Taxation made simpler
Current Payment system

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Current Payment System

Introduction

The Current Payment System ("CPS') was introduced in 1993 at the same time the Pay As You Earn ("PAYE") system was enacted. The CPS seeks to collect tax from individuals as and when they have taxable income from any trade. Further to the amendments brought by the Finance (Miscellaneous Provisions) Act ("FMPA") 2011 and 2012, the administrative burden was reduced for small taxpayers by increasing the turnover threshold.

CPS applies to individuals, resident and non resident, who derive business income ("CPS income") including rents. It does not apply in the following instances:

- It does not apply to the gross income from the cultivation of sugar cane or the growing of tobacco
- The gross income from the business income of the taxpayer does not exceed Rs 4million in the preceding year; and
- The tax payable for the relevant quarter is less than Rs 500

Resident partnerships are treated as transparent entities and hence the share of the taxable income accruing to the partner should be considered for the purposes of CPS. It is our view that an individual who has a share of income in a *société* engaged in the cultivation of sugar cane is not required to add his share of income in his CPS statement.

How is tax calculated for a CPS quarter?

The tax under the CPS may be computed as follows:

Using the preceding year's figure

The chargeable income for a quarter is based on the chargeable income of the preceding year: the chargeable income is apportioned according to the CPS income and total net income of the preceding year. This method is simple and represents a cash flow benefit if for the quarter in question the taxable profit is more than the preceding year's taxable profit, as apportioned.

Using the actual numbers

The individual's actual results for the quarter are used to ascertain the chargeable income or the allowable loss, as the case may be. The individual is allowed to utilize any loss from the preceding year or from the previous quarter, as the case may be. The drawback of this method is the resources required to prepare the accounts and related tax computation. Where the individual has emoluments and has claimed the IET against his emoluments he is not allowed to claim the IET in the computation of his chargeable income.

A taxpayer is allowed to opt between the above from quarter to quarter; this is mostly a cash flow decision.

It is possible to deduct the amount of tax deducted at source ("TDS") in computing the tax payable for any quarter. Only TDS from taxable income derived in the current quarter is deductible.

When is the tax under the CPS due?

The tax under CPS should be paid at the time the return is submitted to the Mauritius Revenue Authority ("MRA"). The taxable periods for the CPS return are as follows: three months to 31 March, 30 June and 30 September. The tax should be paid within 3 months of the end of taxable period: however the tax for the quarter ended 30 September should be paid by two days, excluding Saturdays, Sundays and public holidays, before the end of December.

In case of late payment of tax, a penalty of 5% of the unpaid tax and interest at the rate of 1% per month is due. The penalty for late submission of the CPS statement is Rs 2,000 per month or part of the month, up to a maximum of Rs 6,000 per CPS statement.

Submission of annual tax return

At the time the annual tax return ("ATR") is submitted, the individual should deduct the total tax already paid under CPS and pay the remaining amount to the MRA. Where the individual has other income, like foreign sourced income and emoluments, such income should also be taken into account in the completion of the ATR. The total tax withheld under the PAYE system should also be deducted as well as any TDS. Where the tax on the CPS income exceeds the tax payments under CPS by more than 35%, a penalty applies. The penalty is computed at 25% of the amount in excess of the amount representing 35%. However, the penalty does not apply where the taxpayer uses the preceding year's figure or where the excess tax is solely attributable to income derived during the fourth quarter of the year.

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