



Taxation made simpler Deduction of Tax at source

In partnership with EY.



DEDUCTION OF TAX AT SOURCE MECHANISM

Introduction

The Finance Act 2006 introduced a system of Deduction of tax at source (“DTS”) mechanism, whereby a person is required to deduct tax from certain payments. The tax is deducted at the time the amount due to the creditor is paid to or credited to his account, whichever is earlier. This mechanism does not apply to individuals. DTS is effectively an advance payment of tax for the recipient. The total tax suffered under the DTS mechanism reduces the total tax payment a person is required to make at the time the annual tax return is submitted. As from 1 January 2013, DTS does not apply where the amount of tax is less than Rs 500.

When does the DTS mechanism apply?

The mechanism of DTS will apply in the following situations: (please note that this list is for reference only, and you should always assess your situation with the Mauritius Revenue Authority (MRA) (<http://mra.gov.mu/index.php/corporate-a-other-bodies/tds>).

Interest

Interest payable to a non-resident is subject to DTS at the rate of 15%. However, where the interest is paid by a bank or a non-bank deposit taking institution the DTS does not apply. The rate of 15% may be reduced if the lender is tax resident in a country with which Mauritius has a tax treaty.

Royalties

Royalty payable to a resident is subject to DTS at the rate of 10%. Royalty payable to a non-resident is subject to DTS at the rate of 15%. DTS does not apply if the payer is a corporation holding a Category 1 Global Business Licence. Like interest, the DTS rate may be reduced if the recipient is resident in a country with which Mauritius has a tax treaty.

Rent

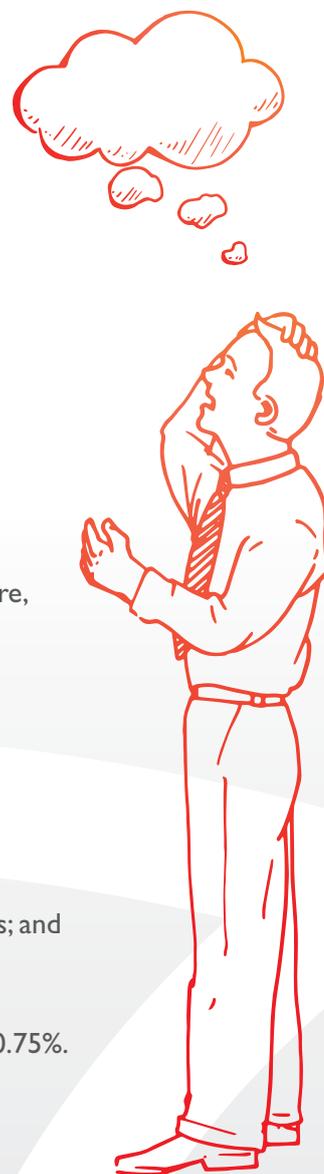
Rent means any payment for the use of any land or building together with furniture, fittings and the land appurtenant thereto. Premium and other consideration for a lease are also subject to DTS. The rate of DTS is 5% of the rent.

Payments to contractors and subcontractors

The types of contracts subject to DTS are:

- Civil construction work including construction or repair of any building, road or other structure
- Execution of any works contract and includes mechanical or electrical works; and
- Supply of labour for carrying out works in respect of civil construction

Payments to contractors or sub-contractors are subject to DTS at the rate of 0.75%.



Payments to providers of services

Payments made for services rendered by certain service providers resident in Mauritius are subject to DTS at the rate of 3%.

Payees subject to DTS are architects, engineers, land surveyors, project managers in the construction industry, property valuers and quantity surveyors. With effect from 1 March 2012, attorneys/solicitors, barristers and legal consultants have been included in the list of payees. The operation of DTS has been extended to include medical service providers as from 22 December 2012.

Payments made to a non-resident for any services rendered in Mauritius

Payments made to a non-resident for **any services** rendered in Mauritius are subject to DTS at the rate of 10%. Here also, the DTS mechanism does not apply if the right to tax rests with the service provider under a tax treaty,

How and when to pay DTS?

Any tax deducted at source is required to be remitted to the MRA by the 20th of the next month.

A person who has made payments subject to DTS is required to issue a statement in respect of the preceding year to the recipient of the payment. The statement should disclose the total payment made to the person and the tax deducted.

Another statement is also required to be furnished to the MRA by the payer. The statement should give details of the recipient of the payment, the amount made available and the tax deducted. Where DTS has not been applied because the amount of tax was less than Rs 500, then the amount of tax is not required to be disclosed on the statement.

The annual statement must be submitted to the recipient of the payment and to the MRA by 15 February every year.

What is the penalty for failure to pay DTS?

If a payer fails to deduct tax at source in accordance with the provisions of the law, he will be personally liable to pay the tax. However, he is entitled to recover this amount from the payee.

In addition, the payer will also be personally liable to a penalty of 5% of the tax due and interest at the rate of 1% per month until such time the tax remains unpaid.

Failure to submit the annual statement may result in penalties up to a maximum of Rs 20,000 for the payer.

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