

Issuance of automatic tax claim by the MRA

A company is under obligation to file a return of income not later than 6 months from the end of its accounting period.

In case of non-submission of annual income tax returns by companies, the MRA would proceed with the issuance of Automatic Tax Claim under Section 122B of the Income Tax Act ("ITA") as from April 2017.

The claims will in the first instance be issued for the year of assessment ("YOA") 2014 (i.e. income year 01 January 2013 to 31 December 2013).

The MRA has decided to apply Section 122B of the ITA as a coercive measure to force non-compliant companies to submit their outstanding annual income tax returns.

Section 122B of the ITA

Section 122B of the ITA has been introduced in the Finance Act 2002 and is effective as from the YOA 2002-2003. It allows the MRA to apply an automatic tax claim in case of non-submission of returns by both companies and individuals.

Where a company has failed to submit its income tax return for a YOA, the MRA may automatically issue a tax claim to the company for that YOA specifying the income tax payable. The amount claimed is payable within 28 days of the date of issue of the claim.

The claim will automatically lapse if the company proceeds as follows within 28 days of the date of issue of the claim :

- Give written notice of disagreement regarding the tax amount claimed; and
- Submit income tax return for the relevant YOA along with the payment of the income tax (as per income tax return submitted) and applicable penalties.

In case a company takes no action within 28 days of the date of issue of the claim, the MRA may enforce payment of the tax claimed and institute legal proceedings for failure to submit the income tax return.



Contact Us

Wasoudeo Balloo

Tax Partner

T: 406 9891

E: wballoo@kpmg.mu

Bobby Yerkih

Director, Tax

T: 406 9768

E: byerkih@kpmg.mu

Aveenash Ramtohul

Senior Manager

T: 406 9892

E: aramtohul@kpmg.mu

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This document is based on our interpretation of the current income tax law and international tax principles. These principles are subject to change occasioned by future legislative amendments and court decisions. You are therefore cautioned to keep abreast of such developments and are most welcome to consult us for this purpose.

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