



The Statement of Practice (SP2/09) – Claim for Foreign Tax Credit

PricewaterhouseCoopers Comments

Although The Income Tax (Foreign Tax Credit) Regulations 1996 requires written evidence in respect of FTC, the current practice is that no documents are filed with the submission of the tax return. SP2/09 therefore diverts from the current practice and enforces the ITR96 requirements. However, this is likely to cause a number of practical issues as companies may face significant delays in receiving these official receipts.

Based on the current laws and regulations, it is questionable whether the MRA may enforce such disclosure requirements in the financial statements.

SP2/09 introduces new reporting/disclosure requirements and claw-back provisions. The Mauritius Revenue Authority ('MRA') proposes the following:

- Where Foreign Tax Credit ('FTC') is claimed and the foreign tax has already been paid, an official receipt and other documentary evidence should be submitted;
- Where FTC is claimed and the foreign tax has not yet been paid, a note to this effect should be made in the company's financial statements;
- Where a tax return is submitted electronically, official receipts and other relevant documentary evidence should be available upon request;
- Where FTC is claimed and no payment is involved (e.g tax sparing credit), full details of the claim and relevant documents should be submitted;
- Where FTC has been claimed and the foreign tax is not paid within two years from the date of the claim, then such credit shall be clawed back and treated as additional tax in the year the claw-back is made. The company shall be responsible to pay this additional tax and any failure to do so would result in penalties as prescribed under the Income Tax Act; and
- In the case of the global business sector, claims for FTC shall continue to be made on the basis of the total tax liability for that year of assessment.

Summary of New Procedures

Scenario	Outcome
FTC - Foreign tax paid	Documentary evidence to be submitted
FTC - Foreign tax not paid	Note to the financial statements required
FTC - No payment of tax involved	Full details and documentary evidence to be submitted
FTC - Global business companies	No changes to the 80% presumed FTC method
Claw-back provision	Foreign tax credit to be treated as additional tax. Penalties applicable

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