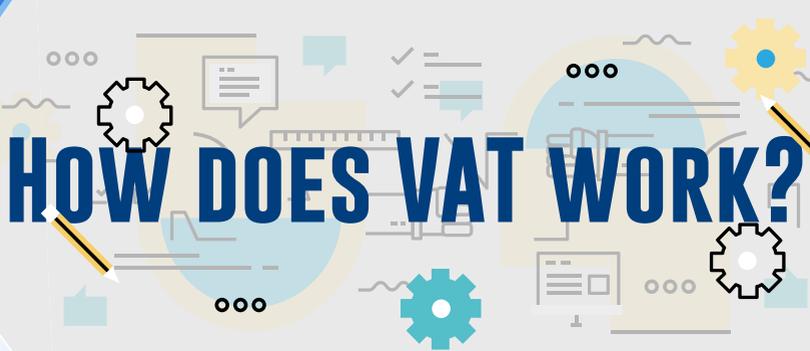


## Value Added Tax Guide



# HOW DOES VAT WORK?

2018

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# Foreword

This leaflet is an introduction to the Value Added Tax (VAT) system in Mauritius. It explains the basic concepts, the scope and the mechanism of VAT.

It is intended to assist those engaged in trade, business and professions to have a better understanding of the various aspects of VAT.

This leaflet is for information only. For the legal provisions, kindly consult the Value Added Tax legislation.

The law relating to VAT is contained in the Value Added Tax Act and the Value Added Tax Regulations 1998 as subsequently amended.

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## 1. What is Value Added Tax (VAT) ?

Value Added Tax (VAT) is a tax on goods and services. It is chargeable on all taxable supplies of goods and services made in Mauritius by a taxable person in the course or furtherance of any business carried on by him.

VAT is also payable on the importation of taxable goods into Mauritius, irrespective of whether the importer is a taxable person or not.

The rate of VAT is 15% on taxable supplies other than zero-rated supplies.

## 2. How does the VAT system operate ?

If a person is in business, as soon as the turnover of his taxable supplies exceeds the prescribed limits specified in the Sixth Schedule to the VAT Act, he becomes a taxable person.

However, if he is engaged in a business or profession specified in the Tenth Schedule to the VAT Act, he is a taxable person irrespective of the turnover of his taxable supplies.

As a taxable person, he is required to be registered for VAT.

Once a person is registered for VAT, he charges VAT on all the taxable supplies made to his customers. **This is his output tax.**

Similarly, the VAT registered person will be charged VAT on the taxable goods and services supplied to him by his VAT registered suppliers. **This is his input tax.**

At the end of every quarter (or month, in case his annual turnover of taxable supplies exceeds Rs 10 million), the VAT registered person has to file a VAT return in which he subtracts the input tax allowable from the output tax and pays the balance to the Mauritius Revenue Authority.

If the input tax is more than the output tax, the excess amount may be carried forward as a credit to his next return or may be repaid in certain circumstances.

### **3. What is the meaning of 'business' ?**

For VAT purposes, business has a very wide meaning and includes activities carried on by a person, whether or not for gains or profits.

As a general rule, business in the context of VAT means the carrying on of any trade, commerce or manufacture, profession, vocation or occupation and includes the provision of facilities by clubs, associations or other organisations which charge admission fees

### **4. When does a supply take place ?**

A supply of goods takes place when they are transferred generally for a consideration, in money or money's worth. Goods may be supplied on sale, including credit sale, on hire purchase or on lease. The supply of services takes place when they are performed for a consideration.

### **5. What is a taxable supply ?**

A taxable supply is a supply of goods, or a supply of services which are performed or utilised, in Mauritius and which is subject to VAT. A taxable supply includes a supply which is zero-rated, but it does not include an exempt supply.

### **6. What is a zero-rated supply ?**

A zero-rated supply is a taxable supply on which the VAT is charged at 0%. Normally, exports of goods and services from Mauritius, and certain goods and services which are supplied on the local market are classified as zero-rated as per the Fifth Schedule to the VAT Act.

### **7. What is an exempt supply ?**

An exempt supply is a supply of goods or services which are specifically exempted from the payment of VAT. A person who makes only exempt supplies cannot register for VAT.

### **8. Who is a taxable person ?**

A taxable person is a person who is registered for VAT and includes a person who is required to be registered, but has not taken the necessary steps to register.

## 9. When is VAT chargeable on a supply?

VAT is chargeable on the supply of goods or services at a definite time, called the time of supply. This time of supply becomes the tax point and the supply must be accounted for by reference to that point in time.

For any supply of goods or services in Mauritius, the time of supply is deemed to be the earlier of:

- a. the time a VAT invoice in respect of that supply is issued by the supplier; or
- b. the time payment for that supply is received by him.

Where services are supplied for a continuous period under any enactment or agreement which provides for periodic payments, the services are treated as successively supplied for the relevant parts of the period. Each successive supply is deemed to take place at the earlier of the time the supply is invoiced by the supplier or the time payment for the supply is received.

Where a taxable supply is made under a hire purchase agreement, the supply is deemed to take place at the time the agreement is made.

In the case of a lease agreement, the supply is deemed to take place at the earlier of the time the supply is invoiced by the supplier or the time payment for the supply is received.



## 10. Who is required to be registered for VAT ?

A person has to apply for compulsory registration in any of the following circumstances:

- a. If in the course or furtherance of his business his annual turnover of taxable supplies (See paragraph 11 ) exceeds or is likely to exceed 6 million rupees.
- b. His annual turnover does not exceed 6 million rupees, but he is engaged in any of the businesses and professions mentioned below:

Accountant and or auditor
Advertising agent
Adviser including investment adviser and tax adviser
Architect
Attorney and/or solicitor
Barrister having more than 2 years standing at the Bar
Clearing and forwarding agent under the Customs Act
Consultant including legal consultant, tax consultant, management consultant and management company other than a holder of a management licence under the Financial Services Development Act 2001 Customs house broker under the Customs Act
Engineer
Estate agent
Land surveyor Marine surveyor
Motor surveyor
Notary
Optician
Project manager Property valuer
Quantity surveyor Sworn auctioneer General Sales agent of airlines Agents in the importation of second hand cars and other vehicles

- c. He is engaged in any of the businesses specified below, irrespective of the turnover of his taxable supplies:
  - i. Banking services provided by a bank holding a Banking Licence under the Banking Act 2004 in respect of its banking transactions other than with Non-Residents and corporations holding a Global Business Licence under the Financial Services Development Act 2001.
  - ii. Management Services provided by a holder of a Management License under the Financial Services Development Act 2001 in respect of services supplied other than those to corporations holding a Category 1 Global Business or a Category 2 Global Business Licence under that Act.
  - iii. Services in respect of credit cards issued by companies other than Banks to merchants accepting such credit cards as payment for the supply of goods and services.
- d. It is to be noted that:
  - i. A person who, in addition to his employment, is engaged in any of the businesses or professions specified in paragraph 10 (b) above must also register for VAT.
  - ii. Once a person is registered for VAT, his registration will cover all the business activities at all his places of business in Mauritius (including Rodrigues).

## **11. How is the turnover of taxable supplies calculated?**

In order to calculate the turnover of his taxable supplies, a person has to add the value of all taxable supplies he makes at all his places of business in Mauritius (including Rodrigues), including the value of the zero-rated supplies. However, he should exclude the value of capital goods disposed of and that of exempt supplies. Disbursements on behalf of customers should also be excluded.

**12. Can a person who is not engaged in any of the specified businesses/professions or whose turnover of taxable supplies does not exceed the specified limits be registered for VAT?**

Yes. The person may apply for voluntary registration. He will be registered if he satisfies the Director-General that:

- i. he currently keeps and maintains a proper record of his business;
- ii. he has been discharging his obligations under the revenue laws.

**13. Can a person be registered if his supplies are exempt or zero-rated ?**

If a person in business makes exclusively exempt supplies, he cannot be registered for VAT.

Where he makes both taxable supplies and exempt supplies and the turnover of his taxable supplies exceeds the prescribed limits or he is engaged in any of the specified businesses or professions mentioned at paragraph 10(b) & (c), he is required to be registered for VAT.

However a person who makes exclusively zero-rated supplies or zero-rated and exempt supplies may choose not to register although the value of the zero-rated supplies exceeds the prescribed limits.

In case he makes zero-rated supplies and he registers for VAT, he will be able to obtain a repayment of the input Tax suffered.



#### 14. How does a person become VAT registered ?

If a person is required to be registered for VAT or if he wishes to apply for voluntary registration, he must obtain from the Operational Services Department, Mauritius Revenue Authority, Efram Court, Cnr Mgr. Gonin & Sir V. Naz Streets, Port Louis the appropriate Application for Registration Form as follows:

Form VAT1 - applicable to a person whose turnover exceeds the prescribed limits or who wishes to apply for voluntary registration.

Form VAT1A - applicable to a person whose turnover does not exceed the prescribed limits but who is engaged in any business or profession mentioned in paragraph 10(b).

Form VAT1B - applicable to a person engaged in any business mentioned in paragraph 10(c).

These forms are downloadable from the MRA's website. The person must then fill in the form and send it with all the required information to the Mauritius Revenue Authority.

Where the Director-General is satisfied that the person is required to be registered or may be registered voluntarily, a Certificate of Registration will be issued to him.

#### 15. When does a registered person start to charge VAT ?

A person is authorised to charge VAT as from the date of registration shown on the Certificate of Registration.



## **16. How to determine if a registered person should submit Monthly or Quarterly VAT Returns?**

A VAT registered person whose annual turnover of taxable supplies exceeds Rs 10 million has to submit monthly VAT Returns.

Where the annual turnover does not exceed Rs 10 million, he has to submit returns at the end of quarters ending 31<sup>st</sup> March, 30<sup>th</sup> June, 30<sup>th</sup> September and 31<sup>st</sup> December.

However, he may elect to submit monthly returns by irrevocable notice to the Director-General.

The taxpayer must send his return electronically on the due date which is 20 days from the end of the taxable period to which the return relates.

## **17. What is the due date for the submission of returns ?**

- A return has to be submitted within 20 days from the end of each month or quarter to which it relates.
- Where the last day for the submission of a VAT return falls on a Saturday, Sunday or a public holiday, the VAT return may be submitted on the following working day.
- NIL returns should also be submitted.
- Where a registered person submits his VAT return and makes payment electronically, the time for submission of return and payment of tax is one month.

## **18. Who is eligible for repayment ?**

A VAT registered person may be eligible for repayment where;

- a. he is engaged in making zero-rated supplies, or
- b. the excess amount of allowable input tax amounting to more than Rs 100, 000 is in respect of capital goods being building or structure, plant, machinery or equipment of a capital nature.

## 19. How to make a claim for a repayment ?

VAT registered person filing returns may make a claim for repayment on the VAT return itself.

## 20. How do VAT registered persons in Rodrigues pay VAT ?

VAT registered persons in Rodrigues should pay their tax at Rodrigues MRA outpost, Clyderlex Building, Port Mathurin.

## 21. What are the obligations of a VAT registered person?

A VAT registered person has to:

- a. Issue VAT Invoices in respect of all supplies made;
- b. Display his VAT Registration Certificate in a clearly visible place;
- c. Keep proper records in respect of all dealing relating to his business;
- d. Submit his VAT returns and pay tax, if any;
- e. Submit at the time of submitting his return, a list of taxable supplies made to any person, other than supplies by retail, showing the invoice number and value of supply.
- f. Produce to the Director-General, when so required, books and records for examination for the purpose of enabling him to ascertain the tax liability.



**WHAT ARE YOUR  
OBLIGATIONS?**



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