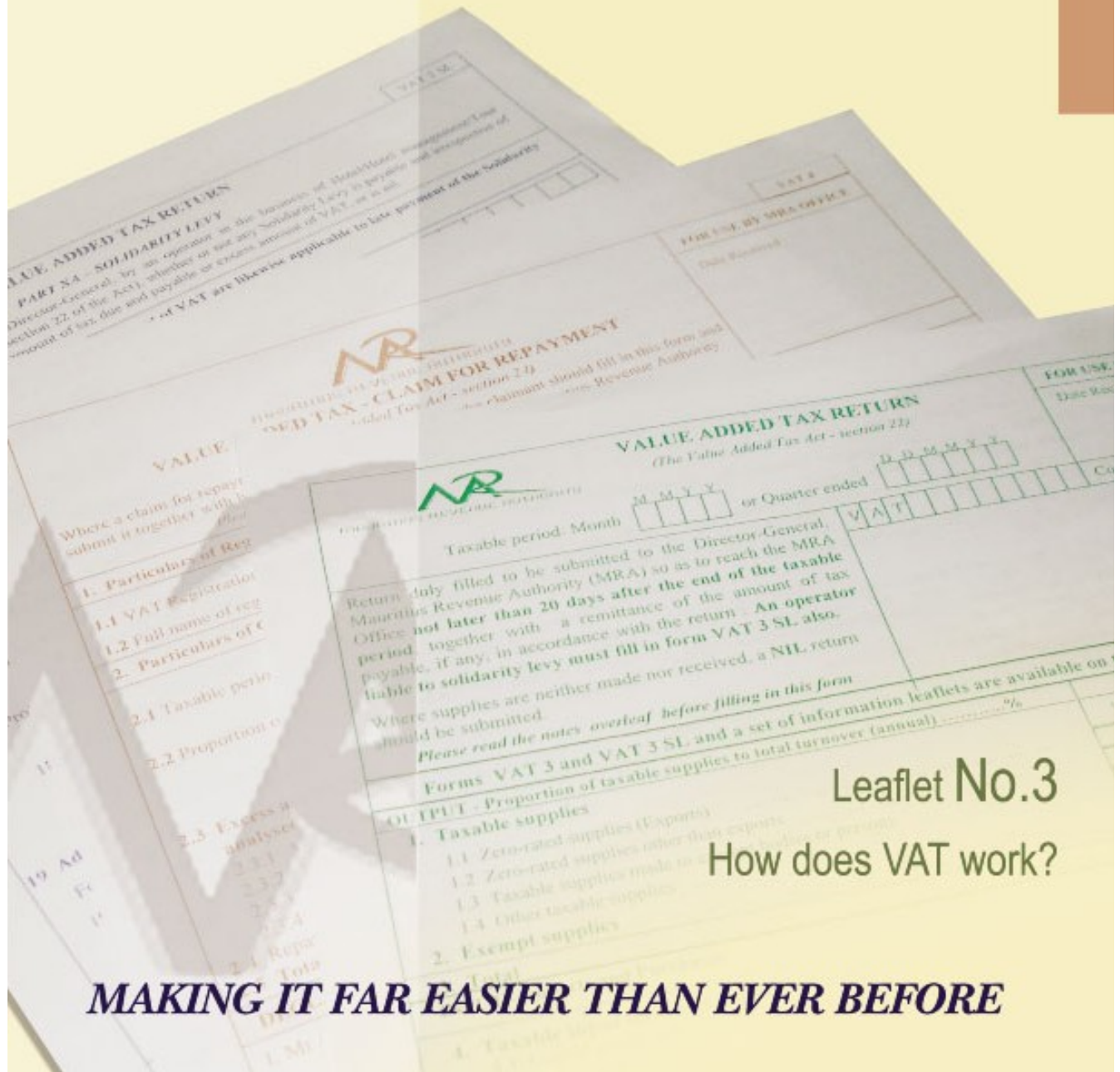




# VALUE ADDED TAX GUIDE



Leaflet No.3

How does VAT work?

**MAKING IT FAR EASIER THAN EVER BEFORE**

# CONTENTS

PAGE

## **FOREWORD**

How does VAT work ?	1
<b>1</b> What is Value Added Tax ?	2
<b>2</b> How does the VAT system operate?	
<b>3</b> What is the meaning of 'business' ?	3
<b>4</b> When does a supply take place ?	
<b>5</b> What is a taxable supply ?	
<b>6</b> What is an exempt supply ?	
<b>7</b> Who is a taxable person ?	
<b>8</b> Which supplies are zero-rated ?	
<b>9</b> When is VAT chargeable on a supply?	4
<b>10</b> Who is required to be registered for VAT ?	
<b>11</b> How is the turnover of taxable supplies calculated ?	7
<b>12</b> Can a person who is not engaged in any of the specified businesses or professions and whose turnover of taxable supplies does not exceed the specified limits be registered for VAT ?	
<b>13</b> Can a person be registered if his supplies are exempt or zero-rated ?	
<b>14</b> How does a person become VAT registered ?	8
<b>15</b> What about VAT returns ?	
<b>16</b> When does a person start to charge VAT ?	9





# MAURITIUS REVENUE AUTHORITY

**ADDED TAX RETURNS**  
**SOLIDARITY LEVY**  
General, by an operator in the business of Wholesale management/haulage, by the ACS, whether or not any Solidarity Levy is payable and irrespective of the amount of VAT, or is nil.  
\* If VAT are likewise applicable to late payment of the Solidarity Levy

**MAURITIUS REVENUE AUTHORITY**  
**ADDED TAX - CLAIM FOR REPAYMENT**  
(Added Tax Act - section 24)  
The claimant should fill in this form and submit it to the Revenue Authority

**MAURITIUS REVENUE AUTHORITY**  
**VALUE ADDED TAX RETURN**  
(The Value Added Tax Act - section 27)

Taxable period: Month     or Quarter ended

Return duly filled to be submitted to the Director-General, Mauritius Revenue Authority (MRA) so as to reach the MRA Office **not later than 20 days after the end of the taxable period**, together with a remittance of the amount of tax payable, if any, in accordance with the return. An operator liable to solidarity levy must fill in form VAT 3 SL also.

Where supplies are neither made nor received, a NIL return should be submitted.  
*Please read the notes overleaf before filling in this form*

Forms VAT 3 and VAT 3 SL and a set of information leaflets are available on the website

**OUTPUT - Proportion of taxable supplies to total turnover (annual) .....%**

	VALUE	A
1. Taxable supplies		
1.1 Zero-rated supplies (Exports)		
1.2 Zero-rated supplies other than exports		
1.3 Taxable supplies made to exempt bodies or persons		
1.4 Other taxable supplies		
2. Exempt supplies		
3. Total		
INPUT - Imports and Purchases		
4. Taxable input on which input tax is allowed as a credit		
4.1 Capital goods imported		
4.2 Other imports		

1. Particulars of Reg  
1.1 VAT Registration  
1.2 Full name of reg  
2. Particulars of C  
2.1 Taxable perio  
2.2 Proportion o  
2.3 Excess a  
analyse  
2.3.1 A  
2.3.2  
2.3.3  
2.3.4  
2.4 Repe  
2.5 Tot  
DECL  
I. Mr/

**How does VAT work?  
VAT Information  
Leaflet No. 3**

**1. FOREWORD**

This leaflet is an introduction to the Value Added Tax (VAT) system in Mauritius. It explains the basic concepts, the scope and the mechanism of VAT. It is intended to assist those engaged in trade, business and professions to have a better understanding of the various aspects of VAT. This leaflet is for information only. For the legal provisions, you may consult the Value Added Tax legislation.

The law relating to VAT is contained in the Value Added Tax Act and the Value Added Tax Regulations 1998 as subsequently amended.

**Further information may be obtained from,  
The Service Counter  
Mauritius Revenue Authority,  
Ground Floor, Efram Court,  
Cnr Mgr. Gonin & Sir V. Naz Streets,  
Port Louis.**

**Tel: 207 6000 Fax: 211 8099  
HOTLINE: 207 6010  
E-mail: [headoffice@mra.mu](mailto:headoffice@mra.mu)  
Website: <http://mra.gov.mu>**



MAURITIUS REVENUE AUTHORITY

## How does VAT work?

### 1. What is Value Added Tax ?

Value Added Tax (VAT) is a tax on goods and services. It is chargeable on all taxable supplies of goods and services made in Mauritius by a taxable person in the course or furtherance of any business carried on by him. VAT is also payable on the importation of taxable goods into Mauritius, irrespective of whether the importer is a taxable person or not. The rate of VAT is 15 per cent, with effect from 1 July 2002 on taxable supplies other than zero-rated supplies.

### 2. How does the VAT system operate ?

If a person is in business, as soon as the turnover of his taxable supplies exceeds the prescribed limits [see paragraph 10(a)], he becomes a taxable person.

However, if he is engaged in a specified business or profession [see paragraph 10(b)], he is a taxable person irrespective of the turnover of his taxable supplies.

As a taxable person, he is required to be registered for VAT.

Once a person is registered for VAT, he charges VAT on all the taxable supplies made to his customers. This is his output tax. Similarly, the VAT registered person will be claimed VAT on the taxable goods and services supplied to him by his VAT registered suppliers. This is his input tax.

Every month or every quarter in case his annual turnover of taxable supplies does not exceed Rs 10 million and he has not elected to submit monthly returns, the VAT registered person fills in a VAT return in which he subtracts the input tax allowable (See **VAT Information Leaflet No 7**) from the output tax and pays the balance to the Mauritius Revenue Authority. If the input tax is more than the output tax, the excess amount may be carried forward as a credit to his next return or may be repaid in certain circumstances (See **VAT Information Leaflet No 8**).



MAURITIUS REVENUE AUTHORITY

### 3. What is the meaning of 'business' ?

For VAT purposes, **business** has a very wide meaning and includes activities carried on by a person, whether or not for gains or profits.

As a general rule, business in the context of VAT means the carrying on of any trade, commerce or manufacture, profession, vocation or occupation and includes the provision of facilities by clubs, associations or other organisations which charge admission fees.

### 4. When does a supply take place ?

A supply of goods takes place when they are transferred generally for a consideration, in money or money's worth. Goods may be supplied on sale, including credit sale, on hire purchase or on rental. Services are supplied when they are performed for a consideration.

### 5. What is a taxable supply ?

A taxable supply is a supply of goods, or a supply of services which are performed or utilised, in Mauritius and which is subject to VAT. A taxable supply includes a supply which is zero-rated, but it does not include an exempt supply.

### 6. What is an exempt supply ?

An exempt supply is a supply of goods or services which are specifically exempted from the payment of VAT (**See VAT Information Leaflet No.1**). A person who makes only exempt supplies cannot register for VAT.

### 7. Who is a taxable person ?

A taxable person is a person who is registered for VAT or a person who is required to be registered, but has not taken the necessary steps to register.

### 8. Which supplies are zero-rated ?

In general, all goods or services which are exported are zero-rated.



MAURITIUS REVENUE AUTHORITY

In addition, certain goods and services which are supplied on the local market are zero-rated. (See VAT Information Leaflet No 4).

### 9. When is VAT chargeable on a supply?

VAT is chargeable on the supply of goods or services at a definite time, called the time of supply. This time of supply becomes the tax point and the supply must be accounted for by reference to that point in time.

For any supply of goods or services in Mauritius, the time of supply is deemed to be the earlier of -

- (a) the time an invoice or a VAT invoice in respect of that supply is issued by the supplier; or
- (b) the time payment for that supply is received by him.

Where services are supplied for a continuous period under any enactment or agreement which provides for periodic payments, the services are treated as successively supplied for the relevant parts of the period. Each successive supply is deemed to take place at the earlier of the time the supply is invoiced by the supplier or the time payment for the supply is received.

Where a taxable supply is made under a hire purchase agreement, the supply is deemed to take place at the time the agreement is made.

In the case of a lease agreement, the supply is deemed to take place at the earlier of the time the supply is invoiced by the supplier or the time payment for the supply is received.

### 10. Who is required to be registered for VAT ?

A person has to apply for compulsory registration in any of the following circumstances -

- (a) If in the course or furtherance of his business his annual turnover of taxable supplies (See paragraph 11 ) exceeds or is likely to exceed 2 million rupees



(b) His annual turnover does not exceed 2 million rupees, but he is engaged in any of the businesses and professions mentioned below -

- Accountant and or auditor	- Engineer
- Advertising agent	- Estate agent
- Adviser including investment adviser and tax adviser	- Land surveyor - Marine surveyor
- Architect	- Motor surveyor
- Attorney and or solicitor	- Notary
- Barrister having more than 2 years standing at the Bar	- Optician
- Clearing and forwarding agent under the Customs Act	- Project manager - Property valuer
- Consultant including legal consultant, tax consultant, management consultant and management company other than a holder of a management licence under the Financial Services Development Act 2001	- Quantity surveyor - Sworn auctioneer - General Sales agent of airlines - Dealers registered with the Assay office under the Jewellery Act
- Customs house broker under the Customs Act	

(c) He is engaged in any of the businesses specified below, irrespective of the turnover of his taxable supplies-

1. Banking services provided as follows:

(a) services by a bank holding a banking licence under the Banking Act 2004 in respect of its banking transactions with non-residents and corporations holding a Global Business Licence under the Financial Services Development Act 2001

(b) services in respect of safe deposit lockers, issue and renewal of credit cards and debit cards; and



MAURITIUS REVENUE AUTHORITY

(c) services for keeping and maintaining customers' accounts (other than transactions involving the primary dealer system);

(d) services provided to merchants accepting a credit card or debit card as payment for the supply of goods or services (merchant's discount);

(e) Other taxable supplies, irrespective of the amount of the turnover.

2. (a) Insurance agent under the Insurance Act except the business in respect of contracts of life insurance entered into prior to 10 January 2003.

(b) Insurance broker under the Insurance Act except the business in respect of contracts of life insurance entered into prior to 1 October 2003.

3. Management services by a holder of a management licence under the Financial Services Development Act 2001 in respect of services supplied other than those supplied to corporations holding a Category 1 Global Business Licence or a Category 2 Global Business Licence under that Act.

4. Services in respect of credit cards issued by companies other than banks to merchants accepting such cards as payment for the supply of goods and services.

**Note:** For the purpose of item 2(a) above no adjustment or refund shall be allowed in respect of the period prior to 1 September 2003.

A person who, in addition to his employment, is engaged in any of the businesses or professions specified in paragraph 10 (b) above must also register for VAT.

Once a person is registered for VAT, his registration will cover all the business activities at all his places of business in Mauritius (including Rodrigues).



MAURITIUS REVENUE AUTHORITY

**11. How is the turnover of taxable supplies calculated?**

In order to calculate the turnover of his taxable supplies, a person has to add the value of all taxable supplies he makes at all his places of business in Mauritius (including Rodrigues), including the value of the zero-rated supplies. However, he should exclude the value of capital goods disposed of and that of exempt supplies. Disbursements on behalf of customers should also be excluded.

**12. Can a person who is not engaged in any of the specified businesses/professions or whose turnover of taxable supplies does not exceed the specified limits be registered for VAT?**

Yes. The person may apply for voluntary registration.

He will be registered if he satisfies the Director-General that -

(a) he currently keeps and maintains a proper record of his business;

(b) he has kept and maintained a proper record of his business for a period of at least one year preceding the year in which the application for registration is made; and

(c) he has been discharging his obligations under the revenue laws.

**13. Can a person be registered if his supplies are exempt or zero-rated ?**

If a person in business makes exclusively exempt supplies, he cannot be registered for VAT.

Where he makes both taxable and exempt supplies and the turnover of his taxable supplies exceeds the prescribed limits or he is engaged in any of the specified businesses or professions [see paragraph 10(b) & (c) ], he is required to be registered for VAT.

However a person who makes exclusively zero-rated supplies or zero-rated and exempt supplies may choose not to register although the value of the zero-rated supplies exceeds the prescribed limits.



In case he makes zero-rated supplies and he registers for VAT, he will be able to obtain a repayment of the input tax suffered.

#### 14. How does a person become VAT registered ?

If a person is required to be registered for VAT or if he wishes to apply for voluntary registration, he must obtain from the **Operational Services Department, Mauritius Revenue Authority, Efram Court, Cnr Mgr. Gonin & Sir V. Naz Streets, Port Louis** the appropriate Application for Registration Form as follows-

Form VAT1 - applicable to a person whose turnover exceeds the prescribed limits or who wishes to apply for voluntary registration.

Form VAT1A - applicable to a person whose turnover does not exceed the prescribed limits but who is engaged in any business or profession mentioned in **paragraph 10(b)**.

Form VAT1B - applicable to a person engaged in any business mentioned in **paragraph 10(c)**.

The person must then fill in the form and send it with all the required information to the Mauritius Revenue Authority.

Where the Director-General is satisfied that the person is required to be registered or may be registered voluntarily, a Certificate of Registration will be issued to him.

#### 15. What about VAT returns ?

If a person is registered for VAT, the Mauritius Revenue Authority will issue to him at regular intervals an appropriate number of return forms [**Form VAT 3**] which include notes explaining how to fill them. Labels showing the name, address and VAT Registration Number of the registered person will also be provided.



MAURITIUS REVENUE AUTHORITY

The taxpayer must place the sticker in the space provided and insert the taxable period in the appropriate box. The return must reach the **Operational Services Department, Mauritius Revenue Authority, Efram Court, Cnr Mgr. Gonin & Sir V. Naz Streets, Port Louis**, on the due date which is 20 days from the end of the taxable period to which the return relates.

**16. When does a person start to charge VAT ?**

A person is authorised to charge VAT as from the date of registration shown on the Certificate of Registration.







MAURITIUS REVENUE AUTHORITY

Tel: 207 6000 Fax: 211 8099 Hotline: 207 6010

Email: [headoffice@mra.mu](mailto:headoffice@mra.mu)

Website: <http://mra.gov.mu>

