

Date: 8 January 2010

TO: ALL EMPLOYERS

Dear Sir/Madam,

INCOME TAX – PAYE

1. INCOME YEAR ENDED 31 DECEMBER 2009 YEAR OF ASSESSMENT 2010

a. Change in income year end

As you are aware the tax year has been aligned to the calendar year so that an income year now ends on 31 December instead of 30 June. In the MRA circular letter dated 07 August 2009, employers were informed that for the Year of Assessment 2010, individuals would be liable to income tax on income derived by them during the six month period 1 July 2009 to 31 December 2009 only and they would have to file a tax return in respect of that period by 5 April 2010.

b. Statement of Emoluments and Tax Deduction

As now required under Income Tax Act, employers should **not later than 15 February 2010** give to every employee a Statement of Emoluments and Tax Deduction (SOE) for period 01 July 2009 to 31 December 2009. The amended format of the SOE, reflecting the change to 31 December as income year end and the new time limit of 15 February, may be downloaded from MRA website <http://mra.gov.mu> .

c. Return of Employees

Employers should also submit electronically to MRA, **not later than 15 February 2010**, a Return of Employees (ROE) in respect of all employees on whose account tax was withheld under PAYE during the six months period ended 31 Dec 2009 or whose total emoluments for that period exceeded Rs 129,230. Employers who have joined the Contribution Network Project should file the ROE using that system. Other employers should e-mail the ROE as an attachment to paye@mra.mu The approved excel format of the ROE and the specifications may also be downloaded from MRA website.

d. Reconciliation

Before giving the SOE to employees and filing the ROE, employers are requested to ensure that:

- (i) the net emoluments and PAYE on SOE correspond with the respective amounts on ROE; and
- (ii) total PAYE remitted to MRA for the months of July 2009 to December 2009 reconciles with total PAYE as per the ROE.

**2. INCOME YEAR 2010 (01 Jan 2010 to 31 Dec 2010)
YEAR OF ASSESSMENT 2011**

a. Income Exemption Threshold

As regards calculation of tax under PAYE for the income year 2010, employers should allow 1/13 of Income Exemption threshold (IET) as claimed by employees in their EDF for that year.

EDF forms may be collected by employers from MRA Customer Service Center or downloaded from MRA website. It is to be noted that IET for the income year 2010 are as follows:

<i>Income Exemption Threshold</i>	<i>Rs</i>	<i>Monthly deduction</i>
Category A	255,000	19,615
Category B	365,000	28,077
Category C	425,000	32,692
Category D	465,000	35,769
Category E	305,000	23,461
Category F	415,000	31,923

b. Calculation of PAYE

Where for the months of January and February 2010, an employer is unable to take into account the new IET for calculation of tax under PAYE, he should allow his employees the same amount of monthly IET deduction as allowed for the income year ended 31 Dec 2009. Necessary adjustment should thereafter be done as provided in the PAYE Guide.

c. Employees not submitting EDF

Employees who do not submit an EDF and whose monthly salary exceeds Rs 18,500 are liable to PAYE at the rate of 15%.

d. Exempt employee

An employee whose monthly salary does not exceed Rs 18,500 is an exempt employee and is not liable to tax under PAYE.

For any additional information regarding PAYE, please phone our hotline 2076010 or call at our Customer Service Centre at the undermentioned address.

We thank you for your usual support.

Yours faithfully

D. RAMDIN
for Director-General