

Seychelles Revenue Commission



PUBLIC RULING - 2016-2

Subject Heading: Allowable deduction of marketing and promotion expenditure for businesses covered under section 2 of the Eighth schedule of the Business Tax Act 2009 as amended by Business Tax (Amendment of Schedules) Regulations 2016

Publication Status: Final

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Any enquiry in relation to this Public Ruling can be addressed to the Seychelles Revenue Commission, PO Box 50, Maison Collet, Republic of Seychelles.

Preamble

1. This document is a ruling for the purposes of Section 58 of the *Revenue Administration Act 2009*(RAA). You can rely on the information presented in this document which provides advice on the operation of section 2 of the eighth schedule of the *Business Tax Act, 2009* (BTA) as per the Business Tax (Amendment of Schedules) Regulation 2016.

What this Ruling is about

2. The purpose of this public ruling is to provide clarity regarding the methodology of calculating the allowable deduction of the businesses expenditures covered under section 2 of the eighth schedule of the BTA as amended. The ruling confirms the interpretation the Seychelles Revenue Commission will apply to all cases.

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3. This Ruling considers:

- a) When certain persons/businesses can claim the special deduction in addition to any other allowable deduction for marketing and promotion expenses; and
- b) When the marketing and promotion deduction will be limited to 5% of taxable business income or the actual expenditure.

Legislative Framework

4. Section 2 of the Eighth Schedule of the BTA is as follows:

There shall be allowed in respect of the following businesses a special deduction, in addition to any other allowable deduction, of the expenditure incurred for marketing and promotion to the extent of 5% of the Taxable Business Income or the actual expenditure whichever is lower

Relevant Persons/Businesses

Farming entities

Agriculture processors

Agriculture exporters

Boat owners

Fisheries processors

A person carrying on the business of-

- *Hotel, guest house or self-catering establishment*
- *Café or restaurant*
- *Fixed or rotary wing passenger air transport services in respect of all domestic flights*
- *Domestic ferry services for transport of freight or passenger*
- *Boat or yacht charter (including liveaboard)*
- *Car hirer operator*
- *Underwater dive operator of dive centre*
- *Water sports operator*
- *Travel agent*
- *Tour and/or tourist guide*
- *Equestrian operator*
- *Gambling/casino operator*

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Ruling

5. The interpretations to be given to section 2 of the eighth schedule of the BTA amended by the Business Tax (Amendment of Schedules) Regulations 2016 shall be as follows;

6. The provision provides for special deductions from the taxable business income (i.e. Amounts included in the assessable income of a business) of specified persons/businesses in respect of expenditure incurred for marketing and promotion.

7. The specified persons/businesses in the mentioned provisions are allowed to deduct a maximum of actual expenditure incurred for the marketing and promotion of the business or 5% of the taxable business income for the tax year, whichever is the lower. This is the special deduction.

8. For clarity purposes, in applying 5% to the taxable business income of the specified person, the interpretation to be given to taxable business income shall be restricted to only the taxable income attributable to the business carried on and giving rise to the special deduction.

A specified person who also carries on other businesses cannot consider the total taxable business income of all businesses aggregated for the purpose of applying the 5% special deduction.

9. Therefore, the total amount of deductions allowed for marketing and promotion expenses for a tax year is the lower amount between the actual expenditure incurred and 5% of the taxable business income (i.e. the special deduction) added with the normal deduction (i.e. the actual expenditure).

10. For the avoidance of doubt, the special deduction is in addition to any other allowable deduction of the expenditure incurred for marketing and promotion.

11. *EXAMPLES:*

Example A

In 2016, Hotel A spent 1.5M rupees in marketing the hotel in Russia and locally. The taxable business income of the hotel for the tax year 2016 was 35M rupees.

Hotel A is allowed a special deduction of 1.5M rupees.

Hotel A is therefore allowed a total deduction of 3M rupees.

Explanation:

Actual expenditure = 1.5M

5% of Taxable Business Income:

35M (Taxable Business Income) × 5% = 1.75M

The lowest shall apply.

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Total deduction: Special Deduction of 1.5M + Normal Deduction (Actual Expenditure) of 1.5M = 3M rupees

Example B

In 2016, Hotel B spent 4M rupees to market a new offer in Europe and locally. The taxable business income of the hotel for the tax year 2016 was 50M rupees.

Hotel B is allowed a special deduction of 2.5M rupees:

Hotel B is therefore allowed a total deduction of 6.5M rupees.

Explanation:

Actual expenditure = 4 M.

5% of Taxable Business Income:

50M (Taxable Business Income) \times 5% = 2.5 M

The lowest shall apply.

Total Deduction: Special Deduction of 2.5M + Normal Deduction (Actual Expenditure) of 4M = 6.5M rupees

Example C

In 2016, Hotel C spent 4M rupees to market a new offer in Europe and locally. The taxable business income of the hotel for the tax year 2016 was 20M rupees.

Hotel C is allowed a special deduction of 1M rupees.

Hotel C is therefore allowed a total deduction of 5M rupees.

Explanation:

Actual expenditure = 4M.

5% of Taxable Business Income:

20M (Taxable Business Income) \times 5% = 1M

The lowest shall apply.

Total Deduction: Special Deduction of 1M + Normal Deduction (Actual Expenditure) of 4M = 5M rupees

Date of Effect

12. This ruling is applicable as from the 1st July 2016.

A handwritten signature in blue ink, consisting of a stylized 'S' followed by a horizontal line.

Revenue Commissioner
13th December 2016.