

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

YEAR OF ASSESSMENT 2005-2006

These notes are intended to assist in the completion of the return. If further information is required please contact the Large Taxpayer Department, Deramann Tower, Sir W. Newton St, Port Louis. Tel No 213-3777, 211-6512, 210-0984 and 210-7990.

Note 1 - Declaration

This section should be completed after filling in all sections on pages 2 to 4. Regarding payment, cheque should be crossed and made payable to the Commissioner, Large Taxpayer Department. Full name and tax account number of the company should be written on the verso of the cheque.

Note 2 - Trading and Profit and Loss Account

For items 4 to 7 (Dividends, interest, rent, royalties), the gross amount receivable should be declared. Gains on foreign currency exchange should be included in item 10.

Note 3 - Expenses per accounts

The amount of expenses not allowable for Income Tax purposes should be entered in the column "Disallowed" against the corresponding item of expenses.

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 2 of Page 3.

• Item 17 - 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 18 - 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 400,000);
- 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. The maximum allowable is Rs 1,000,000;
- Contributions made to the National Solidarity Fund and the Prime Minister's Children's 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 23 to 26 - Unrelieved losses (Sec. 59 and Sec. 59A of the Income Tax Act 1995)

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 or 2 or more companies engaged in manufacturing activities merged into one company 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 15%
- Third party Freeport Developer 15%
- 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 or an export service enterprise or to a duty free shop
- On share of income from sociétés holding a category 1 Global Business Licence 15%
- Other companies 25%

Items 5 to 8 - Tax credit

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

- Investments made in tax incentive companies (credits for 2nd and 3rd years only), companies listed on the Stock Exchange, an equity fund or an authorised mutual fund;
- Capital expenditure incurred by Modernisation And Expansion Enterprises;
- Exports of goods which are manufactured or produced in Mauritius or the provision of services to a non - resident.

However, tax incentive companies are not entitled to any such credits.

Note : 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 8 of the Calculation of Tax on page 3 should therefore be equal to or greater than 15 per cent of the chargeable income.

• **Item 9 - Special tax credit**

Sec. 69A of the Income Tax Act 1995 provides for a special tax credit in respect of investment in a company set up for the purpose of operating a spinning, weaving or dyeing factory.

• **Item 15 - 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 - Alternative Minimum Tax

This is applicable where a company's "normal tax payable" is less than 5% of its book profit. It is not applicable to a company which is exempt from tax or where 10% of the aggregate amount of any dividend declared and any amount distributed by way of shares in lieu of dividend do not exceed the "normal tax payable".

"Normal tax payable" is the tax payable arrived at by multiplying the chargeable income of the company by the applicable tax rate and after allowing for any tax credit except for credit in respect of foreign tax.

Note 8 - Transactions with related companies and/or individuals

If the company had any transaction with related companies and/or individuals which was not based on an arm's length price during the income year, please complete the section *Transactions With Related Companies And Individuals* at Page 4. Where there are such transactions with more than one related company/individual, please attach schedules using the same format.

- 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 9 - Exchange rate

All transactions should be expressed in Mauritius currency except for those entities to which section 6(4) of the Income Tax Act applies 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.

Note 10 - Additional documents to be submitted

Please submit a Balance Sheet, schedules of annual & investment allowances and a statement of movement in Land & Buildings and Plant & Equipment in the formats given below. Apart from the schedules mentioned in the Notes, no other documents should be filed with this return.

Note 10(a)

Format for BALANCE SHEET

		Current Year	Previous Year
ASSETS EMPLOYED			
	Non-current assets		
1	Land and building (<i>Attach schedule per format below</i>)		
2	Plant and equipment (<i>Attach schedule per format below</i>)		
3	Investment properties		
4	Intangible assets		
5	Investments in subsidiary companies		
6	Investments in associated companies		
7	Other investments		
8	Non-current receivables		
9	Deferred tax assets		
10	Other		
11			
	Current assets		
12	Inventories		
13	Construction contract work in progress		
14	Trade and other receivables		
15	Marketable securities		
16	Cash in hand and at bank		
17	Other		
18			
	Current liabilities		
19	Trade and other payables		
20	Current tax liabilities		
21	Borrowings		
22	Provisions for liabilities and charges		

Continued on next page

23	Proposed dividends		
24	Other		
25			
26	Net current assets		
27			
	FINANCED BY		
	Capital and reserves		
28	Share capital		
29	Share premium		
30	Revaluation and other reserves		
31	Retained earnings / loss c/f (Schedule C in Return)		
32	Others		
33	Shareholders' interest		
	Non-current liabilities		
34	Borrowings		
35	Deferred tax liabilities		
36	Others		
37			
38	TOTAL ➤		

Note 10(b)		Format for ANNUAL ALLOWANCE		
		Cost b/f * (See Note 11)	Base value b/f ** (See Note 11)	Additions during the year
Industrial Premises excluding hotels				
Hotels	Other 9 Bedrooms and above			
Plant and Machinery	Costing Rs. 10,000 or less			
	Ships and aircrafts			
	Aircraft & aircraft simulators leased by a company			
	Furniture and fittings			
	Motor vehicles			
	Electronic and high precision machinery or equipment, computer hardware and peripherals and computer software			
Other				
Agricultural improvement on agricultural land				
Capital expenditure on scientific research				
Setting up of golf courses				
Any other item of a capital nature other than non-industrial premises***				
TOTAL				
		DISPOSALS/TRANSFERS DURING THE YEAR		
		Original cost	Base value ** (See Note 11)	Disposal proceeds/ Base value of assets transferred
Industrial Premises excluding hotels				
Hotels	Other 9 Bedrooms and above			
Plant and Machinery	Costing Rs. 10,000 or less			
	Ships and aircrafts			
	Aircraft & aircraft simulators leased by a company			
	Furniture and fittings			
	Motor vehicles			
	Electronic and high precision machinery or equipment, computer hardware and peripherals and computer software			
Other				
Agricultural improvement on agricultural land				
Capital expenditure on scientific research				
Any other item of a capital nature other than non-industrial premises				
<i>Continued on next page</i>		TOTAL		

		Rate	Annual allowance	Balancing allowance/ (charge) on disposal	Total allowances
Industrial Premises excluding hotels		5%			
Hotels	Other	5%			
	9 Bedrooms and above	20%			
Plant and Machinery	Costing Rs. 10,000 or less	100%			
	Ships and aircrafts	10%			
	Aircraft & aircraft simulators leased by a company	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%			
TOTAL					

Note 10(c)**Format for INVESTMENT ALLOWANCE**

		Rate	Additions at cost	Investment Allowance
Construction of Industrial Premises		25%		
New Plant and Machinery**** (See Note 11)	Costing Rs. 10,000 or less	25%		
	Ships and aircrafts	25%		
	Furniture and fittings	25%		
	New bus, 30 seats or more, and motor vehicles excluding road vehicles	25%		
	Electronic and high precision machinery or equipment, computer hardware and peripherals	25%		
	Other	25%		
	Computer Software**** (See Note 11)		25%	
Manufacturing Company	State-of-the-art technological equipment (excluding road vehicle)	50%		
Rodrigues	Construction of Industrial Premises	100%		
	New Plant and Machinery for processing of agricultural, fisheries or livestock products or for manufacture	100%		

Total Investment Allowance

Note 10(d)**Format for MOVEMENT IN LAND & BUILDING AND PLANT & EQUIPMENT**

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

Note 11 - Annual Allowance Schedule (See format above)

* Cost b/f should exclude cost of assets where full annual allowances have been claimed.

** Base value means cost less annual allowance already claimed.

*** With effect from the year of assessment 2005-06, annual allowance is granted on any other item of a capital nature other than non-industrial premises, provided that the item is subject to depreciation under normal accounting principles.

**** In the case of an ICT company, the rate of investment allowance applicable is 50%.

Category codes

Category of Company	Code	Category of Company	Code
(i) Tax Incentive Companies			
Agricultural company deriving 75% of its gross income from agriculture fishery and livestock	22	Company providing central depository, clearing and settlement service to the Stock Exchange	39
Authorised mutual fund	11	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 1 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 holding an investment certificate	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	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 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	(ii) Companies Listed on the Stock Exchange	
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	(iii) Freeport Companies	
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
Company operating stock exchange	38	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
		(iv) Other Companies	
		Any other company	99