

# **TAX DEDUCTION AT SOURCE (TDS) Guide**

Tax deduction at source will come into effect as from 1<sup>st</sup> October, 2006. Under this system, 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. The payments covered under this system are:

- (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.

The tax deducted at source is required to be remitted to the Mauritius Revenue Authority (MRA) by the specified dates.

The basic issues concerning Tax deduction at source are:

## **1. GENERAL ISSUES**

### **Rate of tax**

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

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

### **Minimum threshold**

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 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.

### **Time of deducting tax**

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.

### **Remittance of tax deducted at source**

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 22<sup>nd</sup> of the same month. If payments have been made after 15th day of the month, the tax deducted is required to be remitted to MRA by the 7<sup>th</sup> day of the next month. In case of other payments subject to TDS, any tax deducted at source is required to be remitted by 20<sup>th</sup> 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**.

### **Credit for tax deducted to the payee**

The payer shall issue a statement of income tax deduction in respect of the preceding income year, to the payee by 31<sup>st</sup> of July every year showing the total payments made to the payee and the tax deducted there from. The first such statement shall be issued to the payee by 31<sup>st</sup> July,07. This statement has been prescribed in Income Tax Regulations and is enclosed as **Annexure 2**.

### **Annual statement of tax deducted**

The payer is required to furnish by 31<sup>st</sup> of July every year, a statement to the MRA, giving particulars of the payee, the amount paid or credited 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 paid or credited to the payee during the year exceeds Rs 5000 irrespective of whether any tax has been deducted there from or not. This statement has been prescribed in Income Tax Regulations and is enclosed as **Annexure 3**.

### **Conditions under which payer is 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.

### **Tax to be deducted in priority**

The obligation of the payer to deduct tax at source prevails over any right or obligation to deduct any other amount from such payments or any law providing that such payments should not be reduced or be subject to attachment. In other words, tax to be deducted at source ranks first among deductions from payments made to the payee.

### **Consequences for failure to deduct tax at source**

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 will still be entitled to recover from the payee, the tax which he failed to deduct.

### **Penalty for late payment of tax deducted at source**

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

### **Interest for non-payment of tax**

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**

### **Meaning of interest**

Interest means income from debt-claims of every kind including deposits with a financial institution, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits. It includes income from debentures or any other loan instrument, including premiums and prizes attaching to such debentures or other loan instruments.

### **Types of interest 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.

## **Payers required to 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.

An individual paying interest is not required to deduct tax at source.

## **Payees 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.

A company receiving interest is not subject to tax deduction at source.

## **Exempt payees**

Only individuals, societies or successions are subject to tax deduction at source. The following types of individuals, societies or successions are not subject to tax deduction at source:

- (a) A non resident individual ;
- (b) A non-resident society;

(c)A societe holding Category 1 Global Business Licence;

(d)A societe exempt from the payment of Income Tax;

### **Effective date**

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

### **Rate of tax**

The rate for deducting tax on interest is 15%

## **3. PAYMENTS TO CONTRACTORS AND SUB-CONTRACTORS**

### **Contracts covered**

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.

### **Payers required to deduct tax at source**

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

### **Payees 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.

### **Meaning of contractor**

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

### **Meaning of sub-contractor**

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

### **Effective date**

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

### **Rate of tax**

The rate for tax deduction at source on payments to contractors and sub-contractors is 0.75%.

## **4. ROYALTIES**

### **Meaning of Royalty**

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.

### **Payers required to deduct tax at source**

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

## **Payees subject to tax deduction at source**

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

### **Effective date**

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

### **Rate of tax**

The rate for deducting tax at source is 10%.

## **5. PAYMENTS FOR SPECIFIED SERVICES**

### **Services covered**

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.

### **Payers required to deduct tax at source**

All persons excluding individuals should deduct tax at source.

### **Payees 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.

### **Effective date**

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

### **Rate of tax**

The rate of tax deduction at source is 3%.

## **6. RENT**

## **Meaning of 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.

## **Payers required to deduct tax at source**

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

## **Payees 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.

## **Effective date**

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

## **Rate of tax**

The rate of tax deduction at source is 5%.

# ANNEXURE 1

<p><b>INCOME TAX - TAX DEDUCTION AT SOURCE</b>  <i>(The Income Tax Act – section 111 C)</i></p> <p>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.</p>	<p><b>ORIGINAL</b></p> <hr/> <p><b>FOR USE BY MRA</b></p> <hr/> <p>Date received</p>
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<b>PARTICULARS OF PAYER</b>	<p><b>1. Tax Account Number (TAN) ...</b></p> <div style="border: 1px solid black; width: 100%; height: 20px;"></div>																
<b>2. Full name</b> .....																	
<b>3. Tax deducted for the period of</b>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; font-size: small;">D D M M Y Y</td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="text-align: center; font-size: small;">to</td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> </tr> </table>	D D M M Y Y								to							
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	<p>from (a) Interest ... ..</p> <p>(b) Royalties ... ..</p> <p>(c) Rent ... ..</p> <p>(d) Payments to contractors/sub-contractors ... ..</p> <p>(e) Payments to architects ... ..</p> <p>(f) Payments to engineers ... ..</p> <p>(g) Payments to land surveyors ... ..</p> <p>(h) Payments to project managers ... ..</p> <p>(i) Payments to property valuers ... ..</p> <p>(j) Payments to quantity surveyors ... ..</p>	<p><b>Rupees</b> <b>only</b></p> <div style="border: 1px solid black; width: 100%; height: 20px;"></div> <div style="border: 1px solid black; width: 100%; height: 20px;"></div> <div style="border: 1px solid black; width: 100%; height: 20px;"></div> <div style="border: 1px solid black; width: 100%; height: 20px;"></div> <div style="border: 1px solid black; width: 100%; height: 20px;"></div> <div style="border: 1px solid black; width: 100%; height: 20px;"></div> <div style="border: 1px solid black; width: 100%; height: 20px;"></div> <div style="border: 1px solid black; width: 100%; height: 20px;"></div> <div style="border: 1px solid black; width: 100%; height: 20px;"></div> <div style="border: 1px solid black; width: 100%; height: 20px;"></div>															
<b>4. Penalty for late payment</b> ... ..																	
<b>5. Interest on unpaid tax for the months</b>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; font-size: small;">M M Y Y</td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="text-align: center; font-size: small;">to</td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> </tr> </table>	M M Y Y					to										
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<b>6. Total remittance : cash / cheque *</b> ... ..																	

<p>Date .....</p> <p><b>* Delete as appropriate</b></p>	<p>Signature .....</p> <p>Full name of signatory .....</p> <p>Capacity in which acting .....</p>
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**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.....

**ANNEXURE 3**

**ELEVENTH SCHEDULE**  
*(regulation 22B(2))*

**STATEMENT OF AMOUNT PAID AND TAX DEDUCTED FOR  
INCOME YEAR ENDED 30 JUNE ....**

**1. IDENTIFICATION OF PAYER**

Full Name .....

Tax Account Number.....

Business Registration Number.....

**2. DECLARATION OF PAYER**

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

do hereby declare that the information I have given in the attached statement in respect of interest/royalties/rent/payments to contractors and subcontractors/payments to providers of services\* and tax deducted is complete, true and correct.

Date : .....



Signature.....

Capacity in which acting.....

\* Delete as appropriate. Separate list to be submitted for each type of payment.

**3. STATEMENT SHOWING DETAILS OF PAYMENT MADE**

Payee			Business Registration Number	Amount paid or credited Rs	Tax Deducted and remitted to MRA Rs
Full Name	National Identity Card Number (NICN) or residential address if NICN is not available	Tax Account Number (not to be filled in by financial institutions)			
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