

NOTES FOR COMPLETION OF ANNUAL RETURN OF INCOME OF A COMPANY

YEAR OF ASSESSMENT 2007-2008

These notes are intended to assist in the completion of the return. If further information is required please contact the Mauritius Revenue Authority (MRA), Ebrahim Court, Ground Floor, Cnr Mgr Gonin & Sir V. Naz Streets, Port Louis, Tel 207-6000

Note 1 Declaration

This section should be completed after filling in all items on pages 2 to 4.

Regarding payment, cheque should be crossed and made payable to the Director-General, MRA. 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 Profit and Loss accounts

The amount of expenses not allowable for income tax purposes should be entered in the column "Disallowed" against the corresponding item of expense. Donations to charitable institutions are not allowable as a deduction.

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 exempt income should be added back in Item 2 of Page 3.

• Item 13 - Other exempt income

Apart from the other types of income exempted under Part II of the Second Schedule to the Income Tax Act, the exemption of two-thirds of the net income derived by companies holding an investment certificate issued under the *Investment Promotion (ICT Scheme) Regulations 2002* as provided in the transitional provisions under subsection 7C of section 161A, may also be deducted under this item.

• Item 14 - Annual allowance

See footnote under Schedule 10(c)

• Item 15 - Investment allowance

Investment allowance may be claimed by companies satisfying the conditions specified in the transitional provisions under section 161A of the Income Tax Act.

• Item 16 - 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 the amount already claimed in accounts.

• Item 17 - Solidarity Levy

Deduct here any solidarity levy payable under the VAT Act, unless the levy has already been deducted as an expenditure in the Profit and Loss Account. Solidarity Levy is applicable to an operator engaged in any of the following businesses:

- (i) Hotel
- (ii) Hotel management
- (iii) Tour operator

• Item 18 - Other deductible items

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 is allowable over and above the amount already claimed in accounts.

• Item 19 - Profit/(Loss) as Adjusted for Tax Purposes

- (i) Section 59 of the Income Tax Act provides for the carry forward of losses to be set-off against net income of the following 5 income years.
- (ii) The time limit of 5 years is not applicable for the carry forward of the loss attributable to annual allowances in respect of capital expenditure incurred during the income year forming the basis for the year of assessment 2007-08.
- (iii) However, the time limit of 5 years will apply to losses attributable to annual allowance in the case of a company which has opted to claim annual allowance at the rates prevailing on 30 June 2006 (2006/07).

• Item 20 - Loss brought forward from previous year

Any unrelieved loss as at 30 June 2006 (including loss attributable to capital allowances) may be carried forward for a maximum period of 5 years.

• Item 22 - Transfer of loss on takeover or merger

The law provides for the transfer of unrelieved losses where a company takes over another company engaged in manufacturing activities or 2 or more companies engaged in manufacturing activities merge 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:

- | | |
|---|-------|
| • Companies liable to tax on 30 June 2006 at 25 per cent | 22.5% |
| • Companies incorporated/registered on or after 1 July 2006, and which had they been in operation on 30 June 2006 would have been liable to tax at 25% | 22.5% |
| • Companies licensed on or before 30 September 2006 to operate a duty free shop at a place other than the port or airport and which have elected to operate under the Deferred Duty and Tax Scheme (DDTS) | 22.5% |
| • Companies liable to tax on 30 June 2006 at 15 per cent | 15 % |
| • Companies incorporated/registered on or after 1 July 2006 and which had they been in operation on 30 June 2006 would have been liable to tax at 15% | 15 % |

• Items 4 to 7 - Tax credit

Section 161A of the Income Tax Act 1995 provides for tax credits in respect of-

- Subscription made to the share capital of companies listed on the Stock Exchange, an equity fund or an authorised mutual fund, provided the subscription was made on or before 30 June 2006;
- Capital expenditure incurred by modernisation and expansion enterprises holding an investment certificate still in force as at 30 September 2006, provided the capital expenditure was incurred on or before 30 June 2006;
- Exports of goods which are manufactured or produced in Mauritius or in the provision of services to a non-resident.

Note - The provisions of the Income Tax Act 1995 limit the aggregate amount of tax credits to such an amount that would not reduce the tax payable to less than 15 per cent of the chargeable income of the company. The balance at item 7 of the part 'Calculation of Tax' on page 3 should therefore be equal to or greater than 15 per cent of the chargeable income. Consequently companies paying tax at 15 % should not claim any tax credit.

• **Item 8 - Special tax credit**

Section 161A of the Income Tax Act provides for a special tax credit in respect of investment in a company set up for the purpose of operating a spinning factory, and in a company engaged in weaving, dyeing and knitting of fabrics.

• **Item 14 - National Residential Property Tax (NRPT)**

National Residential Property Tax is payable on any residential property (excluding bare land) owned at any time during the year. NRPT should be calculated on a pro-rata basis if the property is acquired, sold or transferred during the year.

• **Item 16 - Tax deducted at source**

Any tax deducted at source should be accompanied by a 'statement of tax deducted' providing particulars of income tax deductions as per format given in Schedule G.

• **Item 18 - Interest on unpaid tax**

The law provides for payment of interest at the rate of 1 per cent per month or part of the month during which the tax remains unpaid.

• **Item 19 - Penalty**

Penalty is provided under the law for late submission of return, late payment of tax and failure to submit return electronically.

- **Late submission of return (LSR)**, a penalty of Rs 2000 per month or part of the month is payable until the time the return is submitted. The total penalty is restricted to Rs 20,000.
- **Late payment of tax (LPT)**, a penalty of 5 per cent of the amount of tax is payable on the amount of tax remaining unpaid.
- **Failure to submit return electronically (FSRE)**, a penalty of 20 per cent of the tax (not exceeding Rs 100,000) or Rs 5,000 where no tax liability is declared in the return, is payable where, subject to a written notice given by the *Director-General*, a person fails to justify the failure to submit his return electronically.

Note 6 **Expenditure incurred in the production of exempt income**

All items of Schedule D, if applicable to a company, should be filled.

- (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:

$$\frac{\text{exempt income} \times \text{expenditure or loss}}{\text{total gross income (including exempt income)}}$$
- (3) 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.

Note 7 **Alternative Minimum Tax**

This is applicable where a company's "normal tax payable" is less than 7.5% 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 credit in respect of foreign tax.

Note 8 **Transactions with related companies and individuals**

If the company had any transaction with any related companies and individuals which was not based wholly at arm's length during the income year, please complete the section *Transactions with related companies and individuals* on 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 and 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 *Director-General*.

Note 10 **Additional documents to be submitted**

Please submit schedules of Investment Allowance, Balance Sheet, statement of movement in Land & Buildings and Plant & Equipment & Annual Allowances in the formats given in Notes 10(a) to 10(c).

Note 10(a)		Format for BALANCE SHEET	
ASSETS EMPLOYED		Current Year	Previous Year
	Non-current assets		
1	Land and building (<i>Attach schedule per format in Note 10(b)</i>)		
2	Plant and equipment (<i>Attach schedule per format in Note 10(b)</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		
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 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		

Format for Annual Allowances												
Note 10(c)	Column	Rate		Cost* b/f from previous year excluding cost assets where full annual allowances have been claimed 2	Base value** b/f from previous year 3	Cost of additions/transfers during the year 4	Disposal/Transfers during the year			Annual allowances 8	Balancing allowance/charge on disposal 9	Total allowances = cols 8+9
		Other companies Base value**	Approved companies Cost				5 Original cost	6 Tax written down value	7 Disposal proceeds or transfer value			
	Acquisition, construction, or extension of (i) Industrial premises excluding hotels	-	5%									
	(ii) Commercial premises	-	5%									
	Hotels	30%	-	20%								
	Costing Rs30,000 or less	-	100%	100%								
	Ship and aircrafts	20%	-	10%								
	Aircrafts and aircrafts simulators leased by a company engaged in aircraft leasing	-	100%	100%								
	Furniture and fittings	20%	-	10%								
	Motor vehicles	25%	-	20%								
	Electronic and high precision machinery or equipment, computer hardware and peripherals and computer hardware	50%	-	33.33%								
	Other	35%	-	20%								
	Agricultural improvement on agricultural land	25%	-	20%								
	Scientific research	25%	-	20%								
	Golf courses	15%	-	10%								
	Acquisition or improvement of any other item of a capital nature which is subject to depreciation under the normal accounting principles	-	5%	5%								
	Total											

* Cost b/f should exclude cost of assets where annual allowance of 100% has already been claimed.

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

*** The rates in this column apply only to a company whose application has been approved under the *Investment Promotion Act*, or whose proposed activity has been approved under any other enactment and which has opted, by irrevocable notice in writing, to claim annual allowance on capital expenditure incurred at rates prevailing on 30 June 2006.

† Column A should be used for annual allowance on capital expenditure incurred during an income year forming the basis of a year of assessment prior to year of assessment 2007-08.

Column B should be used for annual allowance on capital expenditure incurred during the income year forming the basis of the year of assessment 2007-08.

Category of Company	Code	Category of Company	Code
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 I 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	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	Private Freeport Developer (PFD) or Freeport Operator (FO).....	FPI
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	Third Party Freeport Developer	FP2
Company operating stock exchange	38	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
		Any other company	99