

**GUIDANCE NOTES FOR COMPLETION OF ANNUAL RETURN OF INCOME OF 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 - Interest, dividends etc.**

The gross amount receivable should be declared.

**Note 3 - Reserve for unexpired risk**

The reserve shall be calculated at the percentage adopted by the insurance company in relation to its operation as a whole, and that percentage shall be the same whether the unexpired risks for which the reserve is created are outstanding at the commencement or at the end of an income year.

**Note 4 - Total investment income (Life insurance business)**

Where a life insurance company carries on a general annuity business and pension business in conjunction with ordinary life insurance business, the taxable investment income in respect of its life insurance business to be shown at item B7 of page 2 should exclude that attributable to the general annuity business and pension business. This amount should correspond with the amount declared at item C5 of page 3.

**Note 5 - Taxable investment income attributable to premiums received in Mauritius**

This amount is calculated by taking  $\frac{A}{B} \times C$ , where -

- A is the life insurance premiums received in Mauritius;
- B is the total life insurance premiums received by the company;
- C is the total taxable investment income in respect of life insurance business.

**Note 6 - Other authorised items**

The following deductions are also available:

- Contributions made to a road fund approved by the Minister;
- Donations to prescribed charitable institutions (max. 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 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 years.

**Note 7 - Investment tax credit**

Section 69 of the Income Tax Act 1995 provides 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;

**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 4 of the Calculation of Tax on page 3 should therefore be equal to or greater

than 15 per cent of the chargeable income.

**Note 8 - 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.

**Note 9 - 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 10 - 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 after allowing for any tax credit except for credit in respect of foreign tax.

**Note 11 - Transactions with related companies and/or individuals**

If the company had any transaction with related companies and/or individuals which was not based on arm's length price during the income year, please complete the section *Transactions With Related Companies And Individuals* at Page 4. Where there are 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 12 - 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 13 - Additional documents to be submitted**

Please submit a schedule analysing allowable deductions, 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 these documents, no other documents should be filed with this return.**

<b>Note 13(a)</b>		<b>Format for SCHEDULE OF ALLOWABLE DEDUCTIONS</b>					
Description	General Insurance Business			Life Insurance Business			
	Expenses per accounts Rs	Amount disallowed Rs	Allowable deductions Rs	Expenses per accounts Rs	Amount disallowed Rs	Allowable deductions Rs	
	1	Wages and salaries .....					
2	Other staff cost .....						
3	Directors' emoluments .....						
4	Commissions and discounts .....						
5	Entertainment, gifts and donations .....						
6	Advertising and promotional expenses ....						
7	Overseas travelling expenses .....						
8	Legal and professional fees .....						
9	Management fees .....						
10	Loan interest and bank charges .....						
11	Electricity, water and telephone charges ..						
12	Rent, rates and taxes .....						
13	Licenses and insurance .....						
14	Motor vehicle expenses .....						
15	Repairs and maintenance .....						
16	Depreciation .....						
17	Bad debts and provision for doubtful debts						
18	Loss on disposal of assets .....						
19	Other expenses .....						
20	Total .....						

<b>Note 13(b)</b>		<b>Format for BALANCE SHEET</b>	
<b>ASSETS EMPLOYED</b>		<b>Current Year</b>	<b>Previous Year</b>
<b>Non-current assets</b>			
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	Statutory deposit .....		
5	Intangible assets .....		
6	Investments in subsidiary companies .....		
7	Investments in associated companies .....		
8	Other investments .....		
9	Non-current receivables .....		
10	Deferred tax assets .....		
11	Other .....		
12			
<b>Current assets</b>			
13	Inventories .....		
14	Construction contract work in progress .....		
15	Trade and other receivables .....		
16	Marketable securities .....		
17	Cash in hand and at bank .....		
18	Other .....		
19			
<b>Current liabilities</b>			
20	Trade and other payables .....		
21	Current tax liabilities .....		
22	Borrowings .....		
23	Provisions for liabilities and charges .....		
24	Proposed dividends .....		
25	Other .....		
26			
27	Net current assets .....		
28			

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FINANCED BY			
	<b>Capital and reserves</b>		
29	Share capital .....		
30	Share premium .....		
31	Revaluation and other reserves .....		
32	Statutory reserve fund .....		
33	General business fund .....		
34	Life Insurance fund .....		
35	Retained earnings / loss c/f (Schedule G in Return) .....		
36	Others .....		
37	Shareholders' interest .....		
	<b>Non-current liabilities</b>		
38	Borrowings .....		
39	Deferred tax liabilities .....		
40	Others .....		
41			
42	<b>TOTAL</b> ➤		

Note 13(c)		Format for ANNUAL ALLOWANCE		
		Cost b/f * (See Note 14)	Base value b/f ** (See Note 14)	Additions during the year
Industrial Premises excluding hotels				
Hotels	Other 9 Bedrooms and above			
Plant and Machinery	Costing Rs. 10,000 or less			
	Furniture and fittings			
	Motor vehicles			
	Electronic and high precision machinery or equipment, computer hardware and peripherals and computer software			
	Other			
Setting up of golf courses				
Any other item of a capital nature other than non-industrial premises***				
<b>TOTAL</b>				
		DISPOSALS/TRANSFERS DURING THE YEAR		
		Original cost	Base value ** (See Note 14)	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			
	Furniture and fittings			
	Motor vehicles			
	Electronic and high precision machinery or equipment, computer hardware and peripherals and computer software			
	Other			
Setting up of golf courses				
Any other item of a capital nature other than non-industrial premises***				
<b>TOTAL</b>				

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		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%			
	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%			
Setting up of golf courses		10%			
Any other item of a capital nature other than non-industrial premises		5%			
<b>TOTAL</b>					

**Note 13(d)****Format for INVESTMENT ALLOWANCE**

		Rate	Additions at cost	Investment Allowance
Construction of Industrial Premises		25%		
New Plant and Machinery	Costing Rs. 10,000 or less	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		25%		
Rodrigues	Construction of Industrial Premises	100%		

**Total Investment Allowance****Note 13(e)****Format for MOVEMENT IN LAND & BUILDING AND PLANT & EQUIPMENT**

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

**Note 14 - 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 allowances already claimed.

\*\*\* With effect from the year of assesment 2005-2006, annual allowance is granted on any other item of a capital nature other than non-industrial premises provided that it is subject to depreciation under normal accounting principles.