

***Circular No. 5 of 2006***

**To: All VAT registered persons**

**SOLIDARITY LEVY**

Further to amendments brought by the Finance Act 2006 to the Value Added Tax Act and regulations made thereunder, your attention is drawn to the following –

**1. Liability to solidarity levy**

In order to finance the Empowerment Programme referred to in the Budget Speech, a solidarity levy is being raised under the Value Added Tax Act at the rate of 0.85 per cent on the turnover of **operators in the business of hotel, hotel management and tour operator**, with effect from 1 July 2006, in respect of financial years 2006-2007, 2007-2008, 2008-2009 and 2009-2010

The solidarity levy is applicable where the profit before tax of an operator is equal to or exceeds 5 per cent of his annual *turnover* for the accounting year immediately preceding the commencement of the financial year. Thus for determining whether a person is liable to solidarity levy during financial year 2006-2007, the financial statements for the accounting year ended before 1 July 2006 have to be considered.

For the purpose of the solidarity levy, *turnover* means-

- (a) in the case of an operator of a hotel, the value of taxable supplies excluding the value of taxable supplies in respect of capital goods, less any amount payable as management fee to a hotel management company in Mauritius;
- (b) in the case of any other operator, the value of taxable supplies excluding the value of taxable supplies in respect of capital goods.

## **2. Payment of Solidarity Levy**

An operator liable to solidarity levy has to pay the levy at the rate of 0.85 per cent on his turnover at the time of submission of his VAT return, irrespective of whether the VAT Account shows an amount of tax due and payable or excess amount of VAT, or is nil.

An additional form for the purpose of the solidarity levy which is to be submitted as part of the VAT return is available at the Office of the Mauritius Revenue Authority and on the web site: <http://mra.gov.mu> A specimen of the form VAT 3 SL is enclosed.

For persons submitting-

- (a) monthly VAT returns, the solidarity levy for the months of July, August and September 2006 has to be accounted for on the form to be submitted with the VAT return for September 2006.
- (b) quarterly VAT returns, the solidarity levy for the quarter ending 30 September 2006 has to be accounted for on the form to be submitted with the VAT return for quarter ending 30 September 2006.

## **3. Adjustment**

The law provides for the following adjustment where-

- (a) levy has not been paid since the beginning of the financial year and profit before tax in respect of the accounting year immediately preceding the end of the financial year is found to be equal to or exceed 5 per cent of turnover, an adjustment has to be made in respect of levy payable since the beginning of the financial year.
- (b) levy has been paid since the beginning of the financial year and profit before tax in respect of the accounting year immediately preceding the end of the financial year is found not to exceed 5 per cent of turnover, an adjustment has to be made in respect of levy paid during the financial year and becoming refundable.

The levy payable or refundable has to be declared as an adjustment as follows –

- (i) where the operator submits monthly VAT returns, in the seventh month immediately following the closing date of his accounts.
- (ii) where the operator submits quarterly VAT returns, in the third quarter immediately following the closing date of his accounts.

**4. Late payment of levy**

Where the operator fails to pay the levy on or before the last day on which it is payable, he shall be liable to pay to the Director-General, in addition to the levy-

- (a) a penalty of 5 per cent of the levy ; and
- (b) 1 per cent interest on the levy, excluding the penalty, per month or part of a month during which the levy remains unpaid.

Any person wishing to have further information may contact-

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**Director-General**

**26 September 2006**