

# TAX BASICS

FOR NEWLY INCORPORATED  
COMPANIES

COMPANY TAX OBLIGATIONS

2017

2018

2019

2017

## Pay As You Earn (PAYE)

A company should within 14 days of becoming an employer, register with the MRA.

### As an employer, the company should:

1. Withhold tax as required from emoluments and directors' fees.
2. Remit the amount withheld to the MRA by the due date.
3. Give statement of emoluments and tax deductions to employees on or before 15<sup>th</sup> August of every year.
4. Submit to MRA an annual Return of Employees (ROE).

Where the company pays directors' fees and has a chargeable income, tax should be withheld at the rate of 15% from those fees irrespective of the amount being paid and remitted to MRA by the due date.

Where the company has 25 or more employees, it should submit monthly electronic PAYE return and also remit the tax withheld electronically.

Where tax is required to be withheld in respect of an employee for the first time, the company must obtain from MRA the Tax Account Number (TAN) of the employee and insert the same in its payroll.

The Guide on PAYE, a copy of which may be downloaded from the MRA's website, [www.mra.mu](http://www.mra.mu), provides all the necessary information on the operation of the PAYE system.



## **Tax Deduction at Source (TDS)**

A company paying interest, royalty, rent or effecting payments to contractors/subcontractors, providers of specified services and to any person for the procurement of goods and services under a contract should deduct tax at source at the appropriate rate on the invoiced amount (pre-vat), at the time the payment is made available to the payee.

## **Advance Payment System (APS)**

A newly incorporated company need not submit an APS statement to the Director-General during its first year of operation.

The company shall submit an APS statement to the Director-General during its second year of operation where in respect of its first accounting year, the company's gross income had exceeded 10 million rupees and it had a chargeable income.

## **Submission of Annual Return and Payment of Tax**

An annual return of income tax should be submitted by every company whether or not it has a chargeable income.

The annual return should be submitted within 6 months after the end of the company's accounting year.

For the first year, a company may prepare accounts for a period not exceeding 18 months.

Where a corporation holding a Category 1 Global Business Licence prepares its financial statements in either US dollar, Euro, pound sterling, Singapore dollars, South African rands, Swiss francs or such other foreign currency as may be approved by the Director-General, it should submit its APS Statement and annual return and pay the tax specified therein, in that currency.

## **Electronic Filing**

A company whose annual turnover exceeds Rs 10 million or which submits electronic PAYE returns should also file the following returns/ statements electronically.

- i. Corporate tax return
- ii. VAT returns
- iii. Annual return of employees
- iv. Monthly TDS return
- v. APS statement
- vi. Return of dividends paid

MRA recommends all other companies to file electronic returns and pay tax electronically.

## **Keeping of Books and Records**

A company should keep, in English or French language, proper books, registers, accounts, records such as receipts, invoices or vouchers etc. for the purpose of enabling its gross income and allowable deductions to be readily ascertained.

## **Compulsory Registration for Value Added Tax (VAT)**

**A company should register for VAT purposes where:**

- i. Its annual turnover of taxable supplies exceeds or is likely to exceed 6 million rupees; or
- ii. It is engaged in any business or profession specified in the Tenth Schedule to the Value Added Tax Act irrespective of its turnover or taxable supplies.

## **Environment Protection Fee (EPF)**

A company engaged in the undermentioned activities is liable to EPF and it should register with MRA for EPF purposes within 14 days of the start of its activities.

- Hotel, guest house or tourist residence of more than 4 bedrooms.
- Stone crushing, manufacturing or processing of aggregates, concrete blocks, pre-cast units, coral sand, rock sand and basalt sand.
- Manufacture, assembly or importation of mobile phones, pneumatic tyres and batteries for vehicles.

## **Customs Clearance for Goods Imported/Exported**

A company should be registered at MRA Customs Department before any goods is cleared. The registration may be done through an approved broker.

The Tax Account Number (TAN) of the company is required for registration.

A customs declaration (bill of entry) in respect of every import/export has to be lodged electronically by an approved broker.

## **Business Registration Number (BRN)**

Every company is allocated a BRN by the Registrar of Companies. The BRN should be indicated on all invoices issued by the company.



This leaflet is for information only. For legal provisions, the relevant legislations should be consulted.

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Ehram Court, Cnr Mgr. Gonin & Sir Virgil Naz Streets, Port Louis, Mauritius  
Tel: +230 207 6000 | Fax: +230 211 8099 | Hotline: +230 207 6010  
Email: [headoffice@mra.mu](mailto:headoffice@mra.mu) | [www.mra.mu](http://www.mra.mu)