If further information is required please contact the Income Tax Department, Level 8, E. Anquetil Building, J. Koenig St, Port Louis. Tel No 201-1830 — 1834.

**Note 1 - Declaration**

Regarding payment, cheque should be crossed and made payable to the Commissioner of Income Tax. Full name and tax account number of the company should be written on the verso of the cheque.

**Note 2 - Manufacturing/Trading and Profit and Loss Accounts**

For items 18 to 21 (Dividends, interest, rent, royalties), the gross amount receivable should be declared.

**Note 3 - Expenses per accounts**

For items of expenses not shown in the return, please insert the total amount under "Other expenses" and attach relevant schedule.

**Note 4 - Computation of Chargeable Income**

• **Dividends payable**

Dividends payable are not deductible in computing the chargeable income of a company.

• **Dividends receivable and other exempt income**

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 income should be added back in Item 49 of Page 3.

• **Item 64 - Overseas marketing and promotional expenses**

The company is entitled to a further deduction of the total expenditure incurred on overseas marketing and promotional expenses over and above those already claimed in accounts.

• **Item 65 - Other authorised items**

The following deductions are also allowable :

- Pre-operational expenses incurred by tax incentive companies incorporated on or after 1 July 1993;
- Contributions made to a road fund;
- Donations to charitable institutions (maximum Rs 200,000);
- Contributions made to any sports club, Sports Federation, Multisport Organisation, the Trust Fund for Excellence in Sports established under the Finance and Audit (Trust Fund for Excellence in Sports) Regulations 2002 or any sport training centre set up by Government (maximum Rs 1,000,000);
- Contributions made to the National Solidarity Fund;
- A further deduction of the amount incurred on emoluments of a disabled person or emoluments or training costs of an employee employed in any business set up in the island of Rodrigues over and above those already claimed in accounts;
- Contributions to employees' share scheme;
- Contributions made towards the provision of national ambulance services;
- Expenditure incurred in the setting up of social infrastructure approved by the Minister;
- 1/3 of the investment made in start-up companies and the balance in two succeeding income years.

• **Items 67 to 73 - Unrelieved losses (Sec. 59 and Sec. 59A of the Income Tax Act 1995)**

Losses incurred by an ICT company, a spinning company or a company holding an investment certificate under the Investment Promotion (Regional Headquarters Scheme) Regulations 2001 during the period of exemption of its income shall be available for carryforward.

The law provides for the transfer of unrelieved losses from one company to another company in the following circumstances:

- A wholly owned subsidiary incorporated on or after 1 July 1993 and which is a tax incentive company may transfer any of its unrelieved losses to its holding company.
- A miller who is not also a planter may transfer any of its unrelieved losses to a related planter, provided that the amount transferred is restricted to the proportion of the share of direct or indirect interest of the planter with the miller or of the miller with the planter.

- A subsidiary company which operates a business in the island of Rodrigues may transfer any unrelieved losses to its holding company in Mauritius.
- A body of persons engaged in a **specified activity** sells or otherwise transfers its business to a company engaged in a **specified activity**, the body of persons may transfer any unrelieved loss to the company; **OR**  
Where more than 50% of the allotted shares of a body of persons engaged in a **specified activity** are sold or otherwise transferred to a company engaged in a **specified activity**, any unrelieved loss of the body of persons-
  - shall be available in that income year to the body of persons for carry forward to the succeeding income year; or
  - may be transferred to the company in proportion to its shareholding in the capital of the body of persons,
 provided that the company or its **holding company**, as the case may be, satisfies the conditions specified in section 12 of the Sugar Industry Efficiency Act 2001. "**holding Company**" and "**specified activity**" have the same meaning as in Section 25 of the *Income Tax Act, 1995*.
- Where a company takes over another company engaged in manufacturing activities 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 Rates**

The rates of tax applicable are :

- Tax incentive companies or a trust satisfying the provisions of Sec 46(2) of the Act .....
- Third party Freeport Developer .....
- Private Freeport Developer or Freeport Operator
  - licensed to carry out any specified manufacturing or processing activities
  - licensed prior to 1 June 2002 and authorised to provide goods and services to a person outside the freeport zone (on its chargeable income computed on the provision of goods and services)
  - authorised to provide goods and services to a person outside the freeport zone to a company holding an investment certificate in respect of an export enterprise
- On share of income from sociétés holding a category I Global Business Licence .....
- Other companies ..... 25%

• **Items 80 to 84 - Tax credits**

Sections 69, 70 and 71 of the *Income Tax Act 1995* provide for tax credits in respect of –

- Investments made in tax incentive companies, companies listed on the Stock Exchange or an equity fund;
- Capital expenditure incurred by Modernisation And Expansion Enterprises;
- Export of goods which are manufactured or produced in Mauritius or the provision of services to a non-resident.

Section 72 of the *Income Tax Act 1995* limits the aggregate amount of tax credits to such an amount that would not reduce the tax payable after such tax credits to less than 15 per cent of the chargeable income of the company. The balance at Item 85 of the Calculation of Tax on page 3 should therefore be equal to or greater than 15 per cent of the chargeable income.

**Note :- Tax incentive companies are not entitled to any such credits.**

• **Item 88 - Special tax credit**

Sec. 69A of the Income Tax Act 1995 provides for a special tax credit in respect of investment in spinning companies.

• **Item 90 - Penalties**

Penalties are provided under the law for late submission of return and late payment of tax.

- In the case of late submission of return, a penalty of Rs. 5,000 per month or part of the month is payable until the time the return is submitted. The total penalty payable is restricted to Rs. 50,000.
- In the case of late payment of tax, penalty at the rate of 2 per cent of the amount of tax is payable for each month or part of the month during which the tax remains unpaid. The penalty payable is limited to the amount of income tax remaining unpaid.

**Note 6 - 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:

$$\frac{\text{exempt income} \times \text{expenditure or loss}}{\text{total gross income (including exempt income)}}$$

**Note** - Where the proportion of exempt income to total gross income in the above formula is 10 per cent or less, only expenditure or loss exclusively incurred in the production of exempt income will be disallowed.

**Note 7 - Transactions with related companies and individuals**

If the company had any transaction with related companies and/or individuals which was not at arm's length during the income year, please submit a statement in the format given on page 4 (*Schedule C*).

- Related companies and individuals mean:
  - (i) "Holding company", "subsidiary company" and "related company" as defined in the *Companies Act 2001*.
  - (ii) Directors of the company and the directors of its "holding company".
  - (iii) A person (i.e. a company or an individual) owning or able to exercise control over 20 per cent or more of the voting rights of the company, whether directly or through nominees.
  - (iv) An entity managing or managed by the company under a management contract.
  - (v) Family members or members of the same household of any individual mentioned in (ii) & (iii) above.

**Note 8 - Additional documents to be submitted**

Please submit wherever applicable, -

- a schedule of annual & investment allowances (see note 9);
- a statement of movement in land & buildings and plant & equipment in the format given on page 4;
- a statement of expenses incurred in the production of exempt income in the format given below (*Schedule B*).

**Note 9 - Schedule of Annual and Investment allowances**

The following details should be shown -

- (i) cost and base value of each asset (plant and machinery, industrial building etc.) at the beginning of the income year / accounting year;
- (ii) particulars (including cost) of every new asset acquired during the income year/accounting year;
- (iii) particulars of each asset disposed of during the income year/accounting year including cost, date of purchase, base value and sale price;
- (iv) amount of allowance claimed and rates, (see table below) applied on cost;
- (v) amount of balancing charge/allowance arising on disposal of qualifying assets; and
- (vi) amount of investment allowance claimed/withdrawn.

Rates applicable are as follows -

**Annual allowance**

| <u>Capital Expenditure incurred on</u>  | <u>Rate of Annual Allowance</u><br>(Percentage of cost) |
|---|---|
| Industrial Premises excluding hotels .....  | 5   |
| Hotels .....  | 20  |
| Plant or Machinery costing 10,000 rupees or less .....  | 100   |
| <i>Plant or Machinery costing more than 10,000 rupees -</i>   |   |
| Ships or aircrafts .....  | 10  |
| Aircrafts and aircraft simulators leased by a company engaged in aircraft leasing .....                             | 100   |
| Furniture and fittings .....  | 10  |
| Motor vehicles .....  | 20  |
| Electronic and high precision machinery or equipment, computer hardware and peripherals and computer software ..... | 33.33   |
| Other .....   | 20  |
| Agricultural improvement on agricultural land .....   | 20  |
| Capital expenditure on scientific research .....  | 20  |
| Setting up of golf courses .....  | 10  |
| Any other item of a capital nature other than non-industrial premises .....   | 5   |

**Investment allowance**

- Investment allowance may be claimed at the rate of 25% of the capital expenditure incurred in the income year/accounting year on the construction of industrial premises or on the acquisition of new plant and machinery, computer software or a new bus of a seating capacity of not less than 30.
- Capital expenditure incurred by a manufacturing company on the acquisition of state-of-the-art technological equipment and an ICT company on the acquisition of new plant and machinery or computer software qualifies for a **maximum** investment allowance of 50% of the expenditure.
- Where capital expenditure is incurred in Rodrigues on the construction of industrial premises or on the acquisition of new plant and machinery for the processing of agricultural, fisheries or livestock products or for manufacture, the allowance granted is at the rate of 100% of the expenditure.

**Note 10 - Exchange rate**

All transactions should be expressed in Mauritius currency except those declared by a corporation holding a Category 1 Global Business Licence or a Category 2 Banking Licence which are required to convert their net income into Mauritius currency at the exchange rate in force at the date on which the return is submitted to the Commissioner.

**Category codes**

| <b>Category of Company</b>   | <b>Code</b> | <b>Category of Company</b>  | <b>Code</b> |
|--|-------------|---|-------------|
| <b>(i) Tax Incentive Companies</b>   |             |   |             |
| Agricultural company deriving 75% of its gross income from agriculture (excluding sugar cane), fishery and livestock .....   | 22          | Company operating stock exchange.....   | 38          |
| Authorised mutual fund.....  | 11          | Company providing central depository, clearing and settlement service to the Stock Exchange .....   | 39          |
| Bank holding a Category B Banking Licence in respect of the business activities covered by that Licence .....  | 16B         | Company providing lease financing.....  | 23          |
| Bus company .....  | 20          | Company providing pre-primary, primary, secondary or tertiary education .....   | 32          |
| Company deriving 75% of its gross income from the provision of training and registered with IVTB.....  | 35          | Company registered with the SMIDO.....  | 6           |
| Company duly authorised by the Financial Services Commission to conduct business in -  |             | Company running a restaurant.....   | 36          |
| (a) actuarial services and related activities.....   | 25A         | Construction company .....  | 24          |
| (b) investment management expertise and services .....   | 25B         | Corporation holding a Category I Global Business Licence .....  | 16A         |
| (c) investment management and advisory services .....  | 25C         | Export service enterprise .....   | 7           |
| (d) investment management, pension fund management, investment advice and portfolio and asset management .....   | 25D         | Housing development company .....   | 13          |
| (e) investment advisory and management services to funds and other corpus in relation to portfolio Investments .....   | 25E         | ICT Company .....   | 30          |
| (f) treasury management within the same group .....  | 25F         | Industrial building enterprise .....  | 4           |
| Company engaged in an agro-based industry and holding an Investment Certificate .....  | 21          | Investment trust company.....   | 10          |
| Company engaged in hotel industry .....  | 29          | Manufacturing company .....   | 15          |
| Company engaged in management of a venture capital fund.....   | 18A         | Modernisation and expansion enterprise.....   | 3           |
| Company engaged wholly in the management of a company holding a strategic local enterprise certificate .....   | 18B         | Pioneer status enterprise.....  | 5           |
| Company holding a management licence under the Financial Services Development Act 2001 .....   | 40          | Polyclinic holding an investment certificate in respect of health services .....  | 14          |
| Company holding an export enterprise certificate.....  | 1           | Société opting to be liable to income tax under Section 47(6).....  | 17          |
| Company holding an investment certificate in respect of fishing development.....   | 26          | Strategic local enterprise.....   | 2           |
| Company holding an investment certificate in respect of hotel development .....  | 9           | Trustee of a unit trust scheme.....   | 12          |
| Company holding an investment certificate in respect of leisure development .....  | 27          | Venture capital fund.....   | 19          |
| Company holding an investment certificate under the Investment Promotion (Regional Development Scheme) Regulations 2001 .....  | 28          | Companies licensed under section 14 of the Financial Services Development Act 2001 to conduct business activity in the financial services sector, other than insurance business ..... | 42          |
| Company holding an investment certificate under the Investment Promotion (Regional Headquarters Scheme) Regulations 2001 .....   | 33          | <b>(ii) Companies Listed on the Stock Exchange</b>  |             |
| Company managing an Equity Fund.....   | 41          | Listed company other than a tax incentive company .....   | L1          |
| Company operating a duty free shop, other than a duty free shop at the port or airport .....   | 31          | Subsidiary of a listed company other than a subsidiary which qualifies as a tax incentive company .....   | L2          |
| Company operating an aerodrome .....   | 8           | <b>(iii) Freeport Companies</b>   |             |
| Company operating as tour operator, cruise or boat house operator or big game fishing operator or running a scuba or helmet diving centre or providing musical or other entertainment services ..... | 37          | Private Freeport Developer (PFD) or Freeport Operator (FO) .....  | FP1         |
|  |             | Third Party Freeport Developer .....  | FP2         |
|  |             | Private Freeport Developer (PFD) or Freeport Operator (FO) engaged in specified manufacturing or processing activities .....  | FP3         |
|  |             | Private Freeport Developer (PFD) or Freeport Operator (FO) licensed prior to 1 June 2002 and authorised to provide goods and services to a person outside the freeport zone .....     | FP4         |
|  |             | Private Freeport Developer (PFD) or Freeport Operator (FO) other than FP3 or FP4 and authorised to provide goods and services to a person outside the freeport zone .....             | FP5         |
|  |             | Occasional Freeport Operator .....  | FP6         |
|  |             | <b>(iv) Other Companies</b>   |             |
|  |             | Any other company.....  | 99          |

**SCHEDULE B EXPENDITURE INCURRED IN THE PRODUCTION OF EXEMPT INCOME (See Note 6)**

|    |   | Taxable | Exempt |
|----|---|---------|--------|
| 1  | Gross amount receivable or Turnover .....   |         |        |
| 2  | Dividends .....   |         |        |
| 3  | Interest .....  |         |        |
| 4  | Rent .....  |         |        |
| 5  | Royalties .....   |         |        |
| 6  | Other income .....  |         |        |
| 7  | <b>Total income</b> ➤   |         |        |
| 8  | Expenditure incurred in the production of both taxable and exempt income .....        |         |        |
| 9  | Portion of the above attributable to exempt income .....                              |         |        |
| 10 | <b>Add:</b> Expenditure incurred exclusively in the production of exempt income ..... |         |        |
| 11 | <b>Total expenditure incurred in the production of exempt income</b> ➤                |         |        |

**SCHEDULE C TRANSACTIONS WITH RELATED COMPANIES AND INDIVIDUALS (See Note 7)**

|   |     |                                     |     |
|---|-----|-------------------------------------|-----|
| Full name of company / individual ..... |     |                                     |     |
| Relationship .....                      |     |                                     |     |
|   | Rs. |                                     | Rs. |
| Sales to                                |     | Purchases from                      |     |
| Loan to                                 |     | Loan from                           |     |
| Commission payable to                   |     | Commission receivable from          |     |
| Management fees payable to              |     | Management fees receivable from     |     |
| Other fees / amount payable to          |     | Other fees / amount receivable from |     |
| Salary / allowances etc.                |     | Benefits in kind                    |     |
| Opening balance of loan account         |     | Closing balance of loan account     |     |
| Opening balance of current account      |     | Closing balance of current account  |     |

**SCHEDULE D Format for MOVEMENT IN LAND & BUILDING AND PLANT & EQUIPMENT**

| Description |   | Land & Building | Plant & Equipment |
|-------------|---|-----------------|-------------------|
| 1           | Cost / revaluation at beginning of year .....     |                 |                   |
| 2           | <b>Add:</b> Additions at cost .....               |                 |                   |
| 3           | Revaluation .....                                 |                 |                   |
| 4           | <b>Less:</b> Disposal at cost / revaluation ..... |                 |                   |
| 5           | Cost / revaluation at end of year .....           |                 |                   |
| 6           | Accumulated depreciation at beginning of year .   |                 |                   |
| 7           | <b>Add:</b> Depreciation for the year .....       |                 |                   |
| 8           | <b>Less:</b> Depreciation on disposals .....      |                 |                   |
| 9           | Accumulated depreciation at end of year .....     |                 |                   |
| 10          | <b>Net book value at end of year</b> .....        |                 |                   |