

# GUIDE ON INCOME TAX

Employees Taking Up Employment for the First Time



## ***This guide is to help you understand the Income Tax System and how it will affect you when you start your employment.***

The notes in this guide are for informative purposes only.

### **1. WHAT IS PAYE?**

Pay As You Earn (PAYE) is a system whereby employers are required to withhold tax from the emoluments of employees chargeable to tax at the time the emoluments are received by or made available to the employees.

This means just what it says, you pay your tax as you earn your income. Each time you are paid, the right amount of tax will be withheld from your pay. This amount is determined by basing on the amount of Exemptions and Reliefs you have claimed in your Employee Declaration Form ("EDF").

### **2. WHAT IS EMPLOYEE DECLARATION FORM ("EDF")?**

At the beginning of an income year, the MRA will provide EDFs to all persons who are registered as employers with the Director-General. The forms should be made available to employees to enable them to claim exemptions and reliefs to which they are entitled. Where a person is registered as an employer in the course of an income year, the forms will be provided to him at the time of registration. The EDF may also be downloaded from the MRA website.

### **3. WHAT IS INCOME EXEMPTION AND RELIEF?**

To arrive at his chargeable income, an individual is entitled to deduct from his net income the appropriate Income Exemption Threshold as follows:

<b>Income Exemptions Threshold</b>	<b>Rs</b>
Category A - An employee with no dependent	305,000
Category B - An employee with one dependent	415,000
Category C - An employee with two dependents	480,000
Category D - An employee with three dependents	525,000
Category E - An employee with four or more dependents	555,000
Category F - A retired or disabled person with no dependent	355,000
Category G - A retired or disabled person with one dependent	465,000

## **Other Exemptions & Reliefs:**

- **Additional exemption in respect of dependent child pursuing undergraduate course**
  - a. Where a person has claimed an Income Exemption Threshold in respect of category B, C, D, E or G and the dependent is a child pursuing a non-sponsored full-time undergraduate course in Mauritius at an institution recognised by the Tertiary Education Commission or outside Mauritius at a recognised institution, the person may claim an additional exemption of Rs 135,000 of the amount of tuition fees paid up to a maximum of Rs 175,000 in respect of each dependent. Rs 200,000 in respect of each dependent pursuing undergraduate course outside Mauritius at a recognized institution.
  - b. The additional exemption is not allowable:-
    - i. in respect of more than three children;
    - ii. in respect of the same child for more than 6 consecutive years;
    - iii. where the tuition fees, excluding administration and student union fees, are less than Rs 34,800 for a child following an undergraduate course in Mauritius;
    - iv. to a person whose total income (net income plus interest and dividends received) or that of his/ her spouse for the income year ending 30 June 2019 exceeds Rs 4 million.



- **Deduction for Household Employees**

Where a person employs one or more household employees, he may claim a deduction of the wages paid to the household employees up to a maximum of Rs 30,000, from his net income, provided he has duly paid the contributions payable under the National Pensions Act and the National Savings Fund Act. In the case of a couple, the deduction shall not, in the aggregate, exceed 30,000 rupees.

- **Interest Reliefs on secured housing loan**

- a. A person who has contracted a housing loan, which is secured by a mortgage or fixed charge on immoveable property and which is used exclusively for the purchase or construction of his house, may claim a relief in respect of the interest paid on the loan.
- b. The relief to be claimed in the EDF is the amount of interest payable in the income year ending 30 June 2019. In the case of a couple where neither spouse is a dependent spouse, the relief may be claimed by either spouse or at their option, divide the claim equally between them.
- c. **The loan must have been contracted from:-**
  - i. a bank, a non-bank deposit taking institution, an insurance company, or the Sugar Industry Pension Fund;
  - ii. the Development Bank of Mauritius by its employees; or
  - iii. the Statutory Bodies Family Protection Fund by its members.
- d. **The relief is not allowable where the person or his spouse:-**
  - i. is, at the time the loan is contracted, already the owner of a residential building;
  - ii. derives in the income year ending 30 June 2019, total income (net income plus interest and dividends received) exceeding Rs 4 million;
  - iii. has benefitted from any new housing scheme set up on or after 1 January 2011 by a prescribed competent authority.

- **Relief for Medical insurance premium or contribution:**

A person may claim relief for premium or contribution payable for himself or his dependents in respect of whom Income Exemption Threshold:

- a. on a medical or health insurance policy; or
- b. to an approved provident fund which has its main object the provision for medical expenses.

The relief is limited to the amount of premium or contribution payable for the income year up to a maximum of :-

- Rs 15,000 for self
- Rs 15,000 for first dependent
- Rs 10,000 for second dependent
- Rs 10,000 for third dependent

No relief should be claimed where the premium or contribution is payable by the employer or under a combined medical and life insurance scheme.

- **Solar Energy Investment Allowance:**

A person will be allowed to deduct the total amount invested in a solar energy unit during the income year. In the case of a couple where neither spouse is a dependent spouse, the relief may be claimed by either spouse or at their option, divide the claim equally between them.

- **Rainwater Harvesting Investment Allowance:**

A person who has invested in a rainwater harvesting system during the income year ending 30 June 2019 may deduct the amount invested from his net income. In the case of a couple where neither spouse is a dependent spouse, the relief may be claimed by either spouse or at their option, divide the claim equally between them.

#### **4. WHO IS A DEPENDENT?**

Dependent means either a spouse, a child under the age of 18 or a child over the age of 18 and who is pursuing full-time education or training or who cannot earn a living because of physical or mental disability.

#### **5. WHO IS A CHILD?**

- a. an unmarried child, stepchild or adopted child of a person;
- b. an unmarried child whose guardianship or custody is entrusted to the person by virtue of any other enactment or of an order of a court of competent jurisdiction;
- c. an unmarried child placed in foster care of the person by virtue of an order of a court of competent jurisdiction.



## 6. HOW IS PAYE CALCULATED?

- a. You have to fill in and submit to your employer an Employee Declaration Form (EDF), claiming the Exemptions and Reliefs to which you are entitled. Your Employer will then deduct 1/13 of the Income Exemptions & Reliefs claimed to obtain the chargeable income on which he will apply the corresponding rates of 10% or 15%. Employees drawing monthly emoluments not exceeding Rs 23,461 are not affected by PAYE. In case your emoluments exceed Rs 23,461 and you have not furnished an EDF to your employer, tax will be withheld from your emoluments at the flat rate of 15% without any deduction whatsoever.
- b. For determining the applicable tax rate, an employer should calculate, for each month, the average cumulative emoluments of the employee by dividing his cumulative emolument by the number of pay periods to which it relates. Where the average cumulative emolument in a month does not exceed Rs 50,000 the reduced tax rate of 10% should be applied and 15% when it exceeds Rs 50,000.

An employee may, depending on his average cumulative emoluments, suffer PAYE tax deductions at 10% in one month and 15% in another. When shifting from tax rate of 10% to 15%, an employee will have to catch up on tax underpaid in preceding pay periods. However, a ceiling applies to limit tax deductions under PAYE in a month to 15 % of an employee's salary.

## 7. DOES A NON-CITIZEN HAVE TO FURNISH AN EDF?

A non-citizen is a person not born in Mauritius but for tax purposes if a non citizen is resident in Mauritius, he has to furnish an EDF to his employer in Mauritius unless his monthly emoluments do not exceed Rs. 23,461.



**“Resident”** means an individual who has been present in Mauritius in an income year for a period of or an aggregate period of 183 days or more; or who has been present in Mauritius during that income year and the 2 preceding income years for an aggregate period of 270 days or more; or who has his domicile in Mauritius unless his permanent place of abode is outside Mauritius.

## 8. WHAT IF I ALSO HAVE A PART-TIME JOB?

Tax is paid on all income earned except exempt income. You may request your employer to withheld PAYE from your emoluments .

## 9. WHAT HAPPENS IF I CHANGE MY JOB?

It is very important to fill in a fresh EDF to be submitted to your new employer when you take a new job.

At the end of the year, your previous employer as well as your new employer will each give you a statement, known as Statement of Emoluments and Tax Deduction, which shows your total emoluments and the PAYE deducted for the year.

## 10. FILING OF ANNUAL INCOME TAX RETURN

After having filled the EDF at the beginning of the year, the employee will have to file an Annual Income Tax Form by 30<sup>th</sup> September of each year to declare all income received during the income year. After entering the total income received during the year, the employee shall deduct the total



amount of tax withheld under PAYE in the Statement of Emolument and Tax Deduction given by the employer.

If the total tax withheld is higher than the total tax payable, the employee shall claim for a refund of the excess. The refund shall be effected either by cheque or credited to the employee's bank account.

Alternatively, if tax payable is higher than total tax withheld, the employee shall pay the additional tax on submission of the return.

Note that taxpayers filing their returns electronically and effecting payment, if any, using Direct Debit, ATM, SMS (Orange Money), MCB Juice or by credit card on MRA e-Services, have an extended delay up to 15<sup>th</sup> of October to submit their return.

## **11. CAN I CLAIM EXPENSES?**

You can deduct from your total emoluments any transport allowance which is equivalent to the return bus fare between residence and place of work; or petrol allowance, commuted travelling allowance and travel grant payable by the Government of Mauritius and the local authority to you; or the actual petrol or travelling allowance paid or 25% of the monthly basic salary up to a maximum of 11,500 rupees, whichever is the lesser, provided that you make use of a private car registered in your own name for attending duty and for the performance of the duties of your office or employment.





## 12. IN WHAT CIRCUMSTANCES SHALL I HAVE ADDITIONAL TAX TO PAY?

You may have to pay additional tax if:

- You have not submitted a proper EDF
- PAYE have been wrongly calculated by your Employer
- You have earned other income during the year

## 13. WHERE DO I GO FOR ADVICE?

For further information you may call at the MRA's Service Counter on ground floor, MRA Head Office, Eham Court, Corner Mgr Gonin & Sir Virgil Naz Streets, Port Louis or phone MRA's helpdesk on **207 6000**.

You may also visit MRA's website: [www.mra.mu](http://www.mra.mu) or send us a mail on [headoffice@mra.mu](mailto:headoffice@mra.mu)



