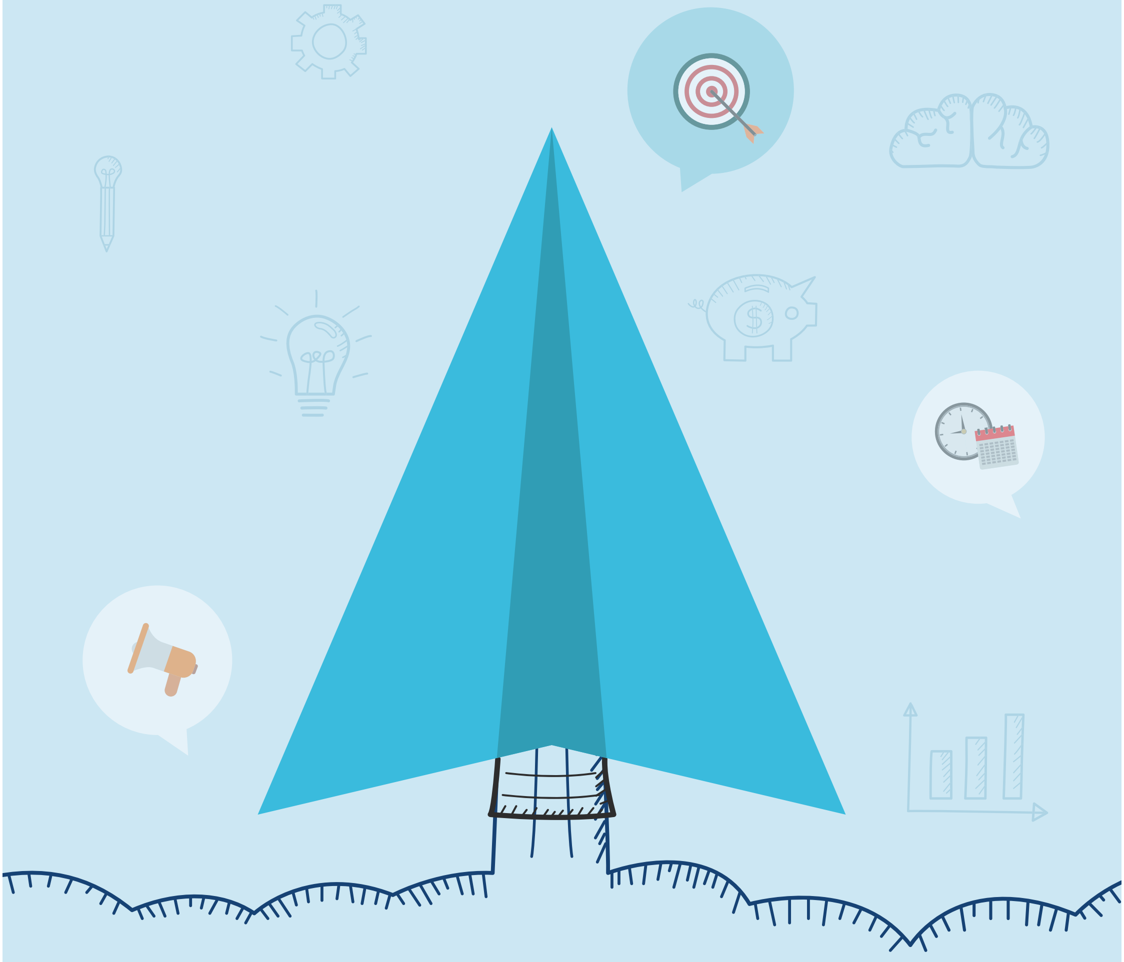
Mauritius Revenue Authority

Starting Business Guide (Individuals)

2017



Introduction

This leaflet is intended to give any person starting his own business an insight into his tax obligations and the records he has to keep for his own benefit. These notes apply to trade, business, vocation and profession, whether full time or part time. They relate only to businesses carried on by Individuals or Sociétés or Partnerships, not to those carried on by companies.

If there is any matter not covered by these notes on which you need advice, please call at the MRA help desk or phone on our ***Hotline 207 6010***. You may also refer to our Guide on CPS or Guide on TDS or PAYE Guide available on MRA's website (www.mra.mu).

The notes in the Guide are informatitive only and have no legal force.

Things to do right at the start

1. As soon as you start a business on your own account, you should register as a selfemployed person with the MRA.
2. If you have given up your previous employment, you should collect your Statement of Emoluments & Tax Deduction with your previous employer in order to include your employment income in your end of year return.
3. You will need to keep a true and full record of all transactions effected to prepare proper accounts.
4. If you employ someone in the business, you must register as an employer and may have to deduct income tax under PAYE (Pay As You Earn). (Refer to Guide on PAYE).
5. You will have to register for VAT if the taxable supplies you make exceed Rs 6m a year. You will then be considered as a VAT registered person.
6. Once a person is registered for VAT, he charges VAT at the rate of 15% on all taxable supplies other than zero-rated supplies made to his customers.
7. It is advisable for you to have a separate bank account for business transactions. If you do not have a bank account, you will find it useful to open one to bank you sales.
8. Whether to retain the services of an accountant or not is something you are free to decide by yourself. It is not essential, but it is an advantage to have a qualified professional accountant to advise you on day-to-day book-keeping payment to National Pension Fund, Value Added Tax, the operation of PAYE, as well as to draw up your accounts.

Things to do right at the start cont'd

9. No matter who prepares your accounts, it is you as a trader who is responsible for their accuracy and for making currents returns. The MRA will need to be satisfied that the accounts submitted represent the true results of the trading business. If you cannot give to the MRA an accurate statement of your turnover and profits, these will have to be estimated by the MRA. You will then have to pay tax on the basis of those estimates. In case you consider the estimate to be too high, the burden of proof will lie on you. It is therefore beneficial for you to keep complete records.

10. Details of accounts to be inserted while filing your income tax returns are figures regarding your Trading and Profit & Loss Account.

11. Even if returns are submitted electronically, final accounts have to be provided to the MRA on demand.

Books and Records

1. The records you will need to keep depend upon the type and size of your business and whether you are registered for VAT. In all cases it will be necessary to record all receipts and payments relating to the business, including clear particulars of money received from customers for goods and services supplied, and money you spent on purchases, wages and other items for the purpose of the business. In case you are registered for VAT, you will have to issue VAT invoices in accordance with the VAT Act and request VAT invoices from your suppliers.

2. You will also need to keep a record of what you draw from the business by way of cash or cheque to meet your private expenditure and also of what money is put into the business from other sources not related to the business.

3. Where the customer does not immediately pay for the goods and services which you supply, or where you obtain goods or services on credit for the running of your business, you will need to keep records of the amounts owed to you (Debtors) and amounts owed by you (Creditors). This information will be necessary to arrive at the true figure of profit earned in the accounting period and the to prepare the Trading and Profit & Loss A/c.

4. You should, of course, keep bank statements, cheques stubs in respect of paid cheques issued, paying in books, receipt bills and similar evidence to enable the verification of your figures.

Returns

- You are required by law to make quarterly returns of your business income (see CPS Guide) and at the end of the year you are also required to furnish an annual return for the yearly business profits. If you are registered for your VAT you have to make quarterly returns or monthly returns, depending on your turnover.

- **Obligation to file a return & effect payment if any**

  Every individual who in an income year;

  a. derives

     i. total net income of an amount exceeding the Category A Income Exemption Threshold specified in the Third Schedule;

     ii. gross income derived from any business, exceeding 2 million rupees;

     iii. emoluments in respect of which tax has been withheld under PAYE;

     iv. income which has been subject to tax deduction at source;

  b. acquires -

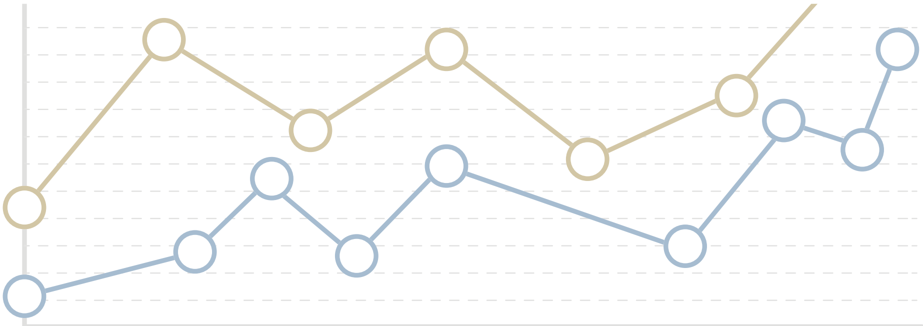
     i. an immoveable property, the cost of which, including the cost of construction of any building or structure thereon, exceeds 5 million rupees;

     ii. a motor vehicle, the cost of which exceeds 2 million rupees or in respect of which he paid registration duty of 75,000 rupees or more under the Registration Duty Act;

     iii. a pleasure craft as defined in the Tourism Authority Act, the cost of which, including the cost of its engine, exceeds one million rupees;

  c. pays the required contribution declared under the National Pensions Act; or

  d. has a chargeable income.



What to do at the end of the year?

At the end of the tax year for self-employed, you have to submit an Income Tax Form duly completed by 30th September. When filing your return electronically, please ensure that you have your Tax Account Number (User ID) and password. You will have to deduct your income exemption threshold and reliefs from your total net income to obtain your chargeable income on which you will have to apply tax at the rate of 15%.

Moreover, taxpayers having recourse to e-filing will benefit from several incentives such as automatic participation in MRA e-Filing Lucky Draw and an extended delay up to the second week of October, where the payment, if any, is also effected electronically.

What is Income Exemption Threshold?

An individual is entitled to the Income Exemption Threshold, which corresponds to the category he falls in as indicated hereunder:

Category	Rs
A - Without dependent	295,000
B - With one dependent	405,000
C - With two dependents	465,000
D - With three dependents	505,000
E - A retired or disabled person with no dependent	345,000
F - A retired or disabled person with one dependent	455,000

Relief for medical/ health insurance premium/

lows:

Category of Income Taxpayer	Up to Rs
A - Without dependent	12,000
B - With one dependent	12000 for self + 12000 for dependent
C - With two dependents	12000 for self + 12000 for first dependent + 6000 for second dependent
D - With three dependents	12000 for self + 12000 for first dependent + 6000 for second dependent + 6000 for third dependent
E - A retired or disabled person with no dependent	12,000
F - A retired or disabled person with one dependent	12000 for self + 12000 for dependent

Interest Relief

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.

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.

The loan must have been contracted from:

i. a bank, a non-bank deposit taking institution, an insurance company under the Insurance Act, 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

Interest Relief Cont'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 2016, total income (net in come 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.

Other Deductions

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 or F 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 in respect of that child.

b. The additional exemption is not allowable:

   i. in respect of the same child for more than 6 consecutive years;

   ii. 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;

   iii. to a person whose total income (net income plus interest and dividends received) or that of his/her spouse in an income year exceeds Rs 4 million.

Who is a Retired Person?

"Retired person" means a person who attains the age of 60 at any time prior to 1 July 2016 and who, during the income year ending 30 June 2017, is not in receipt of any business income or emoluments other than retirement pension.

Who is a Dependent?

Dependent means:

a. A spouse

b. A child under the age of 18 or

c. A child over the age of 18 and who is pursuing full-time course at an educational institution or training institution or who cannot earn a living because of a physical or mental disability.

If you fail to submit your Income Tax return and a copy of your accounts or your VAT Returns on time or if the MRA is not satisfied with your returns, the MRA will make an estimate of your tax liability. When you receive the notice of assessment, you must decide whether to pay or to object to the assessment within 28 days of the date of the notice of the assessment.

In case you object to the amount of tax assessed, you will have to pay 10% of the tax claimed in the assessment in order for the MRA to consider your objection. The MRA is under an obligation to determine your objection within 4 months.

If you are still dissatisfied with the determination of the objection, you may make representations to the Assessment Review Committee (ARC). And if you are still dissatisfied with the decision of the ARC, you may appeal to the Supreme Court and the Privy Council.

Income Tax Profits

Two important rules are:

i. Capital expenditure is not an allowable deduction in working out the profits for Income Tax purposes.

ii. The only expenses which are deductible are those which are exclusively incurred in the production of gross income.

Capital Expenditure in broad terms, means expenditure which is not used up in the course of one year.
Example: Cost of business premises, plant & machinery, vehicles etc.

Revenue Expenditure is one which recurs regularly (every year).
Example: Accountancy fees, wages, rent, rates repairs, electricity bills, etc.

Although cost of business, plant & machinery and vehicles cannot be claimed as a deduction when computing profits, there are however specials allowances known as capital allowances for these expenditures.

Small and Medium Enterprise (SMEs) registered with SMEDA

A company incorporated after 2 June 2015 and which is registered with the Small and Medium Enterprises Development Authority under the approved scheme is exempt from the payment of income tax for the first 8 income years. Such companies are not required to apply tax deduction at source (TDS) when making certain payments.

Small Enterprise

A Small Enterprise is a person who has an annual turnover not exceeding Rs 10m and does not include a company holding Category 1 Global Business Licence and non-resident societe.

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