

# NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED 30 JUNE 2020

### 11 TAXATION

Income tax is calculated on the profit for the year as adjusted for income tax for the Bank purposes as follows:

- up to MUR 1.5bn - 5%
- over to MUR 1.5bn - 15%

However, taxable income above MUR 1.5bn may be subject to graduated tax rate provided as per table below:

- the taxable income of current year exceeds MUR 1.5bn;
- the taxable income of base year exceeds MUR 1.5bn;
- the current year's taxable income exceeds that of its base year; and
- the bank satisfies prescribed conditions.

Taxable income	Rate of income tax
Up to MUR 1.5bn	5%
Exceeding MUR 1.5bn up to amount equivalent to the taxable income of the base year	15%
Amount exceeding taxable income of base year	5%

As per Income tax Act, 'base year' refer to taxable profit of year of assessment 2017/18, that is, financial year ended 30 June 2017. The bank has complied with the prescribed conditions for the year under review and has applied the graduated tax rate.

The Bank is being subject to tax review for the year of assessment 2014 and 2015 and the tax assessment is still ongoing with the regulators.

The income tax rate applicable for 2019 and 2018 was 15%.

Up to 30 June 2019, the Bank, was entitled to a tax credit equivalent to 80% of Mauritius tax payable in respect of its foreign source income (Segment B) thus reducing its maximum effective tax rate on segment B to 3%.

Income tax of the subsidiaries is calculated at the rate of 15% (2019 and 2018: 15%)

#### Corporate Social Responsibility fund

The Corporate Social Responsibility ('CSR') was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its chargeable income under Segment A ('Resident') of the preceding financial year to Government-approved CSR projects. Where the amount paid out of the CSR fund is less than the amount provided under the fund, the difference shall be remitted to the Mauritius Revenue Authority at the time of submission of the income tax return on the year under review.

#### Special levy

Special levy on banks was amended under the Finance Act 2018 and 2019 and is now governed under the VAT Act. Every bank shall in every year be liable to pay the taxation authorities a special levy calculated at 5.5% where leviable income is less than or equal to MUR 1.2bn or at 4.5% where leviable income is greater than MUR 1.2bn. Leviable income applies to banking transactions of Segment A and is defined as the sum of net interest income and other income before deduction of expenses as per VAT act.

As from 30 June 2019, special levy has been reclassified under other operating expenses. (Note 10).

Up to 30 June 2018, special levy was calculated at (a) 10% on chargeable income for Segment A ('Resident'); and (b) 3.4% of its book profit and 1% of its operating income for Segment B, derived during the previous year. Operating income means the sum of net interest income and other income before deducting non-interest expense.

Total tax paid (including levy, APS ,CSR and tax assessment review) during the year ended 30 June 2020 was MUR 328.6m (2019: MUR 96.3m, 2018: MUR 230.5m).

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

### 11 TAXATION (CONTINUED)

#### 11(a) Statements of financial position

	THE GROUP			THE BANK		
	2020	2019	2018	2020	2019	2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Corporate tax liability:						
Provision for the year	139,890	170,618	84,815	139,890	170,618	79,318
Overprovision in income tax in previous years	-	-	442	-	-	-
Tax paid under advance payment scheme	(128,282)	(63,408)	(93,800)	(128,282)	(59,312)	(91,054)
	11,608	107,210	(8,543)	11,608	111,306	(11,736)
CSR liability	2,010	1,040	1,754	2,010	810	1,448
Special levy	-	-	41,569	-	-	41,569
<b>Current tax liabilities</b>	<b>13,618</b>	<b>108,250</b>	<b>34,780</b>	<b>13,618</b>	<b>112,116</b>	<b>31,281</b>
<b>Analysed as follows:</b>						
Current tax liabilities	13,618	112,116	34,780	13,618	112,116	31,281
Current tax assets (included in other assets Note 22)	-	(3,866)	-	-	-	-
	13,618	108,250	34,780	13,618	112,116	31,281

#### 11(b) Statements of profit or loss and other comprehensive income

The components of income tax expense for the years ended 30 June 2020, 2019 and 2018 are as follows:

	THE GROUP			THE BANK		
	2020	2019	2018	2020	2019	2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Current income tax	139,890	170,618	84,815	139,890	170,618	79,318
Overprovision in income tax in previous years	425	(1,053)	225	425	(311)	(850)
Amount paid under tax assessment review	10,176	-	-	10,176	-	-
Withholding tax	2,541	431	3,190	2,541	431	3,191
CSR expense	15,856	7,199	12,316	15,856	6,469	11,582
Special levy	-	-	41,569	-	-	41,569
Overprovision in deferred tax in previous years	(394)	34	(2,767)	(393)	31	(2,570)
Deferred tax movement (Note 11(d))	(21,180)	61,597	8,767	(21,724)	61,981	8,984
<b>Tax expense for the year</b>	<b>147,314</b>	<b>238,826</b>	<b>148,115</b>	<b>146,771</b>	<b>239,219</b>	<b>141,224</b>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

## 11 TAXATION (CONTINUED)

### 11(c) Reconciliation of the total tax expense

A reconciliation between the tax expense and the accounting profit multiplied by the tax rate for the years ended 30 June 2020, 2019 and 2018 is as follows:

	THE GROUP			THE BANK		
	2020	2019	2018	2020	2019	2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
<b>Accounting profit before tax</b>	<b>1,690,310</b>	1,866,798	910,977	<b>1,668,326</b>	1,824,002	907,678
Taxed at 7% (2019: 17% and 2018: 17%)	<b>118,322</b>	317,356	154,866	<b>116,783</b>	310,080	154,305
Deemed credit on Segment B profits	-	(247,039)	(142,555)	-	(247,039)	(142,555)
Over provision of deferred tax asset in prior years	<b>(394)</b>	34	(2,767)	<b>(393)</b>	31	(2,570)
Overprovision in income tax in previous years	<b>425</b>	(1,053)	225	<b>425</b>	(311)	(850)
Amount paid under tax assessment review	<b>10,176</b>	-	-	<b>10,176</b>	-	-
Non deductible expenses	<b>13,426</b>	57,753	10,252	<b>11,579</b>	63,658	1,666
Bad debt written off subject to tax	<b>8,710</b>	31,368	163,147	<b>8,710</b>	31,368	164,499
Non taxable income	<b>(6,470)</b>	(9,875)	(2,796)	<b>(3,628)</b>	(6,442)	(1,015)
Withholding tax	<b>2,541</b>	431	3,190	<b>2,541</b>	431	3,191
CSR adjustment	<b>(6,414)</b>	(8,521)	5,080	<b>(6,437)</b>	(9,333)	5,080
Tax rate differential	<b>6,992</b>	98,372	(82,096)	<b>7,015</b>	96,776	(82,096)
Special levy	-	-	41,569	-	-	41,569
<b>Tax expense</b>	<b>147,314</b>	238,826	148,115	<b>146,771</b>	239,219	141,224

The applicable tax rate used for the above is on the basis that the majority of taxable income is being taxed at income tax rate of 5%.

Prior to 30 June 2020, deferred tax was calculated on all temporary differences under the liability method at the rate of 17% for Segment A and 3% for Segment B. Following the enactment of the new tax rates in August 2018, deferred tax is calculated at the rate of 7% for Segment A and 5% for Segment B.

### 11(d) Deferred tax

	THE GROUP			THE BANK		
	2020	2019	2018	2020	2019	2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July	<b>(101,664)</b>	(141,747)	(146,928)	<b>(100,953)</b>	(141,462)	(147,057)
Effect of adoption of IFRS 9	-	(21,122)	-	-	(21,122)	-
At 1 July	<b>(101,664)</b>	(162,869)	(146,928)	<b>(100,953)</b>	(162,584)	(147,057)
<u>Charge to profit or loss:</u>						
Overprovision in deferred tax in previous years (Note 11 (b))	<b>(394)</b>	34	(2,767)	<b>(393)</b>	31	(2,570)
Movement for the year	<b>(21,180)</b>	61,597	8,767	<b>(21,724)</b>	61,981	8,984
<u>Charge to other comprehensive income:</u>						
Movement for the year	<b>(1,268)</b>	(426)	(819)	<b>(1,318)</b>	(381)	(819)
<b>At 30 June</b>	<b>(124,506)</b>	(101,664)	(141,747)	<b>(124,388)</b>	(100,953)	(141,462)
<b>Analysed as follows:</b>						
Deferred tax liabilities	-	-	-	-	-	-
Deferred tax assets	<b>(124,506)</b>	(101,664)	(141,747)	<b>(124,388)</b>	(100,953)	(141,462)
<b>Deferred tax liabilities</b>	<b>(124,506)</b>	(101,664)	(141,747)	<b>(124,388)</b>	(100,953)	(141,462)

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

- 11 TAXATION (CONTINUED)  
11(d) Deferred tax (Continued)

### THE GROUP

	At 1 July 2018	Charge/ (credit) to profit or loss	Charge/ (credit) to OCI	At 30 June 2018	Charge to retained earnings	Charge/ (credit) to profit or loss	Charge/ (credit) to OCI	At 30 June 2019	Charge/ (credit) to profit or loss	Charge/ (credit) to OCI	At 30 June 2020
MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
	(144,755)	2,737	-	(142,018)	(18,096)	53,852	-	(106,262)	(24,834)	-	(131,096)
	-	(285)	-	(285)	-	(253)	-	(538)	(31)	-	(569)
	(10,994)	(408)	-	(11,402)	(3,026)	8,438	-	(5,990)	5,017	-	(973)
	(1,817)	(303)	(819)	(2,939)	-	(480)	(426)	(3,845)	(293)	(1,268)	(5,406)
	(157,566)	1,741	(819)	(156,644)	(21,122)	61,557	(426)	(116,635)	(20,141)	(1,268)	(138,044)
	10,638	4,259	-	14,897	-	74	-	14,971	(1,433)	-	13,538
	(146,928)	6,000	(819)	(141,747)	(21,122)	61,631	(426)	(101,664)	(21,574)	(1,268)	(124,506)

#### Deferred tax assets

Impairment losses on loans and advances to banks and customers  
Other temporary differences  
Impairment loss on bond and other financial assets  
Retirement benefit obligations

#### Deferred tax liability

Accelerated capital allowances

### THE BANK

	At 1 July 2018	Charge/ (credit) to profit or loss	Charge/ (credit) to OCI	At 30 June 2018	Charge to retained earnings	Charge/ (credit) to profit or loss	Charge/ (credit) to OCI	At 30 June 2019	Charge/ (credit) to profit or loss	Charge/ (credit) to OCI	At 30 June 2020
MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
	(144,755)	2,737	-	(142,018)	(18,096)	53,852	-	(106,262)	(24,834)	-	(131,096)
	(10,994)	(408)	-	(11,402)	(3,026)	8,438	-	(5,990)	5,017	-	(973)
	(1,817)	(303)	(819)	(2,939)	-	(392)	(381)	(3,712)	(867)	(1,318)	(5,897)
	(157,566)	2,026	(819)	(156,359)	(21,122)	61,898	(381)	(115,964)	(20,684)	(1,318)	(137,966)
	10,509	4,388	-	14,897	-	114	-	15,011	(1,433)	-	13,578
	(147,057)	6,414	(819)	(141,462)	(21,122)	62,012	(381)	(100,953)	(22,117)	(1,318)	(124,388)

#### Deferred tax assets

Impairment losses on loans and advances to banks and customers  
Impairment loss on bond and other financial assets  
Retirement benefit obligations

#### Deferred tax liability

Accelerated capital allowances