

TAX DEDUCTION AT SOURCE (TDS)

FREQUENTLY ASKED QUESTIONS

1. GENERAL QUESTIONS

1.1 What is Tax Deduction at source?

Under the system of Tax Deduction at source (TDS), the payer is required to deduct tax at the time the payment is received by or credited to the account of the payee. This is similar to the PAYE system whereby tax is deducted by employer at the time emoluments are made available to the employee.

1.2 Which types of payments would be subject to tax deduction at source?

Following types of payments would be subject to tax deduction at source:

- (a) Interest;
- (b) Royalties;
- (c) Rent;
- (d) Any sum paid to architects, engineers, land surveyors, project managers in construction industry, property valuers and quantity surveyors as consideration for services rendered by them;
- (e) Payments to contractors and sub-contractors.

1.3 What is the rate of tax deduction at source?

The rate of tax deduction at source for different types of payments is:

Nature of payment	Rate of tax
Interest	15%
Royalties	10%
Rent	5%
Payments to providers of services	3%
Payments to contractors and sub-contractors	0.75%

1.4 Is there a minimum threshold for deducting tax at source?

There is no minimum threshold below which tax is not required to be deducted at source in case of all payments except interest. In case of interest payments, tax is required to be deducted at source only if the aggregate amount of deposits held by the depositor in a financial institution including its branches exceeds 2,000,000 rupees at any time in an income year.

1.5 When will the tax be deducted at source?

The tax is required to be deducted at source by the payer when the amount is paid to, or credited to the account of the payee whichever is earlier.

1.6 When and how will the tax deducted at source be remitted?

In case of interest payments made during the first 15 days of a month, the tax deducted is required to be remitted to MRA by the 22nd of the same month. If payments have been made after the 15th day of the month, the tax deducted is required to be remitted to MRA by the 7th day of the next month. In case of other payments subject to TDS, any tax deducted at source is required to be remitted by the 20th of the next month. The remission shall be made electronically or in such

other manner decided by the Director General. The remittance form is enclosed as **Annexure 1**.

1.7 Is tax deduction at source a final payment of tax?

Deduction of tax at source is an advance payment of taxes and would thus be offset against the income tax liability of the payee.

1.8 How will the payee know about tax deducted at source from his income?

The payer shall issue a statement of income tax deduction in respect of the preceding income year, to the payee by 31st of July every year showing the total payment made to the payee and the tax deducted there from. This statement has been prescribed in Income Tax Regulations and is enclosed as **Annexure 2**.

1.9 Is the payer required to furnish a statement to the MRA?

The payer is required to furnish by 31st of July every year, a statement giving particulars of the payee, the amount made available to the payee and the tax deducted there from. In case of interest payments, the statement is required to be furnished by the payer (financial institution)if the aggregate amount of interest made available to the payee during the year exceeds Rs 5000 irrespective of whether any tax has been deducted thereon or not. This statement has been prescribed in Income Tax Regulations and is enclosed as **Annexure 3**.

1.10 When is a payer not required to deduct tax at source?

If a payee proves to the satisfaction of the Director General that he is not chargeable to income tax for a particular year, the Director General, may direct the payer in writing that no tax shall be deducted from payments made to the payee for that year.

1.11 If there are a number of liabilities of the payee, which payment has to be deducted first of all?

The obligation of the payer to deduct tax at source prevails over any right or obligation to deduct any other amount from such payments. In other words, tax to be deducted at source ranks first among deductions from payments made to the payee.

1.12 Is the payer required to pay the tax which he failed to deduct at source ? Can he recover this amount from the payee subsequently?

Yes. If the payer fails to deduct tax at source in accordance with the provisions of the Income Tax Act, he shall be personally liable to pay the said tax to the MRA. However, he is still entitled to recover from the payee, the tax which he failed to deduct.

1.13 Is there any penalty for late payment of tax deducted at source?

Yes. If the payer fails to pay in time, the tax required to be deducted at source, he shall be personally liable to pay, in addition to tax, a penalty equal to 5% of the amount of tax remaining unpaid.

1.14 Is there any interest on unpaid tax?

Yes. If a person fails to pay any tax required to be deducted at source he shall be liable to pay interest at the rate of 1%(of tax remaining unpaid) per month or part of the month during which the tax remains unpaid

2. INTEREST

2.1 What type of interest payments are subject to tax deduction at source?

The interest payments subject to tax deduction at source include the following:

- (a) bank interest;
- (b) interest on deposits issued by non banking institutions;
- (c) interest on debentures or any other loan instrument;
- (d) interest on treasury bills and other loan instruments issued by the Bank of Mauritius.

2.2 Who should deduct tax at source?

The following persons should deduct tax at source:

- (a) Any bank including the Bank of Mauritius;
- (b) Any non-bank deposit taking institution;
- (c) Any person issuing debentures or any other loan instrument.

2.3 Whether any individual paying interest should deduct tax at source?

No. An individual paying interest is not required to deduct tax at source.

2.4 Which payees are subject to tax deduction at source?

Payees subject to tax deduction at source are:

- (a) individuals including minors and joint account holders with other individuals ;
- (b) societies or successions.

2.5 Is a company receiving interest subject to tax deduction at source?

No. A company receiving interest is not subject to tax deduction at source.

2.6 Which other types of persons receiving interest are not subject to tax deduction at source on interest?

The other types of persons receiving interest who are not subject to tax deduction at source are:

- (a) A non resident individual ;
- (b) A non-resident society;
- (c) A society holding Category 1 Global Business licence ;
- (d) A society exempt from the payment of Income Tax.

2.7 When will provisions of tax deduction at source take effect?

The provisions of tax deduction at source would be applicable to interest accrued on or after 1st October, 2006.

2.8 What is the rate of tax deduction at source?

The rate of tax deduction at source is 15%.

2.9 Is there a minimum threshold for tax deduction at source?

Yes. In case of interest payments, tax will be deducted at source only if the aggregate amount of deposits held by the depositor in a financial institution including its branches exceeds 2,000,000 rupees at any time in an income year.

3. PAYMENTS TO CONTRACTORS AND SUB-CONTRACTORS

3.1 Which contracts are subject to tax deduction at source?

The following types of contracts are subject to tax deduction at source:

- (a) Civil construction work including construction or repair of any building, road or other structure;
- (b) Execution of any works contract ancillary to civil construction or repair;
- (c) Supply of labour for carrying out works in respect of civil construction.

3.2 Who should deduct tax at source?

All persons excluding individuals who are making payments to contractors/sub-contractors should deduct tax at source.

3.3 Which payees are subject to tax deduction at source?

Payees subject to tax deduction at source are contractors and sub-contractors engaged in carrying out the following types of work:

- (a) Civil construction work including construction or repair of any building, road or other structure;
- (b) Execution of any works contract ancillary to civil construction or repair;

(c)Supply of labour for carrying out works in respect of civil construction.

3.4 What does a contractor mean?

A contractor means any person who enters into a contract for carrying out any work.

3.5 What does a sub-contractor mean?

A sub-contractor means any person who enters into a contract with a contractor for carrying out any work.

3.6 When will provisions of tax deduction at source take effect?

The provisions of tax deduction at source would be applicable to payments made to contractors and sub-contractors on or after 1st October, 2006.

3.7 What is the rate of tax deduction at source?

The rate of tax deduction at source is 0.75%

3.8 Is there a minimum threshold for tax deduction at source?

There is no minimum threshold below which tax would not be deducted at source .

4 . ROYALTIES

4.1What does royalty mean?

Royalty means payment of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work. Such works would include cinematographic films, any patent, trademark, design or model, plan, secret formula or process. It would also include payment for information concerning industrial, commercial or scientific experience.

4.2 Who should deduct tax at source?

Companies and societies other than companies holding a category 1 Global Business Licence should deduct tax at source on royalty payments.

4.3 Which payees are subject to tax deduction at source?

All persons receiving royalties are subject to tax deduction at source.

4.4 When will provisions of tax deduction at source take effect?

The provisions of tax deduction at source would be applicable to payments made on or after 1st October, 2006.

4.5 What is the rate of tax deduction at source?

The rate of tax deduction at source is 10%.

4.6 Is there a minimum threshold for tax deduction at source?

There is no minimum threshold below which tax is not required to be deducted at source .

5. PAYMENTS FOR SPECIFIED SERVICES

5.1 Which services would be subject to tax deduction at source?

Services provided by architects, engineers, land surveyors, project managers in construction industry, property valuers and quantity surveyors would be subject to tax deduction at source.

5.2 Who should deduct tax at source?

All persons excluding individuals should deduct tax at source.

5.3 Which payees are subject to tax deduction at source?

Payees subject to tax deduction at source are architects, engineers, land surveyors, project managers in construction industry, property valuers and quantity surveyors.

5.4 When will provisions of tax deduction at source take effect?

The provisions of tax deduction at source would be applicable to payments made on or after 1st October, 2006.

5.5 What is the rate of tax deduction at source?

The rate of tax deduction at source is 3%.

5.6 Is there a minimum threshold for tax deduction at source?

There is no minimum threshold below which tax would not be deducted at source .

6. RENT

6.1 What is rent?

Rent means any payment, made for the use of any land or building together with furniture, fittings and the land appurtenant thereto, whether or not such building is owned by the payee .It also includes any premium or other consideration for a lease.

6.2 Who should deduct tax at source?

All persons excluding individuals who are making rental payments should deduct tax at source.

6.3 Which payees are subject to tax deduction at source?

All persons except a body of persons exempt from the payment of Income Tax would be subject to tax deduction at source.

6.4 When will provisions of tax deduction at source take effect?

The provisions of tax deduction at source would be applicable to payments made on or after 1st October, 2006.

6.5 What is the rate of tax deduction at source?

The rate of tax deduction at source on rent is 5%.

6.6 Is there a minimum threshold for tax deduction at source on rent?

There is no minimum threshold below which tax would not be deducted at source in case of such payments.

ANNEXURE 1

ORIGINAL

FOR USE BY MRA

Date
received

INCOME TAX - TAX DEDUCTION AT SOURCE

(The Income Tax Act – section 111 C)

To be filled by the payer and forwarded to the Director-General, Mauritius Revenue Authority, together with a remittance of the amount of tax deducted within the prescribed time.

PARTICULARS OF PAYER

1. Tax Account Number (TAN) ...

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2. Full name

3. Tax deducted for the period of

D	D	M	M	Y	Y

to

D	D	M	M	Y	Y

**Rupees
only**

from (a) Interest

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(b) Royalties

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(c) Rent

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(d) Payments to contractors/sub-contractors

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(e) Payments to architects

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(f) Payments to engineers

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(g) Payments to land surveyors

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(h) Payments to project managers

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(i) Payments to property valuers

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(j) Payments to quantity surveyors

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4. Penalty for late payment

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5. Interest on unpaid tax for the months

M	M	Y	Y

to

M	M	Y	Y

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6. Total remittance : cash / cheque *

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Date

Signature

* Delete as appropriate

Full name of signatory

Capacity in which acting

ANNEXURE 2
TENTH SCHEDULE
(regulation 22B(1))
STATEMENT OF INCOME TAX DEDUCTION FOR
INCOME YEAR ENDED 30 JUNE
(To be given in duplicate by a payer to a payee
not later than 31 July in the year of assessment)

1. IDENTIFICATION OF PAYER

Full Name

Tax Account Number

Business Registration Number

2. IDENTIFICATION OF PAYEE

Full Name

Address

National Identity Card Number

Bank Customer Identification Number

Tax Account Number.....

Business Registration Number

3. AMOUNT PAID OR CREDITED AND TAX DEDUCTED

(Tick as appropriate)

	Tax deducted & remitted to MRA	Amount paid or credited Rs
<input type="checkbox"/>	Interest
<input type="checkbox"/>	Royalties
<input type="checkbox"/>	Rent
<input type="checkbox"/>	Payments to contractor/subcontractor
<input type="checkbox"/>	Payments to provider of services

4. DECLARATION OF PAYER

I.....

(Full name of signatory in **BLOCK LETTERS**)

do hereby declare that the information I have given in this statement is true and correct.

Date :



Signature.....
Capacity in which acting.....

