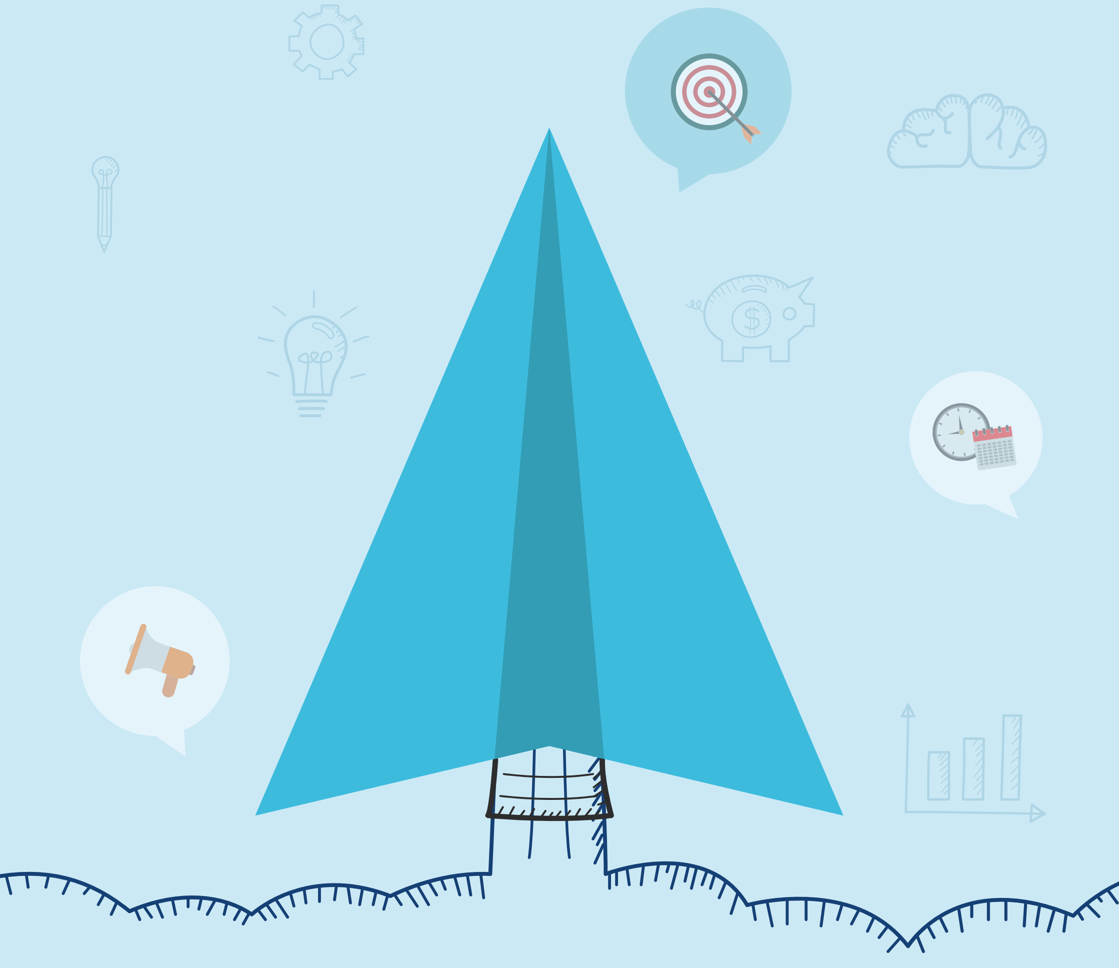
MAURITIUS REVENUE AUTHORITY

STARTING BUSINESS GUIDE (INDIVIDUALS)

MARCH 2019



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**. 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 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.
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 and you will have to use VAT invoices only.
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 your 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. 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 return declaring income derived during the year.

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

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

b. Return of Employees (ROE) by the 15^{th} of August.

c. Issue Statement of Emoluments by 15 August 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 305, 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; or

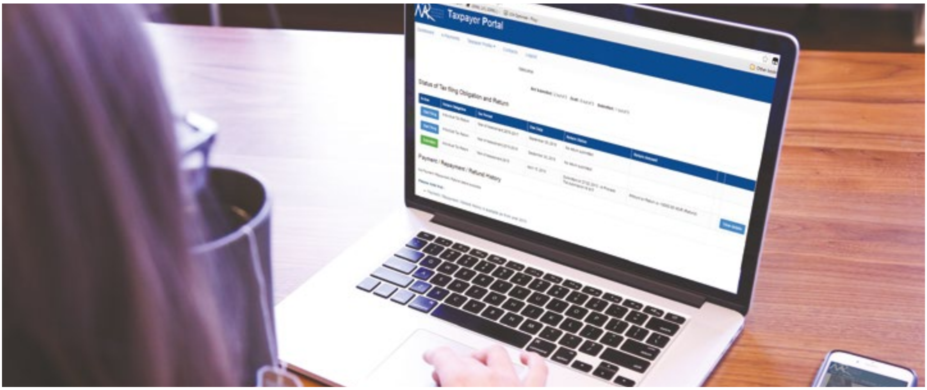
     iv. Income which has been subject to tax deduction at source.

  b. 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 10% where the total annual income is less than Rs 650,000 and the rate of 15% is applicable when the total annual income exceeds Rs 650,000.

Moreover, taxpayers having recourse to e-filing will benefit an extended delay up to the 15th 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:

Income Exemptions Threshold	Rs
Category A - An employee with no dependent	305,000
Category B - An employee with one dependent	415,000
Category C - An employee with two dependents	480,000
Category D - An employee with three dependents	525,000
Category E - An employee with four or more dependents	555,000
Category F - A retired or disabled person with no dependent	355,000
Category G - A retired or disabled person with one dependent	465,000

Other Exemptions & Reliefs

- **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, E or G 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 of the amount of tuition fees paid up to a maximum of Rs 175,000 in respect of each dependent. Rs 200,000 in respect of each dependent pursuing undergraduate course outside Mauritius at a recognized institution.

  b. The additional exemption is not allowable:-

     i. in respect of more than three children;

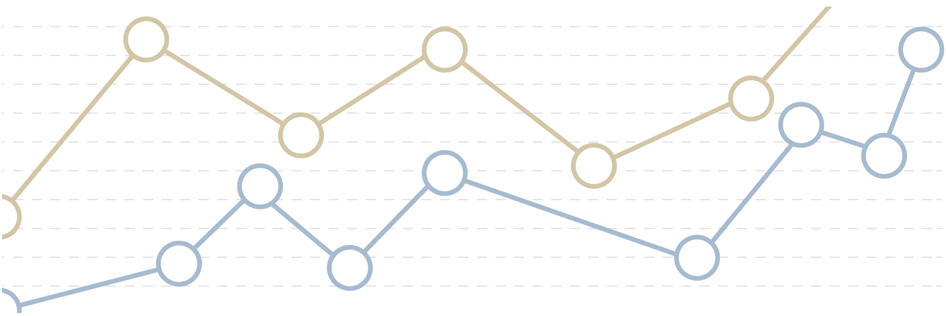
     ii. in respect of the same child for more than 6 consecutive years;

     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;

     iv. to a person whose total income (net income plus interest and dividends received) or that of his/ her spouse for the income year ending 30 June 2019 exceeds Rs 4 million.

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



Interest Reliefs 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 on the loan.

b. The relief to be claimed in the EDF is the amount of interest payable in the income year ending 30 June 2019. 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; or

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

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 2019, 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 1 January 2011 by a prescribed competent authority.

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:

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 15,000 for self**
- **Rs 15,000 for first dependent**
- **Rs 10,000 for second dependent**
- **Rs 10,000 for third 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.

Solar Energy Investment Allowance

- Where an individual has in an income year invested in a solar energy unit, he shall be entitled to relief by way of deduction from his net income, the amout invested in that income year.
- In the case of a couple, where neither spouse is a dependent spouse, the relief may, at the spouse option, be taken by one spouse or divided equally for each spouse.
- Any unrelieved amount in an income year may be carried forward and deducted against the net income of succeeding years.

Rainwater Harvesting Investment Allowance

- Where an individual has in an income year invested in a rainwater harvesting system, he shall be entitled to relief by way of deduction from his net income, the amount invested in that income year.
- In the case of a couple, where neither spouse is a dependent spouse, the relief may, at the spouse option, be taken by one spouse or divided equally for each spouse.
- Any unrelieved amount in an income year may be carried forward and deducted against the net income of succeeding years.

Who is a Dependent?

Dependent means either a spouse, 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 physical or mental disability.

Who is a Child?

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 Retired Person?

"Retired person" means a person who attains the age of 60 at any time prior to 1 July 2018 and who, during the income year ending 30 June 2019, received retired pension and no business income or emoluments exceeding Rs 50,000 other than retirement pension.

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.

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