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Facts

A foreign company, registered in Mauritius and forming part of a Multinational Group present in many countries all over the world provides marketing, technical services (including installation and maintenance) and post-marketing assistance but is not allowed to accept and conclude any contract with any client nor is it involved in the provision of services to clients in Mauritius. The Multinational Group provides services on a global rather than territorial basis and revenue can be generated in one country but the related costs incurred elsewhere. The company applies a pre-determined cost plus percentages to various categories of costs, irrespective of the actual amount of revenue generated in a territory.

Point at issue

Whether the application of a cost plus basis method could be used for computing the company's chargeable income in Mauritius.

Ruling (issued in September 2003)

The computation of chargeable income varies from one country to another depending on the level of activities and financial risk undertaken by the entities concerned. Cost plus basis is an acceptable method to arrive at the chargeable income as the company is providing some limited services which support the group's core activity.