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Doing Business in Mauritius

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October 2009

Mauritius has a rich and diverse cultural and economic background. The country was first visited by the Arabs and later by the Portuguese. The first nation, however, which made an attempt for settlement were the Dutch during the seventeenth century. After their departure the French landed on the island and were followed by the British who invaded the island in 1810 and defeated the French. It remained a British colony until 1968 when it became an independent member of the Commonwealth.

From a mono-crop economy based on sugar, Mauritius diversified into export oriented manufacturing (mostly textile) and up-market tourism in the 1970s and 1980s. In the late 1980s and early 1990s the services sector including international financial services were developed.

Visitors from all over the world find Mauritius a fascinating country with a multi-racial population often described as a rainbow nation.

This publication is a general guide for those who want to do business in Mauritius.

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1. BUSINESS ENVIRONMENT

1.1 The General Economy

Mauritius is situated in the Indian Ocean, approximately 2,400 Kilometres off the South East Coast of Africa. The Island is of volcanic origin and covers an area of 1,865 square kilometres. Equipped with strong and efficient management and a stable government, Mauritius has been able to emerge from its economic difficulties in 1982 to become a model economy for development.

The Mauritian economy is based on free enterprise with the private sector playing a major role and the government providing the infrastructure and legal framework.

The country enjoys favourable treatment for its exports to the European Union through the LOME convention. Its membership of the Preferential Trade Area of the Eastern and Southern African States opens a significant market of several countries.

In the early 1980's, Government launched a comprehensive adjustment program aimed at fostering economic development through export-led industrialization, agricultural diversification and expansion of the tourist industry. Consequently, the Mauritian economy witnessed sustained expansion and real growth.

Tourism has also emerged as one of the most important foreign exchange earners with over 1.2 million tourists visiting the island in 2008 and about 102 hotels in operation with total bed capacity of 23,095, the hotel industry providing about 26,000 direct employment and contributing more than Rs 41 billion in foreign currency.

However, with future changes in the international economy such as GATT reforms, global markets will become increasingly competitive for Mauritius traditional exports. All efforts are now geared towards consolidating the main pillars of the economy as well as stimulating new priority sectors such as electronics, information technology, jewellery, etc. At the same time financial services is being developed as part of a policy of diversification

1.2 The land and the people

Mauritius lies between latitude 20° South and longitude 57° East in the Indian Ocean. Its neighbours are the islands of Reunion and Madagascar. The islands of Rodrigues, Agalega and St. Brandon all of which are considerably smaller than the island of Mauritius itself, form part of the Mauritian territory.

Mauritius is a multi-racial country with an estimated population of 1.2 million from the following ethnic origins - European, African, Indian and Chinese. 63% of the population are under 35 years of age and the country's population growth is about 1% per annum.

The official language is English but French is widely spoken. Hindi is also a common language. Literacy rate is over 90%.

1.3 The Government

The Republic of Mauritius has a democratic system of government based on the Westminster model which guarantees the separation of legislative, executive and judicial powers. The President is the Head of State but full executive powers rest with the Prime Minister who is head of the Government.

Members of the National Assembly are elected every five years by universal suffrage. All major political parties are represented, reflecting the predominance of democratic conditions.

1.4 The Legal System

The Mauritius legal system is based on both French and English laws. The procedural law both in criminal and civil litigation is mainly English, whilst the substantive law is mainly based on the French Napoleonic Code.

The Highest Court of appeal in the Judicial Committee of Privy Council in England. Mauritius is a member of the International Court of Justice, the International Centre for the Settlement of Investment Disputes and the Multilateral Investment Guarantee Agency (MIGA).

2. BUSINESS ENTITIES

2.1 Forms of business entities

The following are the principal forms of business entity through which business can be conducted in Mauritius:

- Δ Companies
- Δ Branch of a foreign company
- Δ Partnerships
- Δ Joint Ventures
- Δ Trusts
- Δ Sole proprietorships

2.2 Forms of business entities

Limited Liability companies are regulated by the Companies Act 2001 which came into force on 01 December 2001. This legislation changes substantially the defunct companies Act and introduces new concepts.

Any one or more persons may apply for incorporation of a company. The name of the Company must be reserved with the Registrar of Companies prior to incorporation.

The application for incorporation must be on the prescribed form and signed by each applicant. It must state

- The full name and address of each applicant
- Particulars of any business occupation and directorships of any public company or subsidiary of a public company
- In the case of a company having a share capital, the full name and residential address, the class, the number of shares to be issued, the amount to be paid or other consideration for each shareholder.

A constitution has now replaced the Memorandum and Articles of Association and it is not mandatory for a company to have a constitution. Where a company does not have a constitution, the rights, powers, duties and obligations of the company, the Board, each director and each shareholder of the company are as laid down in the Companies Act.

A company should have a registered office or address where all statutory documents are kept and where notices to the company may be served.

2.3 Branch of a foreign company

Foreign companies which desire to establish a place of business in Mauritius but do not want to incorporate a local company may register themselves as a branch of a foreign company.

For the purpose of establishing a branch, the foreign company must file the following with the Registrar of Companies:

- Δ a duly authenticated copy of the certificate of its incorporation or registration in its place of incorporation or origin or a document of similar effect;
- Δ a duly authenticated copy of its constituting, charter, statute or memorandum and articles or other instrument constituting or defining its constitution;
- Δ a list of directors of the company.
- Δ where the list includes directors resident in Mauritius who are members of the local Board of directors of the company, a memorandum duly executed by or on behalf of the foreign company stating the powers of the directors;

- Δ a memorandum of appointment or power of attorney under the seal of the foreign company or executed on its behalf in such manner as to be binding on the company, stating the names and addresses of two or more persons resident in Mauritius, authorized to accept on its behalf service of process and any notices required to be served on the company;
- Δ notice of the situation of its registered office in Mauritius and, unless the office is open and accessible to the public during ordinary business hours on each day, other than Saturdays and public holidays, the days and hours during which it is open and accessible to the public; and
- Δ a declaration made by the authorized agents of the company.

2.4 Partnerships

These are business concerns consisting of not less than two and no more than 20 persons. They are formed by notarial deed which must be registered with the Registrar General. Partnerships may be civil law partnerships or commercial law partnerships. Corporate entities and other partnerships as well as individuals may be partners in a Mauritian partnership.

A commercial partnership may be a general partnership or a limited partnership. In a limited partnership there must be at least one partner with unlimited liability.

Partnership are not required to file financial statements with the Registrar though accounts may be required to be filed with the Mauritius Revenue Authority.

2.5 Joint Ventures

Joint Ventures are regularly used by expatriates or foreign entities involved in construction activities or similar projects. They are usually governed by a written agreement which may or may not be drawn before a notary.

2.6 Trusts

The concept of trusts in Mauritius is quite new and is embodied in The Trust Act 2001.

2.7 Sole Proprietorship

These are basically one-owner businesses. They are required to register with The Registrar of Business [previously The Registrar of Companies]. Moreover, a trading license is required before any business can be carried out.

3. IMMIGRATION REQUIREMENTS

3.1 Entry requirements

All persons entering Mauritius must possess valid national passports or other internationally recognized travel documents (not identity cards). They should as well hold valid return or onward passage tickets to their country of origin. Bona-fide visitors holding the above requirements are granted one month stay at the airport with possibility of extension.

3.2 Visa requirements

Citizens of countries of the Commonwealth (with the exception of Swaziland, Sri Lanka, India, Pakistan, Bangladesh and Nepal) and nationals of countries with which Mauritius has privileged relations are exempt from visa requirements.

Non-citizens coming from Albania, Bulgaria, Hungary, Madagascar, Comores, Czech Republic, Fiji, Poland, Romania and Ex USSR are granted visas on arrival for a period of two weeks which may be extended upon application to the Passport and Immigration Officer.

In addition visas may be granted by our Diplomatic Mission Overseas in respect of foreigners coming on official mission to Mauritius.

Visas are also granted by the Passport and Immigration Officer to bona fide businessmen and visitors for a period of 72 hours which may be extended on application.

Nationals of Indonesia, Thailand and Taiwan who intend to travel to Mauritius can make their requests for visa/entry facilities to the Air Mauritius Office or General Sales Agents in those areas. The same applies to other areas where Mauritius has no diplomatic mission or honorary consulate.

3.3 Employment of expatriate personnel

It is the Government's policy to see that Mauritians are eventually trained and employed at all levels of employment. Notwithstanding this, companies are allowed to bring the required personnel in areas where there is a shortage of trained Mauritians to do the job. Foreign companies are allowed certain key posts to be permanently filled by expatriates.

Expatriate staff should obtain a residence and work permit before being allowed to take up employment in Mauritius.

4. FACILITIES FOR NON-CITIZENS

4.1 Occupation Permit

A non-citizen who intends to reside and work in Mauritius may apply for an Occupation Permit which is generally given for a period of three years.

The applicant may choose any of the three categories:- Self-employed, Investor or Professional.

Application should be made at the Occupation Permit Unit which is a division of the Board of Investments.

4.2 Acquisition of Property for Business purposes

Under the Non-Citizen Property Restriction Act, a non-citizen investor may hold or purchase or acquire property in Mauritius with the prior approval of the Prime Minister. *Property means 'immovable property' and includes 'shares' in companies which hold immovable property.*

The Prime Minister's approval is not required by non-citizens when an immovable property is held or acquired in the following situation:

- under a lease agreement not exceeding 20 years
- through shares in companies which do not own immovable property
- through companies listed on the stock exchange
- through a unit trust scheme or any collective investment vehicle
- under the IRS scheme for the purchase of a villa
- when the investor holds a registration certificate and following an approval from BOI to acquire immovable property, a right to immovable property or part of a building to be used for business purposes only.

*An **investor** means a person carrying on or who intends to carry out an economic activity generating an annual turnover exceeding MUR 3 million, and includes a non-citizen of Mauritius or a body, whether corporate or incorporate, of persons in association, société, partnership or company, the control or management of which is vested in persons who is not a citizen of Mauritius.*

A company **incorporated** under the companies Act 2001 and issued with a registration certificate from the Board of Investment may apply to acquire immovable property.

A company **registered** under the Companies Act 2001 and issued with a registration certificate from the Board of Investment may also apply to acquire immovable property.

The control and management of that company can be vested in persons who are not citizens of Mauritius.

***Note:** An investor is not authorized to purchase any immovable property in his/her own name. An immovable property or a right to immovable property or part of a building must be purchased in the name of a company incorporated and/or registered in Mauritius.*

Conditions attached with authorization to acquire immovable property:

- All mandatory clearances and permits must be sought for and obtained from relevant authorities prior to the start of operations
- The foreign-controlled company cannot transfer or let the property or use it for purposes other than those specified in the approval, or otherwise dispose of the property without prior clearance from BOI
- The foreign-controlled company shall not engage in property speculation

A non-citizen investor is not allowed to acquire property for:

- Residential purposes except if he is a holder of a Permanent Residence Permit
- Financial speculation
- Property speculation.

The immovable property, the right to immovable property or part of a building must be used exclusively for the business of that company and any of its related economic activity.

4.3 Residence Permit for Retired Non-Citizens

It is now possible for retired non-citizens to apply for a residence permit in Mauritius.

This permit, however, does not allow the holder to work.

4.4 Permanent Residence and Acquisition of Property for Individual Purposes

Non-citizens holding an Occupation Permit under the categories of **Investors** and **self-employed** only, may apply for Permanent Residence status **at the expiry** of their Occupation Permit. A permanent residence is valid for 10 years.

Holders of a permanent residence permit are eligible to acquire property for residential purposes.

Application is made through the Board of Investment.

Retired Non Citizens holding a Residence permit may also apply for Permanent Residence after three years.

A permanent residence is valid for 10 years.

4.5 Integrated Resort Scheme

Since August 2002, non-citizens are able to acquire immovable properties in Mauritius under the Integrated Resort Scheme. The Scheme provides for the sale of villas to non-citizens including land which should not be less than US\$ 500 000.

Upon acquisition of the villa the non-citizen will be granted a permanent Residence Permit which shall remain valid as long as the non-citizen holds the immovable property.

The owner of the villa may rent the property and the income derived therefore shall be liable to tax in Mauritius at the going rate which is presently 15%. The owner of the villa is allowed to resell the property with no minimum price requirement. On resale of the property a land transfer tax of US\$ 50 000 is payable by the vendor.

5. BANKING AND FINANCE

5.1 The banking system

The bank of Mauritius is the Central Bank and is the regulatory body of the banking system both on-shore and offshore. It implements the financial and monetary policies of government.

There are currently twenty banks carrying on business in Mauritius. A few are locally owned but the majority are incorporated overseas and includes such banks as Barclays, Hong Kong and Shanghai Banking Corporation.

Facilities provided include short-term finance in the form of overdrafts, terms loans, discounting of export bills, opening of letters of credit, etc...

5.2 The Development Bank

The Development Bank of Mauritius is a government institution providing assistance to manufacturing and industrial enterprises at concessionary rates of interests. The bank at times may also take a limited participation in equity. The Development Bank also owns and manages industrial estates.

5.3 Other Financial Institutions

Other financial institutions include the State Investment Corporation Ltd which manages the government's investment portfolio in the private sector and participates in the equity of new and existing enterprises and the Mauritius Leasing Company Limited which provides finance leases for the acquisition of plant and machinery.

5.4 The Stock Exchange

The Stock Exchange was established in Mauritius by the Stock Exchange Act 1988. It currently consists of an Official market and a second market, the Development & Enterprise Market (DEM). There are currently 40 companies listed on the official market and some fifty companies quoted on the Development and Enterprise Market.

To obtain a Listing on the official market, a company must be public, have a minimum capitalization of Rs. 20 million and have traded for at least five years. The percentage of shares held by the public must be at least 15% initially, 20% within three years and 25% within five years of listing; alternatively, at least 100,000 shares must be floated with a nominal value of at least Rs. 2 million. In either case, the company must have a minimum of 200 shareholders.

The Exchange is now open to foreign investors and non-citizens do not need approval to trade shares, unless investment is for the purpose of legal or management control or the holding of more than 15% in a sugar company.

6. THE FINANCIAL SERVICES SECTOR

Global activities in Mauritius are regulated by the Financial Services Development Act, 2007. The supervisory body is the Financial Services Commission which monitors the conduct of all global activities and issues licenses to all global companies.

The Financial Services Development Act provides for confidentiality of information on all matters concerning business activities and accordingly documents relating to global companies are not available for public inspection.

6.1 Global Companies (Category 1)

A Category 1 Global Business Licence Company, is governed by the Companies Act 2001, the Financial Services Development Act 2007, and the regulations made under these legislations.

The company may either be locally incorporated or be registered as a branch of a foreign company. A foreign company may also be redomiciled in Mauritius provided it is so authorized by the laws of the country where it was originally incorporated.

a) Same and except with the express approval of the Financial Services Commission a Category 1 Global Business Licence Company may not:-

- deal or transact business with residents of Mauritius.
- hold immovable property in Mauritius or any share, debenture or any interest in any domestic company.
- hold any account in a domestic bank and carry on dealings in Mauritian Rupees except for the purpose of its day to day transactions arising from its ordinary operations in Mauritius.

b) Category 1 Global Business Licence Companies may take advantage of benefits under Double Tax Treaties in force in Mauritius. To benefit under these Tax Treaties, however, the company must be resident for tax purposes. A company will be deemed to be resident in Mauritius if the central management and control is within Mauritius. The criteria generally applied for tax residence are:-

- Board meetings are regularly held in Mauritius
- There are resident directors who are capable of taking decisions on behalf of the company.
- The company has a registered office in Mauritius where all accounting and statutory records are kept.
- All banking transactions are channelled through bank accounts in Mauritius.
- The company has a local secretary and auditors.

c) *Tax Treatment and Exchange Control*

A Category 1 Global Business Licence Company is assessable to tax on its chargeable income at the rate of 15%. However, ample provisions are contained in the Income Tax (Foreign Tax Credit) Regulations of July 1996 for calculating net foreign source income and claiming foreign tax credits.

The present tax system does not impose any capital gains tax or withholding tax and there is complete exemption from stamp duty and similar duties and taxes.

Category 1 Global Business Licence Companies are not subject to any exchange control and money can be remitted and repatriated without any form of control.

d) *Incorporation and Licensing Procedures*

An application for a Category 1 Global licence must be made through a licenced offshore management company and involves three stages:-

(i) **Approval**

Application should be made on an acceptable form duly completed and signed and containing inter alia the following:

- a detailed business plan and the activities to be undertaken by the company
- bank reference on the beneficial owners
- track record of the beneficial owners and
 - a certificate from a law practitioner that the application complies with the laws of Mauritius.
- Proof of residence.

(ii) **Incorporation**

The main documents that are required for incorporation are:-

- A constitution
- Notice of first Directors, Secretary and location of registered office
- Consent forms of shareholders Directors and Secretary

(iii) **Licensing**

The Category 1 Global licence is issued upon acceptance of the proposed licensing conditions.

6.2 Global Companies (Category 2)

A Category 2 Global Business Licence Company is governed by the Financial Services Development Act, 2007 and the Companies Act 2001 and regulations made under them. It is a flexible business entity operating exclusively offshore. It is suited for holding and managing private assets or funds.

a) A Category 2 Global Business Licence Company allows for:

- one shareholder, one director company;
- corporate directors;
- par value and no-par value shares;
- multicurrency share capital;
- highly attractive incorporation and maintenance fees;
- other various features of modern company law;
- Hybrid companies which is a type of body corporate with limited liability having partnership characteristics.

b) A Category 2 Global Business Licence Company may not:

- raise capital by means of a public offer;
- carry on dealings in Mauritian Rupees;
- carry on any banking, insurance or reinsurance business;
- own any interest in real property in Mauritius;
- carry on the business of holding or managing a collective investment fund;
- take advantage under Double Tax Treaties in force in Mauritius.

- carry on the business of providing the registered office or nominee services for companies or trusteeship services.

c) Tax Treatment and Exchange Control

Category 2 Global Business Licence Companies are not liable to tax in Mauritius and are not subject to any form of exchange control.

d) Registered Agents and Registered Office

A Category 2 Global Business Licence Company must at all times have a Registered Office and a Registered Agent in Mauritius.

The Registered Agent must be a management company licensed under Section 23 of the Financial Services Development Act, 2007 or an offshore bank in Mauritius.

e) Incorporation Procedures

Subject to the requirements of the Financial Services Development Act, 2007, any person may singly or jointly with others, by subscribing to the Constitution incorporate a Global Business Company (Category 2). One of the subscribers, however, should be the Registered Agent.

Application should be made by completion of the relevant form together with the following:-

- a detailed business plan and the activities to be undertaken by the company
- bank reference on the beneficial owners
- track record of the beneficial owners and
- Proof of residential address in the form of utility bills, bank statements etc.

7. TAXATION

Tax on income in Mauritius is embodied in the Income Tax Act 1995.

7.1 Income Tax

7.1.1 Income Tax for Corporate bodies

Companies resident in Mauritius are liable to income tax on their world income.

A company is deemed to be resident in Mauritius if it is incorporated in Mauritius or has its central management and control in Mauritius .

Non-resident companies are liable to income tax only on income derived from Mauritius.

Income tax is assessable on a prior year basis and is payable on all income derived during the preceding year. The Income Tax year starts on 1 January of every year and change of accounting date is permissible on application to the Commissioner of Income Tax.

All companies are liable to tax on their chargeable income at a uniform rate of 15%.

7.1.2 Basis of assessment

Every company is liable to income tax on its chargeable income or net income which is the amount remaining after deduction from gross income all allowable deductions.

Capital gains are not chargeable to tax in Mauritius except gains on land parcelling.

Dividends paid by corporate entities are not an allowable deduction in the ascertainment of chargeable income and are not subject to any tax. Non-resident companies are liable to on all dividends received.

7.1.3 Allowable Deductions

Expenditure or loss are deductible from gross income to the extent to which it is exclusively incurred in the production of gross income.

Depreciation charged in accounts are added back to trading profit in the computation of chargeable income. Capital allowances are allowed on capital expenditure incurred. Rates which have been prescribed by the Mauritius Revenue Authority and are as follows :-

	Base Value	Cost
Acquisition, construction, or extension of		
(i) Industrial premises excluding hotels	-	5%
(ii) Commercial premises	-	5%
Hotels	30%	-
Plant and Machinery	Costing Rs 30,000 or less	100%
	Ship and aircrafts	20%
	Aircrafts and aircrafts simulators lease by a company engaged in aircraft leasing	-
	Furniture and fittings	20%
	Motor vehicles	25%
	Electronic and high precision machinery or equipment, computer hardware and peripherals and computer hardware	50%
	Other	35%
Agricultural improvement on agricultural land	25%	-
Scientific research	25%	-
Golf courses	15%	-
Acquisition or improvement of any other item of a capital nature which is subject to depreciation under the normal accounting principles	-	5%

Losses incurred can be carried forward for set-off against future profits for a maximum period of 5 years.

A system of Advanced Payment System (APS) for companies have been introduced in the 2007 budget but the modus operandi has still to be finalized by the Mauritius Revenue Authority.

7.1.4 Partnerships

A partnership is considered as a separate legal entity under Mauritian law.

For income tax purposes, however, profits of partnerships are deemed to have been distributed to the partners and the partners are personally liable to tax on their respective share of profits.

A non-resident partnership, that is a partnership registered outside Mauritius is assessed as a non-resident company.

7.1.5 Trusts

Trusts are treated as corporate entities and liable to tax on its chargeable income. The current tax rate for trusts is 15%.

Distribution to beneficiaries is not treated as an allowable deduction of the trust income.

Unit trusts

Trustees of a unit trust are liable to tax on their chargeable income at the rate of 15%.

Gains derived by the trusts on realisation of any investments shall not be deemed to be income provided that at least 70% of the gains is not distributed as income to the unitholders, is appropriated to meet realised losses or applied towards a capital purpose only.

Distribution to a unitholder out of the net income derived by the trustee is considered to be a dividend to a shareholder and exempt from income tax.

7.1.6 Personal Taxation

An individual like a company is liable to Mauritian income tax on his world income if he is resident except for earned income which is liable to tax to the extent to which it is remitted.

Non-residents will generally be liable to tax only on income derived from Mauritius.

An individual is regarded as resident in Mauritius if he has been present in Mauritius:-

- (i) in an income year for a period of, or an aggregate period of 183 days or more or
- (ii) in an income year and the two preceding income years for an aggregate period of 270 days or more.

Married women are considered as feme sole and taxed separately on all their income.

Relief is obtained for any tax paid on such income.

Income from emoluments are subject to PAYE and all employees are required to complete

an EDF form (Employees Deduction Form) for submission to their employers who is responsible for ascertainment of PAYE and deduction from the salaries of their employees.

Employees who fail to submit an EDF form an amount equivalent to 15% of their gross salary is retained as PAYE.

Individuals deriving income from trade, business, professional activities, rent and partnership are subject to Current Payment System (CPS) whereby a return has to be submitted every quarter and the relevant amount of tax paid.

The due date for submission of CPS returns and payment of tax is three months from the end of the first quarter. Three months from the end of the year, i.e. 30 September, a final return giving particulars of the annual income has to be submitted. Taxes paid under PAYE and CPS during the year are accounted and any difference has to be paid or any excess claimed back.

7.2 Value Added Tax

Value Added Tax (VAT) is chargeable on all goods and services (other than exempt goods and services) provided by a taxable person in the course of or furtherance of any business carried on by him.

A person is required to register for VAT purposes if his taxable supplies exceed Rs 2.0 million in any one year.

7.2.1 Input/ Output Tax

The principle underlying Value Added Tax is that the supplier of the service or goods charges VAT at the prescribed rate (which is presently 15%) and recovers all VAT suffered on all its inputs. The difference is paid over to the Mauritius Revenue Authority.

All VAT paid including capital goods, consumable, electricity, rent, telephone etc can be recovered except for the following:-

- Motor cars and motor vehicles with seating capacity of not more than 9.
- Accommodation or lodging, catering services, receptions, entertainment and the rental or lease of motor cars.
- Maintenance or repairs of motor-cars
- Petroleum oil or petroleum gas

Buildings other than residential building are liable to VAT. However, VAT paid on office or industrial buildings may be claimed by a Registered person. Where credit is taken and is used for less than 20 years, a proportionate amount of the input tax claimed should be paid back.

7.2.2 VAT Invoices

Every Registered person who makes a taxable supply to another Registered person should issue a VAT INVOICE in respect of that supply. The Vat invoice should among other things specify the VAT invoice number of the purchaser.

7.2.3 Returns

All Registered persons are required to submit at the end of every taxable period a return to the MRA specifying among other things the following:-

- the amount of output tax payable
- the amount of input tax allowable
- the value of all taxable supplies made by him.

Registered persons whose turnover exceeds Rs 10 million per annum should submit a VAT return monthly. In any other case the VAT return should be submitted quarterly.

Returns are due 20 days after the prescribed period.

7.2.4 Repayments and Excess Payments

Where the amount of any input tax exceeds the amount of output tax, the excess is carried forward to the next period.

Repayments will be made only in the following cases:-

- Excess VAT input arises on purchase of capital items and is in excess of Rs 150 000.
- The Registered Person is engaged in exports of goods and services.
- The supplies consist of wholly or mainly zero-rated supplies.

7.2.5 Exempt and Zero Rated Persons

There is a notable difference between exempt and zero-rated supplies.

The first schedule of the VAT Act provides a list of all goods and services which are exempt. For these categories, no VAT is charged on supplies but the person cannot recover input tax suffered on purchases and overhead costs - because the business is considered to be outside the scope of VAT.

The following are considered to be ZERO-RATED for VAT purposes:

1. Goods exported under Customs Control
2. Supply of goods made by an operator of a duty free shop
3. Supply of goods by an operator of a duty free shop to visitors at the port or airport
4. Supply of goods or services to a licensee in the freeport zone.

ZERO-RATED persons do not charge VAT on their sales but the person may obtain a refund of VAT suffered on input costs to the business.

7.2.6 Partially Exempt Trades

Where a business deals partially in taxable supplies and partly in exempt supplies, its right to claim input tax is restricted. The percentage of input tax is restricted.

The percentage of input tax in such circumstances will depend on the proportion of taxable supplies to total turnover as follow:-

<u>Proportion of taxable supplies to total turnover</u>	<u>% of input tax claimable</u>
9/10 or more	100
7/10 - 9/10	80
3/10 - 7/10	50
Less than 3/10	NIL

8.0 ABOUT DE CHAZAL & ASSOCIATES

DE CHAZAL & ASSOCIATES was founded some twenty five years ago by Virrsing RAMDENY, F.C.C.A who is now the Managing Partner and the Chief Executive.

The firm has experienced a lot of success since its creation and with its highly motivated team is in a unique position to provide professional services of the highest standard to its clients both locally and overseas.

If you would like more information or have specific business requirements, please contact:-

V. RAMDENY, F.C.C.A

or

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