

## **NOTICE TO EMPLOYERS – PAYE and EDF**

### **INCOME YEAR 2016-2017**

The attention of all employers is drawn to the under-mentioned changes brought by the Finance Act 2016 in the operation of the cumulative PAYE system.

#### **1. Exempt employee**

The revised threshold for exempt person is of an amount equivalent to one thirteenth of Income Exemption Threshold Category A which for the year 2016-17 stands at Rs 295,000. Therefore, an employer should not withhold any tax under PAYE in respect of an employee whose emoluments does not exceed Rs. 22,693 in a month whether or not an EDF has been submitted by that employee. However, all fees paid to company directors and board members are subject to tax withholding under PAYE even when the amount is less than Rs 22,693.

#### **2. Employee Declaration Form (EDF)**

New EDF has been issued by MRA to employers for distribution to their employees so that the new personal reliefs and deductions may be allowed as from September or October 2016 as the employer may deem appropriate. EDFs may also be downloaded from MRA's website: [www.mra.mu](http://www.mra.mu).

#### **3. Monthly deductions to be allowed for calculation of tax to be withheld**

For the months of July and August 2016, employers have allowed 1/13 and 2/13 cumulative Income Exemption Threshold (IET) as claimed by employees in their EDFs for the preceding income year. Where the employer would be allowing deductions in accordance with the new EDFs filed as from the month of September or October 2016, the following method should be used to calculate the cumulative IET for the remaining months:

- a. Where deductions as per new EDFs are allowed as from September 2016, the deductions to be allowed for the remaining pay periods from September onwards, is : -

IET as per the new EDF less Deductions allowed for July & August 2016 divided by 11

- b. Where deductions as per new EDFs are allowed as from October 2016, the deductions to be allowed for the remaining pay periods from October onwards, is : -

IET as per the new EDF less Deductions allowed for July, August & September 2016 divided by 10

#### **4. Statement of Emoluments and Tax Deduction for period 1 July 2015 to 30 June 2016**

Employers are reminded that they are required by law to give to all their employees a Statement of Emoluments and Tax Deductions for the income year ended 30 June 2016 (at latest by 15 August 2016).

#### **5. Additional information**

For any additional information, employers may either phone our hotline 207-6010 or call on our Customer Service Centre.