

NOTES FOR COMPLETION OF ANNUAL RETURN OF A DECEASED PERSON'S ESTATE (SUCCESSION)

YEAR OF ASSESSMENT 2020-2021

(INCOME FOR THE PERIOD 1 JULY 2019 TO 30 JUNE 2020)

Note 1

MAIN BUSINESS ACTIVITY

Please consult "List of Activities" available under "Media Centre" on MRA website before entering appropriate sector, type and detail of activity.

Expression of doubt

If you are in doubt regarding the interpretation of the law or treatment in respect of any items contained in this return, you may submit the return according to your own interpretation of the law or treatment, by giving a description of the issue in question and specify the doubt in the space provided. When you express a doubt, the law provides that there will not be any penalty for late payment on any additional tax which could result from any adjustment in relation to the doubt specified.

Note 2

DECLARATION

The return should be made by a representative of the succession and all the particulars furnished must relate to the year ended 30 June 2020.

State whether the return is made by you as –

- (a) an heir who has accepted the succession of the deceased simply or under benefit of inventory;
- (b) a surviving spouse;
- (c) a universal legatee;
- (d) an executor;
- (e) a notary acting as liquidator of the succession of the deceased;
- (f) a legatee or donee; or
- (g) the Curator of Vacant Estates.
- (h) the accountant
- (i) the tax advisor

Note 3

INCOME PERIOD

All successions are required to file tax returns in respect of income derived for the period 1 July to 30 June. As a result all successions should close their accounts on 30 June each year. The return for the year of assessment 2020/2021 based on income derived for the period 01 July 2019 to 30 June 2020 should be submitted electronically not later than 30 September 2020.

Note 4

TRADING AND PROFIT AND LOSS ACCOUNT

The details of trading and profit & loss a/c should be given on page 2. No accounts should be attached. Any item of expenditure in the Trading & Profit & Loss a/c not indicated in the return should be included in 'other expenses'.

Note 4 (a)

INTEREST INCOME

Interest earned by a succession as from 1 January 2010 on savings and fixed deposit accounts maintained with a bank or nonbank deposit taking institution, Government securities, debentures, bonds, sukuk and Bank of Mauritius Bills are exempt.

However, all interests earned during period 1 July 2006 to 31 December 2009, which were paid to the succession during the year ended 30 June 2020 are taxable.

Note 5

Contribution to COVID-19 Solidarity Fund

Where a Succession has, in the income year commencing on 1 July 2019 or 1 July 2020, made a contribution to the COVID-19 Solidarity Fund, it shall be allowed a deduction from its net income in respect of the amount contributed or donated in that income year.

Note 6

COMPUTATION OF NET INCOME

The profit as per the profit & loss a/c is not the taxable profit as not all items of income are taxable nor are all items of expenses deductible for tax purposes. The net profit/(loss) as per profit and loss a/c needs to be adjusted to arrive at the net income for tax purposes.

Income to be expressed in Mauritian Rupees

Any amount of income derived or expenditure incurred and remitted during the year ended 30 June 2020 in a currency other than Mauritian rupees should be converted in Mauritian rupees at the exchange rate in force as at the date of remittance. Where any such amount is not remitted during that year it should be converted at the exchange rate in force at the end of that year.

General Rule for deduction of expenses

Any expenditure or loss to the extent to which it is exclusively incurred in the production of gross income is deductible.

Unrelieved bad debts from Peer-to-Peer Lending platform carried forward

Where the amount of debt or interest derived from any Peer-to-Peer Lending platform cannot be fully relieved, the company may claim that unrelieved amount of debt or interest carried forward and set off against interest received from money lent through the same Peer-to-Peer Lending platform in the succeeding income years.

Unauthorised deductions

The following items of expenditure are specifically prohibited by Section 26 of the Income Tax Act -

- (a) any investment, expenditure or loss to the extent to which it is capital or of a capital nature;
- (b) any expenditure or loss to the extent to which it is incurred in the production of income which is exempt income;
- (c) any reserve or provision of any kind;
- (d) any expenditure or loss recoverable under a contract of insurance or of indemnity;
- (e) any expenditure incurred in providing business entertainment or any gift;
- (f) income tax or foreign tax;
- (g) any expenditure or loss to the extent to which it is of a private or domestic nature.

Expenditure incurred in the production of exempt income

- (a) Expenditure or loss exclusively incurred in the production of exempt income is not allowable.
- (b) 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:

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

- (c) Where the proportion of exempt income to total gross income in the above formula is 10 per cent or less, no part of the expenditure or loss as determined above shall be disallowed.

Dividends receivable

Dividends receivable from a resident company are exempt from tax. However, the expenses incurred to produce such exempt income should be added back. Dividends receivable from outside Mauritius are taxable.

Additional deduction in respect of emoluments paid to homeworkers

Where during the period 1 July 2018 to 30 June 2020, a person employs a full-time homeworker, he shall be allowed to deduct an additional amount equivalent to the amount already claimed in accounts in respect of emoluments payable to the homeworker.

The following conditions apply:

- (i) Necessary information technology system has been acquired;
- (ii) more than 5 homeworkers are employed at any time during the year;
- (iii) monthly emoluments payable to the homeworker do not exceed 100,000 rupees.

The deduction shall be allowed in respect of emoluments payable to a homeworker during a period not exceeding 24 consecutive months starting from 1 July 2018 or the month in which the homeworker starts working from home, as the case may be.

Annual Allowance

(A) Depreciation, being a provision, is not an allowable expenditure. A société may instead, claim deduction in respect of annual allowance on capital expenditure at the prescribed rates, as follows:-

	Capital expenditure incurred on	Rate as a % of	
		Base value	cost
1	Industrial premises excluding hotels	-	5
2	Commercial premises	-	5
3	Hotels	30	-
4	Plant or Machinery –		
	(a) costing or having a base value of 60,000 rupees or less	100	or 100
	(b) costing more than 60,000 rupees –		
	(i) ships or aircrafts	20	-
	(ii) aircrafts and aircraft simulators leased by a company engaged in aircraft leasing	100	or 100
	(iii) motor vehicles	25	-
	(iv) electronic and high precision machinery or equipment, computer hardware and peripherals and computer software	50	-
	(v) furniture and fittings	20	-
	(vi) other	35	-
5	Improvement on agricultural land for agricultural purposes	25	
6	Research and development, including innovation, improvement or development of a process, product or service	-	50
7	Acquisition of solar energy unit	-	100
8	Golf courses	15	-
9	Acquisition of patents	25	-
10	Green technology equipment	-	50
11	Landscaping and other earth works for embellishment purposes	-	50
12	Acquisition or improvement of any other item of a capital nature which is subject to depreciation under the normal accounting principles	-	5

Where a company, carrying on business other than tour operator or car rental, has incurred capital expenditure on or after 1 January 2011 on a motor car costing more than three million rupees, the annual

allowance shall be 25% of the base value, limited to three million rupees in the aggregate. Base value means cost less any amount allowed by way of annual allowance.

(B) Accelerated annual allowance on capital expenditure incurred as from 1 January 2013 may be claimed on the items listed below, as follows:-

	Capital expenditure incurred on	Rate as a % of	
		Base value	cost
1	Industrial premises dedicated to manufacturing	30	-
2	Plant or machinery costing 50,000 rupees or less	-	100
3	Electronic and high precision machinery (including computer hardware and software)	-	50
4	Plant and machinery (excluding passenger car) by a manufacturing company	-	50
5	Scientific research	-	50

Where annual allowance has been claimed under paragraph (A), no allowance should be claimed under paragraph (B). It is to be noted that no annual allowance is allowable unless proper books of accounts and records are kept.

Additional deduction in respect of expenditure incurred on fast car charger for electric car

A deduction may be claimed for the amount of such expenditure incurred in that income year.

Peer-to-Peer Lending platform

An exemption of 80 per cent of interest derived by a person from money lent through a Peer-to-Peer Lending platform may be claimed in an income year, provided that:

- (i) the person has started its operations prior to 31 December 2020;
- (ii) the income is derived from the activities covered under that licence; and
- (iii) the person satisfies the conditions relating to the substance of its activities, as specified by the Financial Services.

Note: The exemption shall be for a period of 5 succeeding income years as from the income year in which the person started its operations.

Contribution to Covid-19 solidarity fund carried forward

Any unrelieved amount of Contribution to Covid-19 Solidarity Fund for an income year may be carried forward and deducted against the net income of the income year immediately following that income year up to a maximum of 2 income years.

Note 7

TAX DEDUCTION AT SOURCE (TDS)

The amount deducted at source as TDS for the year ended 30 June 2020 should be inserted on the income as per Statement of Income Received. The BRN and TAN of the payer should be inserted where the TDS has been deducted on income derived by the succession directly.

Note 8

Tax credit on information technology for employing homeworkers

Where, during the period 1 July 2019 to 30 June 2020, a succession incurs capital expenditure on information technology systems for the purpose of employing homeworkers, he shall be allowed, in the year of acquisition and in each of the two subsequent income years, a tax credit of an amount equal to 5 per cent of the cost of the information technology system.

Note 9 (Section 8)

SHARE OF BENEFICIARIES

- (a) The succession is not liable to income tax in respect of income derived by the succession. Each heir is required to declare in his return of income his share of income derived by the succession, whether or not such income has been distributed among the heirs.
- (b) Where tax has been deducted at source from any income derived by the succession, each of its beneficiaries is entitled to claim a credit in respect of his share of the amount of the tax deducted at source.
- (c) The amount of tax credit on information technology for employing homeworkers may be claimed as a credit by each beneficiary in the proportion of his share of income/(loss) in the succession.
- (c) A statement should be given by the succession to each beneficiary, showing the details provided at section 6 for inclusion in the beneficiary's annual return of income.