



GUIDE

ON

CPS

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## MAURITIUS REVENUE AUTHORITY

### INTRODUCTION

Current Payment System (CPS) is a system whereby an individual deriving business, professional or rental income is required to submit a Statement of Income in the current income year for each of the quarters ending 30 September, 31 December and 31 March and at the same time pay any tax due. At the end of the income year, the individual has to furnish an annual Return of Income from all sources and pay any balance of tax.

CPS for the self-employed which has been introduced at the same time as the Pay As You Earn (PAYE) system for salary and wage earners is in operation since 1 July 1993.

This guide is intended to give those covered by CPS an understanding of the system to help them fulfill their obligations under the Income Tax Act.

The notes in the guide are informative only and have no legal force.

## 1. BUSINESS, PROFESSIONAL OR RENTAL INCOME OF AN INDIVIDUAL

Business income of an individual refers to income derived from any trade, business, profession or vocation.

Income from trade or business means profits or gains derived from the carrying on of any trade, business, manufacture or undertaking. It also includes income from -

- parcelling of lands, construction of building and other works and renting of scaffolding and other construction equipment;
- provision of goods under contract whether or not services are included;
- hawking of goods (hawkers);
- supply of fast foods, snacks etc. whether or not from mobile outlets and provision of catering services;
- cultivation of lands (sugar cane, tea, tobacco, flowers, fruits, vegetables etc.), livestock, fishery etc.;
- provision of bus, lorry, van and car transport;
- renting of cars, motor cycles, cycles, pedalos, etc.

Commissions paid on the sale of goods or services (e.g. insurance) to a person who is not an employee of the payer are treated as business income and fall under CPS.

However, commissions paid by an employer to his employee form part of emoluments and are subject to PAYE.

Income from profession or vocation means income derived from the provision of professional services by persons such as doctors, pharmacists, opticians, lawyers, engineers, architects, surveyors and accountants or other persons providing independent services of a similar nature. It also includes income from -

- the provision of services by consultants or of any other similar services in a self-employed capacity;
- the running of vocational and technical schools, secondary, primary and pre-primary schools, kindergartens and crèches;
- the provision of private tuition;
- the provision of services by agents, brokers, commission agents;
- the running of gymnasiums, aerobic and keep-fit centres, music and dance schools;
- the provision of services by beauticians and hairdressers;
- the provision of public entertainment by singers, musicians, dancers, artists, etc.

Rental income under CPS refers to gross rents derived from immovable property.

Where a person in receipt of emoluments derives gross rents not exceeding 20,000 rupees per month but does not derive any business income or where a person derives income exclusively from gross rents not exceeding 20,000 rupees per month, those rents do not form part of the rental income for the purposes of CPS but should be declared in the annual Return of Income at the end of the income year. However, if in any month in a quarter his gross rents exceed 20,000 rupees per month, the total rents for the quarter should be declared in the Statement of Income.

On the other hand, income derived from the running of boarding houses and guest houses or other similar premises constitutes business income and should be included in the Statement of Income whether or not the gross income derived exceeds 20,000 rupees per month.

Likewise where a bungalow or a group of bungalows or an apartment is made available for letting to visitors and travellers and the charge is calculated at a daily rate, the income derived constitutes business income.

Business or rental income of an individual also includes his share in the business/rental income of a resident société or succession as an associate or beneficiary in the société or succession respectively.

## 2. INCOME NOT FALLING UNDER CPS OR PAYE

Income not falling under CPS or PAYE, such as interest, dividends, charges (including alimony), annuity, pension under a personal pension scheme and royalty should not be included in the Statement of Income but should be declared at the end of the income year in the annual Return of Income.

## 3. INDIVIDUALS COVERED BY CPS

Individuals in receipt of business, professional or rental income are covered by CPS.

An individual who is an associate in a resident société or a beneficiary in a succession deriving business or rental income is also covered by CPS.

#### 4. REGISTRATION OF INDIVIDUALS COVERED BY CPS

An individual who does not have a Tax Account Number (TAN) and who in a CPS period derives gross income from business/ profession / rent and whose turnover or gross income exceeds the CPS threshold (see para 7 for CPS threshold ) is required to apply for a TAN. If this is your case , you should call at the office of the Mauritius Revenue Authority (MRA) together with your National Identity Card, to obtain a TAN in your name.

Once you have been allotted a TAN, you are deemed to be a registered person and you are required to submit a Statement of Income, whether or not you have tax to pay.

#### 5. INCOME OF A MARRIED WOMAN

All income derived by a married woman is liable to tax separately from the income of her husband in her own name. This means that a married woman is also covered by CPS in her own name if she is in receipt of business, professional or rental income.

#### 6. STATEMENT OF INCOME

Every individual covered by CPS in the current income year should submit to the Director General during that income year Statements of Income and at the same time pay the tax, if any, in accordance with the Statement of Income as follows -

In respect of quarter	Due date for submission of statement of Income and payment of tax
1 July to 30 September	31 December
1 October to 31 December	31 March
1 January to 31 March	30 June

For quarter 1 April to 30 June, no Statement of Income will have to be submitted but the business, professional or rental income for that quarter should be included in the annual Return of Income at the end of the income year.

Where business/ professional/ rental income is derived jointly by a couple, such income will be deemed to have been derived by each spouse in such proportion as may be decided by them, and is to be included in his/her Statement of Income accordingly.

The Statement of Income should show for each quarter -

- the gross business, professional or rental income;
- the allowable deductions;
- the net income;
- the income exemption threshold; and
- the chargeable income and any tax payable thereon..

Forms of Statement of Income in respect of each quarter will be sent by post in due time to all self-employed who are registered as taxpayers with the Mauritius Revenue Authority . Any self-employed individual who does not receive the form in due time should immediately obtain one by contacting the Mauritius Revenue Authority, Efram Court, Cnr Mgr.Gonin & Sir Virgil Naz streets , Port-Louis. Telephone 207 6000 . Hotline - 207 6010

Individuals in Rodrigues who are covered by CPS may obtain the forms from the Officer-in-Charge of the Finance Division, Administration Centre, Rodrigues.

## 7. OBLIGATION TO SUBMIT STATEMENT OF INCOME

Every individual covered by CPS should submit a Statement of Income where in respect of a CPS quarter -

- he is a registered person( i.e he has a TAN) whether or not he has a chargeable income for that quarter; or
- his gross income does not exceed the CPS threshold, but he has a chargeable income for that quarter

Where the gross income exceeds the CPS threshold in any one quarter in an income year, he should submit a Statement of Income for the remaining quarter/s, whether or not the gross income exceeds the CPS threshold in the remaining quarter/s.

The CPS threshold for a CPS quarter in an income year is shown hereunder -

In respect of	CPS threshold
Turnover (gross)	300,000 rupees
Gross income from profession, vocation or occupation	75,000 rupees
Rent	20,000 rupees per month.

## 8. CALCULATION OF NET INCOME

An individual may for the purpose of his CPS statement, calculate his net income for a CPS quarter in an income year, on the basis of either the net income for the preceeding income year or the actual figures of gross income and expenditure ( see examples para 13 )

## 9. ALLOWABLE DEDUCTIONS (BUSINESS EXPENSES AND DEDUCTIONS)

Where an individual uses the actual figures of gross income and expenditure to arrive at the net income for the CPS quarter, the Statement of Income should show the allowable business expenses and deductions relating to the derivation of the gross business, professional or rental income for the quarter. Where in respect of certain items of expenditure the amount is not known at the time of making the Statement of Income, an estimate of the expenditure for the quarter may be included in the statement.

Allowable deductions include -

### 9.1 Annual Allowance

Annual allowance is an allowable deduction in lieu of depreciation normally charged in accounts and is calculated at the rates specified in Appendix I for different types of assets acquired or capital expenditure incurred. 25% of such annual allowance may be claimed in the Statement of Income for each quarter in respect of capital expenditure incurred in the first quarter or before the beginning of the quarter. Where the capital expenditure is incurred in the second quarter, 50% of the annual allowance may be claimed in the second quarter and 25% in the third quarter, where the capital expenditure is incurred in the third quarter 75% of the allowance may be claimed in the third quarter. Any profit or loss on disposal should be taken into account in the computation of the annual allowance.

No annual allowances are allowable unless proper books of accounts and records are kept

### 9.2 INTEREST

A deduction is allowable in respect of expenditure incurred on interest in a quarter with regard to capital employed exclusively in the production of gross income. No deduction is allowable to the extent to which an expenditure on interest is incurred in the production of exempt income.

## 10. LOSSES

Any loss incurred in the previous income year/quarter in the production of gross income falling under CPS and remaining unrelieved may be carried forward and set off against gross income falling under CPS for the following quarter.

## 11. INCOME EXEMPTION THRESHOLD

Since the Statement of Income relates to a quarter, only 25% of the income exemption threshold should be claimed. Appendix II sets out the different income exemption thresholds that can be claimed.

Where, as a result of a change in the family circumstances of an individual in an income year, there is a variance in relation to the amount of income exemption threshold to which the individual has become entitled in respect of a quarter in that income year compared to the amount of income exemption threshold already claimed in respect of a previous quarter in that income year, the individual is required for the purposes of calculating the amount of income exemption threshold to be allowed for each of the remaining quarters in that income year, to adjust the amount of income exemption threshold already claimed for any quarter/s by an amount equivalent to the amount of the variance divided by the number of such remaining quarters. An example is given in Appendix III.

Where any income exemption threshold has been claimed under PAYE, that income exemption threshold should not be claimed under CPS.

## 12. CREDIT FOR TAX DEDUCTION AT SOURCE

Where tax has been deducted at source in respect of income falling under CPS in any quarter in an income year, the taxpayer may deduct that tax from the amount of tax he is required to pay on the chargeable income of that quarter. Any excess of tax deducted at source over the amount of tax payable on the chargeable income of a quarter shall not be refunded but shall be carried forward and be available for deduction from tax payable on the chargeable income of the following quarter or of the income year, as the case may be.

### 13. CALCULATION OF CHARGEABLE INCOME AND TAX PAYABLE

You can use either Method I or Method II to arrive at the amount of chargeable income, if any, for a quarter. However, Method I can be used only if a return of income has been furnished for the preceding income year and the net result for that year is not a loss. Only one method can be used in respect of an income year.

#### METHOD I

- Step 1 Take the net profit declared from business/ profession/ rent from last year's annual return.
- Step 2 Calculate 25% of the above net annual profit and add 10% to that amount to arrive at the net income for the CPS quarter
- Step 3 Deduct 25% of the income exemption threshold to which you are entitled from the net income arrived at Step 2 above. The difference is your chargeable income.
- Step 4 Calculate the tax payable at the prevailing tax rate.

An example is given below

	Rs	Rs
25% of the total net business income as per last year's return	200,000	
<u>Add</u> 10% of that amount	<u>20,000</u>	
Net Income for CPS quarter		200,000
<u>xxx</u>		
<u>Less</u> 25% of income exemption threshold (25% of 425,000)		<u>106,250</u>
Chargeable income		<u>113,750</u>
Tax at 15 %		<u>17062</u>

## METHOD II

If method II is used, the gross business, professional or rental income to be included in the Statement of Income in respect of each CPS quarter should be based on actual figures of income and expenditure.

(i)	Trade, Business	Rs	Rs
	Turnover/Sales/Gross income (say)		xxx
	xxx		
	Less Cost of sales	<u>xxx</u>	
	Gross profit	xxx	
	Deduct Business expenses & deductions	<u>xxx</u>	xxx
(ii)	Cultivation of lands, livestock, fishery, etc.		
	Gross income/Sales	xxx	
	Less Cost of sales	<u>xxx</u>	
	Gross profit	xxx	
	Deduct Business expenses and deduction	<u>xxx</u>	xxx
(iii)	Profession or vocation		
	Gross income	xxx	
	Deduct Expenses and deductions	<u>xxx</u>	xxx
(iv)	Rental income		
	Gross Rents	xxx	
	Deduct Expenses	<u>xxx</u>	xxx
(v)	Share of business or rental income from		
	Societe or Succession		<u>xxx</u>
(vi)	Total net income		xxx
	xxx		
	Deduct loss b/f from last year/quarter		<u>xxx</u>

Net Income	XXX
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xxx		
(vii) deduct 25% income exemption threshold		<u>XXX</u>
(viii) Chargeable income		<u>XXX</u>

Tax payable at 15 %

#### 14. MODE OF PAYMENT

Payment of tax under CPS in respect of any quarter should in no circumstances be made without a Statement of Income.

The most convenient way to pay the tax is to send a cheque for the amount of tax by registered post to the Director General , Mauritius Revenue Authority.

Another convenient way is to deliver the envelope (addressed to the Director General ) containing the cheque and the Statement of Income at the Reception Counter, Ground floor Eham Court , Port Louis

Where payment is made in the manner described above, an official receipt acknowledging payment of the tax will be sent to the taxpayer by post.

Cash payment can be effected at the ground floor of Eham Court, Cnr Mgr Gonin and Sir Virgil Naz streets,Port Louis.

Cash should never be sent by post or put in an envelope to be delivered to the Reception Counter.

#### 15. PENALTIES

- Penalty for late submission of Statement of Income

Where a person fails to submit a Statement of Income by the due date, he is liable to pay a penalty of 2,000 rupees per month or part of the month, until such time as the Statement of Income is submitted, provided that the total penalty payable shall not exceed 6,000 rupees per Statement of Income.

- Penalty for late payment of tax under CPS

Where a person fails to pay any income tax under CPS by the due date, he is liable to pay, in addition to the tax, a penalty of 5% of the amount of tax remaining unpaid.

· Penalty for underpayment of tax under CPS

Where the difference between the tax payable on business ,professional and rental income in accordance with the annual Return of Income and the aggregate amount of tax paid under CPS in accordance with the Statements of Income (excluding any penalty) exceeds 35% of the tax payable on the business ,professional and rental income, a penalty of 25% on the excess is payable at the time of submission of the annual Return of Income. An example is given in Appendix V

This penalty does not apply if the person has opted to compute his net income in respect of each CPS quarter according to Method I.

16. INTEREST ON UNPAID TAX

Where a taxpayer fails to pay any income tax due under his Statement of Income, he will have to pay in addition to the tax and penalty mentioned above, interest at the rate of one per cent per month or part of the month during which the tax remains unpaid.

17. ANNUAL RETURN OF INCOME

At the end of each income year, every individual who in respect of that income year

- is a registered person (i.e has a tax account number);
- is a taxpayer (i.e he has a chargeable income in respect of that income year); or
- has been required to submit a Statement of Income in respect of any quarter

should submit not later than 30 September an annual return of income specifying his total income from all sources including exempt income derived during that income year , the income exemption threshold to which he is entitled and at the same time pay the balance of tax , if any, in accordance with the annual return.

18. BOOKS AND RECORDS

Every person deriving business/professional/rental income should -

- keep sufficient books and records in English or French to enable his gross income and allowable deductions to be readily ascertained by this office
- retain those books and records for a period of at least 5 years after the completion of the transaction, act or operation to which they relate.

## 19. INSPECTION OF RECORDS

Books and records may be inspected by duly authorised officers from the MRA either at the Office of the MRA or at the business premises.

Prior notice will be given for the inspection of books and records at business premises and the inspection will be carried out during office hours on a date and time convenient to both parties. Authorised officers will be in possession of an identification issued by the MRA, which they will have to produce at the time of inspection.

Any person claiming to be an authorised officer of the Mauritius Revenue Authority but unable to produce his identification should be refused admittance, should not be given any information and the matter reported forthwith to the Director General, MRA.

A responsible person should be in attendance during the inspection to give to the authorised officers all necessary assistance and to provide any required information.

## 20. CESSATION OF BUSINESS

Where an individual deriving income falling under CPS ceases to derive such income, he should within 14 days notify the Mauritius Revenue Authority in writing of the date on which he has ceased to derive such income. He should also comply with the requirements of the Income Tax Act regarding submission of Statement of Income, Return of Income and payment of tax, etc.

## 21. OFFENCES RELATING TO CPS

- A person who fails to submit a Statement of Income by the due date, commits an offence, and on conviction, is liable to a fine not exceeding 5,000 rupees and to imprisonment for a term not exceeding 6 months.
- A person who furnishes a Statement of Income which is false or misleading in any material particular also commits an offence, and on conviction, is

liable to a fine not exceeding 50,000 rupees and to imprisonment for a term not exceeding 2 years.

22. Additional Information

Any person who is in doubt about the law or the procedures relating to the operation of CPS should contact the -

Mauritius Revenue Authority  
Ehram Court,  
Cnr Mgr Gonin & Sir Virgil Naz streets  
Port Louis  
Tel: 207 6000 Fax: 211 8099

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Any comments or suggestions that would help improve this guide are  
welcome

## Appendix I

## RATES OF ANNUAL ALLOWANCE

Column 1	Column 2	
	Rate of annual allowance Percentage of	
Capital Expenditure incurred on -	Base Value	Cost
1. Industrial premises excluding hotels	—	5
2. Commercial premises	—	5
3. Hotels	30	—
4. Plant or Machinery -		
(a) costing 30,000 rupees or less		100
(b) costing more than 30,000 rupees -		
(i) Ships or aircrafts	20	
(ii) aircrafts and aircraft simulators leased by a company engaged in aircraft leasing		100
(iii) motor - vehicles	25	
(iv) electronic and high precision machinery or equipment, computer hardware and peripherals and computer software.	50	
(v) furniture and fittings	20	
(vi) other	35	
5. Improvement on agricultural land for agricultural purposes	25	—
6. Scientific research	25	—
7. Golf Courses	15	—
8. Acquisition or improvement of any other item of a capital nature which is subject to depreciation under the normal accounting principles		5

## Appendix II

## INCOME EXEMPTION THRESHOLD

	Amount (Rupees)
Category A	215,000
Category B	325,000
Category C	385,000
Category D	425,000

- i.) Category A refers to an individual who, in an income year, does not have any dependent; ii.) Category B refers to an individual who, in an income year, has one dependent only;  
 iii.) Category C refers to an individual who, in an income year, has 2 dependents only;  
 iv.) Category D refers to an individual who, in an income year, has 3 or more dependents.

## Definition of dependent

“dependent” means

- (a) a spouse;
- (b) a child under the age of 18; or
- (c) a child over the age of 18 and who is pursuing full time education or training or who cannot earn a living because of a physical or mental disability.

“child” means

- (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 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.

Where in an income year, a person claims an income exemption threshold in respect of Category B, Category C or Category D, the spouse of that person shall be entitled to claim in that income year an income exemption threshold in respect of Category A only.

## Appendix III

## Example: VARIANCE ADJUSTMENT

Taxpayer has claimed in an income year in his Statement of Income for the 1<sup>st</sup> quarter (1 July to 30 September) income exemption threshold of Rs 53,750 (25% of Rs 215,000) under category A.

He got married in November during that income year . He is now entitled to income exemption threshold of Rs 325,000 - Category B.

In respect of the 2<sup>nd</sup> quarter and 3<sup>rd</sup> quarter ending 31 December and 31 March respectively, he is entitled to an increased amount of income exemption threshold of Rs 90,416 arrived at as follows:

- Variance:           Rs 110,000   (Rs 325,000 less 215,000)
- Amount to be added to the income exemption threshold for each of the remaining three quarters       :Rs36,666 (110,000 ÷3 )
- Revised amount of income exemption threshold to be allowed for each of the remaining quarters : Rs 90,416 (53,750 +36,666)

## Appendix IV

## METHOD TO CALCULATE TAX UNDER CPS

Chargeable Income Rs	Tax Rs
Any amount	15 per cent of chargeable income

## Appendix V

## CALCULATION OF PENALTY FOR UNDERPAYMENT OF TAX UNDER CPS

	RS
Total tax payable on business, professional and rental income in accordance With Return of income	15,500 (A)
Total tax paid under CPS in accordance with the Statement of Income (Quarter 1+ Quarter 2 + Quarter 3)	7,500 (B)
Additional tax payable (A - B) (15,500 - 7,500)	8,000 (C)
35 % of A (35 % of 15,500)	5,425 (D)
C - D (8,000 - 5,425)	2,575 (E)

Since the additional tax payable in final return i.e Rs 8,000 (C) exceeds 35 % of the tax payable on business, professional and rental income i.e Rs 5,425 (D), a penalty of 25 % is applicable and calculated as follows :

$$25 \% \text{ of } E = 25 \% \text{ of } 2,575 \qquad \qquad \qquad 643$$

Penalty payable on submission of return on account of understatement of income is Rs 643