



# TAX DEDUCTION AT SOURCE GUIDE

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# TAX DEDUCTION AT SOURCE

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## 1. TAX DEDUCTION AT SOURCE

Tax deduction at source (TDS) has 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.

TDS is an advance payment of tax which the payee may offset against his tax liability for that income year. Any tax deducted in excess of the tax payable will be refunded to the payee.

The payments covered under this system are:

1. Interest, other than:
  - (i). interest falling under Sub-part B of Part II of the Second Schedule, payable by any person, other than an individual, to any person, other than a company resident in Mauritius; and
  - (ii). interest payable to a person in respect of money lent by that person through a Peer-to-Peer Lending Platform operated under a licence issued by the Financial Services Commission under the Financial Services Act.
2. Royalties payable to any person by any person, other than an individual or a corporation holding a Category I Global Business Licence under the Financial Services Act 2007;
3. Rent payable by any person, other than an individual;
4. Payments to contractors and sub-contractors, by any person, other than an individual;
5. Any sum paid to architects, accountants/accounting firms, attorney/ solicitor, barrister, engineers, land surveyors, legal consultant, medical service provider, project managers in construction industry, property valuers, quantity surveyors, tax advisers or their representatives as consideration for services rendered by them;
6. Payment made by Ministry, Government department, local authority, statutory body or the Rodrigues Regional Assembly on contracts, other than payments to contractors and sub-contractors and payments to providers of services;
  - a. For the procurement of goods and services under a single contract, where the payment exceeds 300,000 rupees;
  - b. For the procurement of goods under a contract, where the payment exceeds 100,000 rupees; or
  - c. For the procurement of services under a contract, other than telephone, postal, air travel and hotel services where the payment exceeds 30,000 rupees.
7. Payments made to the owner of an immovable property or his agent;
8. Payment made to a non-resident for any services rendered in Mauritius;
9. Payment of management fees to residents and non-residents;
10. Payment to a non-resident entertainer or sports person; and
11. Commission payable by any person other than an individual.

The tax deducted at source is required to be remitted to the Mauritius Revenue Authority (MRA) by the dates specified in S 111D of the Income Tax Act.

## 2. GENERAL ISSUES

### 2.1 RATE OF TAX

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

	Amount or sum made available to the payee by way of:	Rate of Tax (%)
1	Interest payable by any person, other than by a bank or non-bank deposit taking institution, under the Banking Act, to any person, other than a company resident in Mauritius	15
2	Royalties payable to: a. A resident b. A non-resident	10 15
3	Rent payable to: a. A resident b. A non-resident	5 10
4	Payments to contractors and sub-contractors	0.75
5	Payment to providers of services as specified in the Fifth Schedule to the Income Tax Act	3
6	Payment made by Ministry, Government department, local authority, statutory body or the Rodrigues Regional Assembly on contracts, other than payments to contractors and subcontractors and payments to providers of services specified in the Fifth Schedule: a. For the procurement of goods and services under a single contract, where the payment exceeds 300,000 rupees; b. For the procurement of goods under a contract, where the payment exceeds 100,000 rupees; or c. For the procurement of services under a contract, other than telephone, insurance, postal, air travel and hotel services, where the payment exceeds 30,000 rupees.	1 1 3
7	Payment made to the owner of an immovable property or his agent pursuant to section 111B(g)	5
8	Payment made to a non-resident for any services rendered in Mauritius pursuant to section 111B(h)	10
9	Payment of management fees pursuant to 111B(i) to: a. A resident b. A non-resident	5 10
10	Payments to a non-resident entertainer or sports person pursuant to 111B(j)	10
11	Commission.	3

#### Minimum amount for application of TDS

TDS is not applicable where the amount of tax to be deducted is less than 500 rupees. The payer will, however, be required to submit an annual TDS return.

## 2. GENERAL ISSUES Cont'd

### 2.2 TIME OF DEDUCTION

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

### 2.3 REMITTANCE OF TAX DEDUCTED AT SOURCE

Any tax deducted at source, other than electronically, is required to be remitted by the 20<sup>th</sup> of the next month. The remittance for the months of May and November shall be made 2 days, excluding Saturdays and public holidays, before the end of June and December respectively.

### 2.4 STATEMENT OF INCOME TAX DEDUCTION

The payer shall issue a statement of income tax deduction in respect of the preceding income year to the payee by 15 August every year, showing the total payment made to the payee and the tax deducted therefrom. This statement has been prescribed in Income Tax Regulations and is enclosed at **Annex 1**.

### 2.5 ANNUAL TDS RETURN

The payer is required to furnish by 15 August every year the following:

- i. Where TDS has been applied, a statement giving particulars of the payee, the amount made available to the payee and the tax deducted therefrom. This statement has been prescribed in Income Tax Regulations and can be made through Electronic Filing.
- ii. Where TDS has not been applied because the amount of TDS was less than 500 rupees, a statement giving particulars of the payee and the amount or sum made available.

Please see form as per **Annex 2**.

### 2.6 CONDITIONS UNDER WHICH PAYER IS NOT REQUIRED TO DEDUCT TAX AT SOURCE (TDS)

- i. 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.
- ii. A company whose annual turnover does not exceed 6 million rupees is not required to apply deduction of tax at source (TDS).

However, a company, société or succession which awards contracts for construction works is required to apply for TDS even if its turnover does not exceed Rs 6 million.

### 2.7 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 by the payer.

## 2. GENERAL ISSUES Cont'd

### 2.8 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.

### 2.9 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 10% of the amount of tax remaining unpaid.

### 2.10 INTEREST FOR UNPAID TDS

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.



## 3. INTEREST

### 3.1 MEANING OF INTEREST

Interest means income from debt-claims of every kind, 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.

### 3.2 TYPES OF INTEREST SUBJECT TO TAX DEDUCTION AT SOURCE

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

- a. Interest on loans to any person, other than a company resident in Mauritius;
- b. Interest on debentures (except debentures quoted on the Stock Exchange) or any other loan.

### 3.3 PAYERS REQUIRED TO DEDUCT TAX AT SOURCE

Individuals, banks or non-bank deposit institutions are NOT required to deduct tax at source on interest paid by them.

The following persons should deduct tax at source:

Any other person paying interest on:

1. loan granted through any loan instrument;
2. debentures other than debentures quoted on the stock exchange.

### 3.4 PAYEES SUBJECT TO TAX DEDUCTION AT SOURCE

Resident companies in receipt of interest are NOT subject to TDS.

Payees subject to tax deduction at source are:

- a. Individuals;
- b. Resident, sociétés or successions; and
- c. Non-resident companies/persons.

### 3.5 EXEMPT PAYEES

Persons listed in Part 1 of the Second Schedule or a person exempt from income tax by virtue of any other enactment.

### 3.6 RATE OF TAX

The rate for deducting tax on interest is 15% or the rate specified under any arrangement for relief from double taxation which is in force between Mauritius and the foreign country where the payee is resident, whichever is the lower.

## 4. ROYALTIES

### 4.1 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 include cinematographic films, any patent, trademark, design or model, plan, secret formula or process. It also includes payment for information concerning industrial, commercial or scientific experience.

Royalty payable to a resident is subject to TDS at the rate of 10%, while royalty payable to a non-resident is subject to TDS at the rate of 15% or the rate specified under any arrangement for relief from double taxation which is in force between Mauritius and the foreign country where the payee is resident, which ever is the lower.





## 5. RENT

### 5.1 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.

### 5.2 RATE OF TAX

Rent payable to a resident is subject to TDS at the rate of 5%, while rent payable to a non-resident is subject to TDS at the rate of 10%.

## 6. PAYMENTS TO PROVIDERS OF SERVICES

### 6.1 SERVICES COVERED

Services provided by architects, accountants/accounting firms, Attorney/Solicitor, barrister, engineers, land surveyors, Legal consultant, medical service providers, project managers in construction industry, property valuers, quantity surveyors and tax advisers or their representatives, would be subject to tax deduction at source as per Fifth Schedule of the Income Tax Act 1995.

### 6.2 RATE OF TAX

The rate of tax deduction at source is 3%.



## 7. PAYMENTS TO CONTRACTORS AND SUB-CONTRACTORS

### 7.1 MEANING OF CONTRACTOR

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

### 7.2 MEANING OF SUB-CONTRACTOR

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

### 7.3 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, including mechanical & electrical works.
- c. Supply of labour for carrying out works in respect of civil construction.

### 7.4 PAYERS REQUIRED TO DEDUCT TAX AT SOURCE (TDS)

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

### 7.5 RATE OF TAX

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



# ANNEX 1

## EIGHTH SCHEDULE 82 \* (regulation 22B(1))

**STATEMENT OF INCOME RECEIVED FOR INCOME YEAR ENDED 30 June .....**  
(To be given in duplicate by a payer to a payee not later than 15 August in the year of assessment)

### 1. Identification of payer

- (1) Name.....  
 (2) Tax Account umber.....  
 (3) Business Registration Number .....

### 2. Identification of the person (payee) to whom an amount has been made available by the payer

- (1) Name .....  
 (2) Address .....  
 (3) National Identity Card Number .....  
 (4) Bank Customer Identification Number.....  
 (5) Tax Account Number .....  
 (6) Business Registration Number .....

### 3. Amount paid or credited and tax deducted, if any

	Please tick (✓) as appropriate in the box	Gross amount paid or credited (before deduction of tax)	Tax deducted and remitted to MRA
		Rs	Rs
<input type="checkbox"/>	Royalties		
<input type="checkbox"/>	Rent		
<input type="checkbox"/>	Payments to contractor/subcontractor		
<input type="checkbox"/>	Payments to architects, engineers, land surveyors, project managers, property valuers and quantity surveyors		
<input type="checkbox"/>	Payments to attorneys/solicitors, barristers and Legal consultants		
<input type="checkbox"/>	Payments to medical services providers		
<input type="checkbox"/>	Payments for procurement of good and services		
<input type="checkbox"/>	Payments for board and lodging		
<input type="checkbox"/>	Payments to non-resident for services rendered in Mauritius		
<input type="checkbox"/>	Payment of management fees payable to an individual		
<input type="checkbox"/>	Payment made to a non-resident entertainer or sportsperson		
<input type="checkbox"/>	Payment to Accountant/Accounting firm and tax adviser or his representative		
<input type="checkbox"/>	Interest		
<input type="checkbox"/>	Commission		

### 4. Declaration of payer

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

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

.....  
 Signature

.....  
 Capacity in which acting

.....  
 Date

.....  
 Seal

# ANNEX 2

## NINTH SCHEDULE <sup>83</sup> \* (regulation 22B(2))

### STATEMENT OF AMOUNT PAID AND TAX DEDUCTED FOR INCOME YEAR ENDED 30 June .....(YEAR)

#### 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 is complete, true and correct and that the tax deducted has been duly remitted to MRA

Date : .....

Signature.....

Capacity in which acting .....

SEAL

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

IDENTIFICATION OF THE PERSON (PAYEE) TO WHOM AN AMOUNT HAS BEEN MADE							
AVAILABLE BY THE PAYER							
Surname	Other Names	National Identity Card Number (NICN) or residential address if NICN is not available	Tax Account Number (TAN)	Business Registration Number (BRN)	Nature of payment	Gross amount paid or credited (before deduction of tax)  (Rs)	Tax deducted and remitted to MRA.  (Rs)
					1. Royalties 2. Rent 3. Payments to contractor/ subcontractors 4. Payments architects, engineers, land surveyors, project managers, property valuers and quantity surveyors 5. Payments to attorneys/ solicitors, barristers and legal consultants 6. Payments to medical service providers		
Surname	Other Names	National Identity Card Number (NICN) or residential address if NICN is not available	Tax Account Number (TAN)	Business Registration Number (BRN)	Nature of payment	Gross amount paid or credited (before deduction of tax)  (Rs)	Tax deducted and remitted to MRA.  (Rs)
					7. Payments for procurement of goods and services 8. Payments for board and lodging 9. Payments to non-resident for services rendered in Mauritius 10. Interest		



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