

Date: 7 August 2009

To : **ALL EMPLOYERS**

Dear Sir/Madam,

INCOME TAX – PAYE – YEAR OF ASSESSMENT 2010

Subsequent to changes brought by the Finance Act 2009, individuals would henceforth be liable to income tax on income derived by them during the preceding calendar year i.e 1st January to 31st December instead of 1st July to 30th June as was the case up to 30th June, 2009.

In order to ensure a smooth change over to the calendar year basis of taxation, the Income Tax Act has been amended to provide for transitional measures whereby for the next Year of Assessment 2010, individuals would be liable to income tax on their income for the 6-month period 1st July to 31st December 2009 only.

The table below provides further details as regards the basis period, year of assessment and due date for filing of returns and payment of tax.

<i>Income derived during period</i>	<i>Year of Assessment (Tax year)</i>	<i>Last date for submission of return</i>
1 July 2008 – 30 June 2009	2009/10	30 September 2009
1 July 2009 – 31 December 2009	2010	05 April 2010
1 January 2010 – 31 December 2010	2011	31 March 2011

2. Income Exemption Threshold (IET)

The deductions under the different categories of IET and the monthly deduction to be allowed for period July to December 2009, for calculation of tax under PAYE system and the comparative figures for the preceding year are given in the table below:

<i>Income Exemption Threshold (IET)</i>	<i>IET for Year of Asst. 2010</i>		<i>IET for Year of Asst. 2009-10</i>	
	<i>1 July 2009 to 31 December 2009</i>		<i>1 July 2008 to 30 June 2009</i>	
	<i>Total Deductions Rs.</i>	<i>Monthly Deduction (IET x 1/7) Rs.</i>	<i>Total Deductions Rs.</i>	<i>Monthly deduction (IET x 1/13) Rs.</i>
Category A	129,230	18,461	240,000	18,461
Category B	188,460	26,922	350,000	26,922
Category C	220,770	31,538	410,000	31,538
Category D	242,310	34,615	450,000	34,615
Category E	153,460	21,922	285,000	21,922
Category F	212,690	30,384	395,000	30,384

For PAYE purposes, the month of December is deemed, because of the end of year bonus, to consist of 2 monthly pay periods. As such, there would be 7 pay periods between 1st July to 31st December 2009 and employees should therefore be allowed monthly deduction of 1/7 of their new IET. It is to be noted that the monthly IET deduction under each of the six categories of IET has not changed as compared to that applicable in the preceding year. Thus, where there is no change in the category of IET to which an employee is entitled for the period 1st July to 31st December 2009, he should be allowed the same monthly deduction of IET as allowed for the preceding year 1st July 2008 to 30th June 2009.

3. Employee Declaration Form (EDF)

In MRA's circular letter dated 6 July 2009, employers were informed that for the months of July and August 2009, they should continue to allow their employees monthly IET deductions based on their EDFs for the preceding income year ended 30th June 2009.

In view of the fact that only a few pay periods remain in the year ending 31st December 2009, employees are exceptionally not required to submit an EDF for period 1 July to 31 December 2009. On the other hand, employers are requested to deem every employee who submitted an EDF for the preceding income year ended 30 June 2009 to have submitted an EDF for period 1st July 2009 to 31st December 2009 and to have claimed deduction in respect of the same category of IET. Employers should therefore allow IET deductions of same amount as was applicable for previous year except in cases where a fresh EDF is submitted.

An EDF should be submitted by an employee to his employer only where:

- (i) he takes up a new job; or
- (ii) due to a change in his personal circumstances, he is entitled to another category of IET.

A copy of an EDF can either be downloaded from MRA's website <http://mra.gov.mu> or be collected from MRA's Office. A copy of the new EDF is herewith enclosed.

4. Calculation of tax under PAYE

There is no change in the operation of the cumulative PAYE system during period July to December 2009 except that 1/7 of the new IET should be allowed instead of 1/13. However, as shown in the Table at Para 2, the monthly deduction in absolute terms in respect of the various IET categories has not changed as compared to the preceding income year.

Employers operating a computerised payroll system may, instead of making changes to their system, wish to continue to allow 1/13 of last year's IET amount as claimed in last year's EDF.

Employers must ensure that in no circumstances, an employee is allowed deductions exceeding the total IET for period July to December 2009 as given in the Table at paragraph 2 above.

5. First Employment

An employee who takes up his first employment and submits an EDF, should be allowed the whole of the IET i.e. total deductions under the relevant IET category divided by the number of pay periods remaining in the year ending 31st December 2009.

6. Change of Employment

An employee who has changed employment and submits an EDF to his new employer, he should be allowed in each of the remaining pay periods in the year, 1/7 of the IET amount as claimed in the new EDF.

7. Fresh EDF

Where an employee, due to a change in his personal circumstances submits a fresh EDF to claim a new category of IET, the difference between the new IET and total cumulative IET deductions already allowed in the preceding pay periods commencing on 1st July 2009 should be allowed in equal amounts over the remaining pay periods up to 31st December 2009.

8. Additional Information

For any additional information regarding PAYE, please call our hotline 2076010 or 2076035. We rely on your usual support and understanding.

Yours faithfully

D. RAMDIN
for Director-General