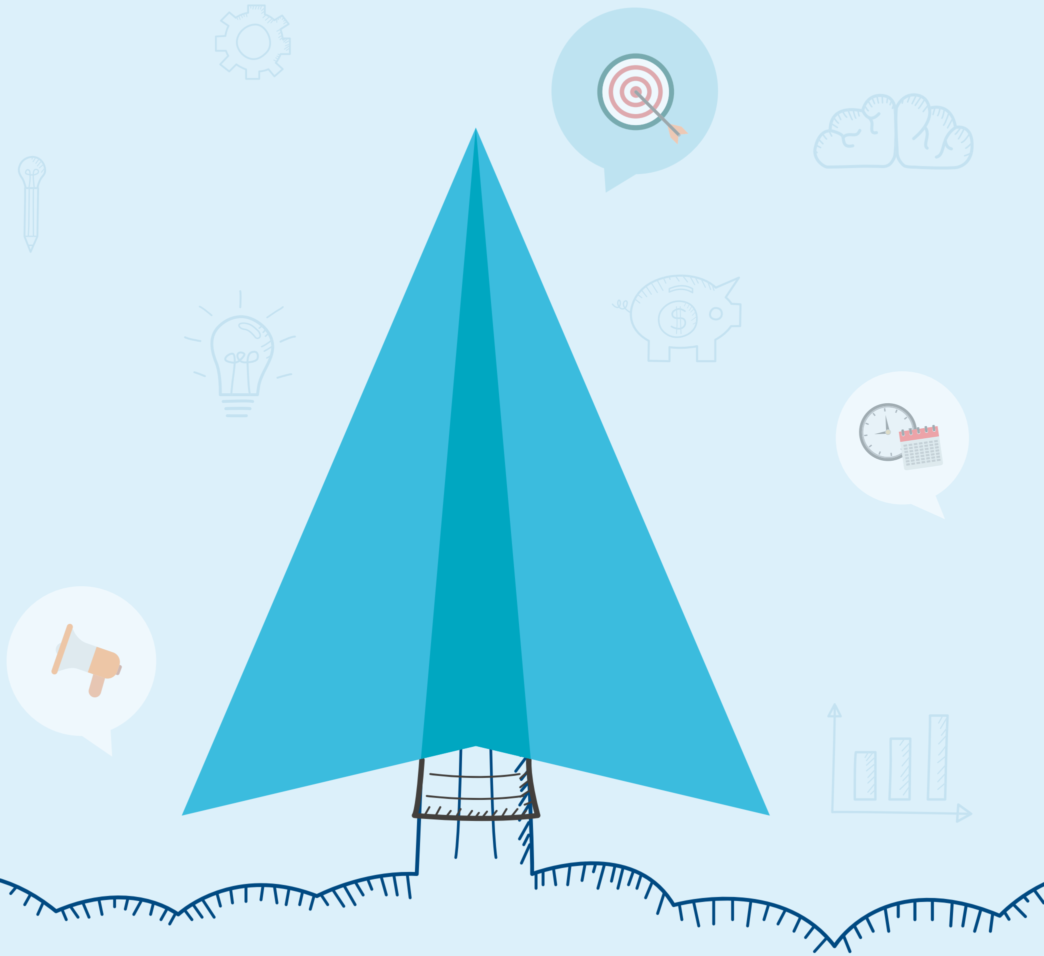
Starting Business Guide (Individuals)

December 2021



Introduction

This leaflet is intended to give any individual or 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 phone MRA's helpdesk on **207 6000**.

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 return at the end of the income year.
3. You will have to keep proper records of all your business transactions in order to help you prepare your final accounts. Whether to retain the services of an accountant or not is something you are free to decide by yourself.
4. Even if returns are submitted electronically, final accounts have to be provided to the MRA on demand.
5. 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) and pay CSG/NSF/ Training Levy in respect of that employee.

   As per the provisions of the Social Contribution and Social Benefits Act 2021, a self-employed will be required to pay CSG as follows:

Net Income of the self-employed for the month	Social Contribution payable for the month
Not Exceeding Rs 10,000	Rs 150
Exceeding Rs 10,000 but not exceeding Rs 50,000	1.5% of 90% of the net income for the month Minimum payable – Rs 150
Exceeding Rs 50,000	3% of 90% of the net income for the month

6. 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 and you will have to use VAT invoices only.
7. 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.
8. 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 your sales.

Books and Records

1. Irrespective of the type and size of your business and whether you are registered for VAT or not, it is of utmost importance to keep records of your business transactions which will help you prepare your final accounts in the foreseeable future. Receipts payments and expenses relating to the business should be recorded intact.
2. 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 in order to enable you to claim input tax on your purchases and expenses.
3. Businesses are mainly conducted on either cash basis or credit basis or both, depending on its working capital management. Therefore, a cash book and books of credits should be kept.
4. When goods are sold on credit to customers, these customers are called debtors. Hence, records are kept for debtors and this will help you make an exercise called ageing of debtors, and at the same time, to use the closing figure in your balance sheet.
5. When goods are purchased on credit from suppliers, those suppliers are called as creditors and they should be recorded properly in your book of accounts because its closing figure will be posted in your balance sheet which will have an impact in your net assets value.
6. There are two types of expenses namely business expenses and private expenses. It is important to keep records separately for both. Business expenses recorded in the books are used in the Trading, Profit and loss account. On the other hand, money used from the business fund for private use is termed as cash drawings, and it is adjusted to the figure of net profit in your balance sheet. Furthermore, if you have taken goods from the business for personal consumption, then this will be treated as Drawings of Goods. Hence, adjustments should be made to both Trading, Profit and Loss account and the balance sheet.

7. You should, of course, keep bank statements, cheques stubs and proper cash book. This will help you prepare your bank reconciliation statement and ensure the accuracy of the closing cash and bank balances to be posted in your balance sheet.

Returns

As a taxpayer, you are required to furnish the following returns:

a. A quarterly CPS Statement of Income where total gross CPS income for the preceeding income year exceeded Rs 4 million.

b. Monthly or Quarterly VAT Return where taxable supplies exceeds Rs 10 million and Rs 6 million respectively.

c. An annual income tax return declaring income derived during the year and pay tax, if any.

Moreover, as an employer, you will also be required to submit to the MRA the following returns:

a. Monthly PAYE/CSG/NSF/LEVY Returns.

b. Return of Employees (ROE) by 16 August 2022.

c. Issue Statement of Emoluments by 16 August 2022 to employees.

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

  Every individual who in an income year;

  a. derives
     - i. Net income exceeding Rs 325, 000 per year;
     - ii. Gross income derived from business exceeding Rs 2 million per year;
     - iii. Emoluments in respect of which tax has been withheld under PAYE for income tax or solidarity levy; or
     - iv. Income which has been subject to tax deduction at source.

  b. has a chargeable income.

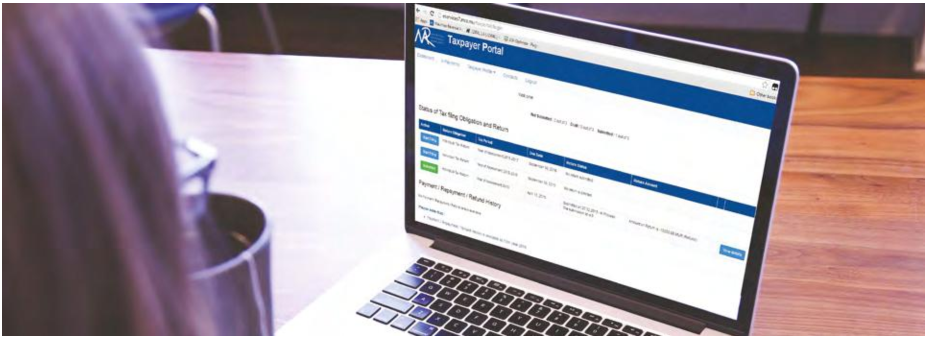
  c. has been submitting returns.

What to do at the end of the year?

At the end of the tax year (June 2022), a self-employed individual has to submit, electronically, an Income Tax Return duly completed by 15 October 2022.

It is now a legal obligation to submit individual income tax returns and effect payment, if any, electronically, by 15 October 2022.

When filing your return electronically, please ensure that you have your NID/ 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 10% where the total annual income does not exceed Rs 650,000 and the rate of 15% is applicable when the total annual income exceeds Rs 650,000.



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:

Income Exemptions Threshold	Rs
Category A - An individual with no dependent	325,000
Category B - An individual with one dependent	435,000
Category C - An individual with two dependents	515,000
Category D - An individual with three dependents	600,000
Category E - An individual with four or more dependents	680,000

Who is a Dependent?

Dependent means either a spouse, a bedridden next of kin under his care, 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 a physical or mental disability.

Who is a Bedridden next of kin?

'Bedridden next of kin' in respect of a person, means the bedridden father, mother, grandfather, grandmother, brother or sister of that person or of his spouse, provided the bedridden next of kin is -

a. eligible to the carer's allowance payable under the National Pensions Act; and

b. under the care of that person.

In case the dependent in respect of whom a deduction has been claimed includes a bedridden next of kin, the net income and exempt income of that dependent shall exclude the benefits derived by the bedridden next of kin under the National Pensions Act.

Who is a Child?

A Child means:

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.

Who is a Resident?

"Resident" means an individual who has been present in Mauritius in the income year ended 30 June 2022 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.

Who is a Retired Person?

"Retired person" means a person who attains the age of 60 at any time prior to 01 July 2021 and who, during the income year ending 30 June 2022, is not in receipt of any business income or emoluments exceeding Rs 50,000 other than retirement pension.

Who is a Disabled Person?

"Disabled person" means a person suffering from permanent disablement.

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 E and the dependent is a child pursuing a non-sponsored full-time undergraduate course at an institution recognized by the tertiary Education Commission established under the Tertiary Education Commission Act or at a recognized tertiary educational institution, outside Mauritius, the person may claim an additional exemption in respect of that child pursuing tertiary education of Rs 225,000.

b. The additional exemption is not allowable:-

i. in respect of more than four 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.

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 has been claimed:

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 20,000 for self**
- **Rs 20,000 for first dependent**
- **Rs 15,000 for second dependent**
- **Rs 15,000 for third dependent**
- **Rs 15,000 for fourth 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.

Interest Relief 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 or profit charge paid on the loan.

b. The relief to be claimed in the EDF is the amount of interest payable or profit charge payable in the income year ending 30 June 2022. 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;

   iii. the Statutory Bodies Family Protection Fund by its members; or

   iv. an Islamic Financing Arrangement

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 2022, 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 01 January 2011 by a prescribed competent authority.

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 2022 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.

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 30,000 rupees, from his net income, provided he has duly paid the contributions payable under the Social Contribution and Social Benefits Act 2021 and the National Savings Fund Act. In case of a couple, the deduction shall not, in the aggregate, exceed 30,000 rupees.

Deduction for fast charger investment allowance in respect of electric car

A person will be allowed to deduct the total investment in the acquisition of a fast charger for an electric car during the income year ending 30 June 2022.

Deduction for contribution to COVID-19 Solidarity Fund

A person will be allowed to deduct from its net income the amount contributed or donated to the COVID-19 Solidarity Fund in the income year commencing on 01 July 2021.

Deduction for contribution made to National COVID-19 Vaccination Programme Fund

A person will be allowed to deduct from its net income the amount contributed to the COVID-19 Vaccination Programme Fund in the income year commencing on 1 July 2021.

Deduction for donation to charitable institutions

A person will be allowed to deduct from its net income the amount donated to charitable institutions up to an amount of Rs 30,000 in the income year commencing on 1 July 2021.

Deduction for contribution made to approved personal pension schemes

A person will be allowed to deduct from its net income the amount contributed in respect of an individual pension scheme, an amount of up to Rs 30,000, in the income year commencing on 1 July 2021.

Calculation of Tax

The tax on chargeable income is calculated at the rate of 10% for an individual having an annual net income not exceeding Rs 650,000 and 15% for an individual having an annual net income exceeding Rs 650,000.

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 means money paid for the purchase of a fixed asset that will be used in the day-to-day running of a business. In other words, it is not purchased for re-sale.

Example: Cost of business premises, plant & machinery, vehicles etc.

Revenue Expenditure are those expenditures incurred to generate revenues. These are also termed as Profit & Loss items.

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.

Assessment, Objection & Appeal

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.

Penalty and Interest

Penalty for late submission of return

Every person who is required to electronically submit a return and who fails to do so, shall be liable to pay a penalty of Rs 2,000 per month until the time the return is submitted, up to a maximum of Rs 20,000. However, where the person is a small enterprise having an annual turnover not exceeding 10 million rupees or an individual who is not in business, the maximum penalty is Rs 5,000.

Penalty for late payment of tax

A penalty of 5% of the amount of tax is payable in case of late payment. However, where the person is a small enterprise having an annual turnover not exceeding 10 million rupees or an individual who is not in business, the rate of penalty is 2%.

Interest on late payment of tax

In case of late payment, enter 0.5% of the balance of tax payable at section 32 for each month or part of the month during which the tax remains unpaid after the due date.

COVID-19 Levy

An employer who has benefited from an allowance under the Wage Assistance Scheme shall be liable to pay the COVID-19 levy to the Director-General as follows:

The lower of:

(i) the total amount paid to him under the Wage Assistance Scheme; or

(ii) 15% of the gross income derived by him from business after deducting expenses incurred in gross income, interests and annual allowances.

Penalty on COVID-19 Levy remaining unpaid

The COVID-19 (MISCELLANEOUS PROVISIONS) ACT 2020 provides for a penalty of 10% of the amount of levy remaining unpaid, in addition to the levy.

Interest on COVID-19 Levy remaining unpaid

The COVID-19 (MISCELLANEOUS PROVISIONS) ACT 2020 provides for an interest at the rate of 1% per month or part of the month during which the levy tax remains unpaid.

MAURITIUS
REVENUE
AUTHORITY

Ehram Court, Cnr Mgr. Gonin & Sir Virgil Naz Streets, Port Louis, Mauritius

T: +230 207 6000 | **F**: +230 211 8099 | **E**: headoffice@mra.mu | **W**: www.mra.mu