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Global Mobility Services: Taxation of International Assignees - Mauritius

Taxation issues & related matters for employers & employees 2018/19

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Country: Mauritius

Additional Country Folios can be located at the following website: **Global Mobility Country Guides**

Introduction: International assignees working in Mauritius

PwC is the world's leading provider of professional services. The People and Organisation group works together with its clients to find solutions for the challenges they encounter when transferring people from one country to another.

This brochure is intended to inform foreign nationals and their employers about tax, social security and immigration issues in Mauritius.

This guide is not exhaustive and cannot be regarded as a substitute for professional advice addressing individual circumstances. Nevertheless, answers will be found to most of the questions raised by an expatriate or his/her employer. More detailed advice should be sought before any specific decisions are made about these issues.

More information can be obtained from our Mauritius office specializing in People and Organisation, Global Mobility (see Appendix C).

Step 1:
Understanding basic principles

The scope of taxation in- Mauritius

1. A foreign national working in Mauritius will become liable to income tax on his gross income from every source situated or deemed to be situated in Mauritius.

   An individual resident in Mauritius will also be taxed on his worldwide income. Income derived from outside Mauritius is taxed on a remittance basis.

   The applicable tax in respect of the above is income tax.

The tax year

2. From 1 July 2015, the Mauritian tax year runs from 1 July to 30 June. The filing deadline of the income tax return is 30 September.

Partners

3. The spouse of the main holder of the work permit cannot work in Mauritius if he/she is a dependent of the main applicantt. A separate application for an appropriate permit needs to be applied for and the current residence permit as dependent will be cancelled in case the spouse wishes to be employed in Mauritius.

Determination of residence

4. An individual resident in Mauritius for tax purposes is subject to tax in Mauritius, on his gross income, whether in cash or otherwise, earned or has been accrued to him in that tax year, from every source situated or deemed to be situated in Mauritius.

5. An individual resident in Mauritius is also taxed on his worldwide income. Income derived from outside Mauritius is taxed in Mauritius on a remittance basis.

6. An individual will be considered to be a resident in Mauritius for tax purposes if

   i. his/her domicile is in Mauritius unless his/her permanent place of abode is outside Mauritius;

   ii. he/she has been present in Mauritius in that income year, for 183 days or more; or

   iii. he/she has been present in Mauritius in that income year and the 2 preceding income years, for an aggregate period of 270 days or more.

7. Determining tax residency for individuals who are deemed to be exclusively resident in another country for the purposes of the application of a double tax agreement is complex and professional advice should be sought in this regard.

Step 2:
Understanding the Mauritius tax system

Employment income

8. Any amount paid to the individual during the course of the employment and as per the terms of the contract will be deemed as income from employment.

9. These include, but are not limited to, the following:

   a. salary, wages, leave pay, fee, overtime pay, perquisite, bonus, gratuity, commission;
   b. Superannuation, pension;
   c. Compensation for loss of office
   d. Travelling, entertainment or any other allowance;
   e. Any other cash or non-cash benefits

10. It should also be noted that the following are not taxable in the hands of the employees:

   a. Medical aid/health insurance paid for by the employer under an approved scheme;
   b. an actual petrol or travelling allowance paid or 25% of the monthly basic salary upto a maximum of MUR11,500, whichever is the lesser;
   c. Passage benefits under a contract of employment not exceeding 6% of basic salary;
   d. Reimbursement of actual expenditure wholly, exclusively and necessarily incurred by a person in performing the duties of an office or employment.

Structuring remuneration packages

11. Remuneration packages may, subject to certain restrictions, be structured in a tax efficient manner as well as potentially reducing the cost of employment to the employer. The structure should take into account the policies and procedures of the international assignment policy of the employer as well as the provisions of the employment contract.

12. The following benefits and allowances may be considered in a remuneration package:

   – Relocation allowance;
   – Cost of living allowance;
   – Provision of accommodation;
   – Provision of a company car
   – School fees;
   – Utilities
   – Travel allowance.

13. Your PwC tax specialist may assist you in the structuring of a tax efficient remuneration package.

Taxation of investment income

14. Foreign nationals working in Mauritius who are tax resident in Mauritius are not taxed on their investment income from sources outside Mauritius unless remitted to Mauritius.

Interest

15. Interest income of a resident individual is taxed in the hands of the individual at the normal individual tax rates applicable for resident individuals, subject to the following exemptions:

   a. Interest received from a savings or fixed deposit account with any local bank or non-bank deposit taking institution;
   b. Interest received on government securities, debentures quoted on the Stock Exchange of Mauritius and Bank of Mauritius Bills.

16. There is no tax deducted at source on interest payment from a local bank to an individual.

Dividends

17. Dividends received from a Mauritian company are exempt from tax in the hands of the recipient.
18. However, foreign dividends are subject to income tax at the rate of 15% in the hands of the resident individual. Foreign tax credit may be available for any foreign tax suffered.

Rental income

19. Rental income is classified as business income. Any rental income derived from property, less expenses necessarily incurred wholly, necessarily and exclusively in the production of such rental income, would be taxed at 15%.

Capital gains

20. Capital gains tax is not applicable in Mauritius.

Exchange controls

21. There are no exchange control regulations in Mauritius.
22. Refer to Appendix A for individual income tax rates for 2017/18 and relevant income exemption thresholds.

Step 3:

What to do before you arrive in Mauritius

Immigration formalities in the Mauritius

23. Mauritius has strict visa and work permit requirements. It has different procedures for obtaining a work permit and the type of permit would mostly depend on the basic monthly salary.

24. A business visa entry allows an individual to spend up to a maximum of 120 days in a calendar year in Mauritius. Under the non-citizens (Employment restrictions) Act, an individual can spend up to a maximum of 90 days out of 120 days to undertake business consultations with local businesses in Mauritius. However the individual should not be remunerated in Mauritius for undertaking such business consulations while being on a business visa. A visa is given at the port of entry in Mauritius but for nationals of some specific countries, visa has to be applied before their entry in Mauritius.

25. A visa only allows a person to report at the port of entry, to request admission, whereas a "permit" is the permission to reside inside the borders of acountry for a specific purpose and period. Working in Mauritius under a business visa carries some restrictions on what the individual can do in terms of work in country.

26. All foreign nationals wishing to work in Mauritius and earning less than MUR 60,000 (MUR 30,000 or less for professionals in the ICT sector)per month should apply for a work permit and must obtaintheir Work permit and Residence permit before entering the country.

27. For foreign nationals earning above MUR 60,000 per month (MUR 30,000 or more for professionals in the ICT sector), they should apply for an Occupation permit while being in Mauritius. The Occupation permit allows the foreign national to work and live in Mauritius for a maximum of 3 years and which can be renewed thereafter.

28. Individuals are not entitled to work in Mauritius prior to obtaining a work permit and Residence permit or Occupation permit.

29. Work permits are usually given depending on the contract period. Therefore, the permit will have to be renewed before its expiry. Furthermore, such permits are issued in respect of a specific local company and position and are therefore permits are not transferable.

30. For the dependents of the main applicant for a Work permit, their residence permit application must be submitted together with the application of the main applicant. Dependents of an Occupation permit main applicant will be eligible to file their residence permit application once the main applicant is granted the Occupation Permit.

31. All requested documents have to be in either English or French. Where documents are in other languages, the documents have to be certified/ sworn translated by a competent authority.

Step 4:
What to do when you arrive in Mauritius

Registration as a taxpayer

31. Any individual whose taxable income exceeds their relevant income exemption threshold (see Appendix A) is required to register as a tax payer with the Mauritius Revenue Authority (MRA) and obtain a Tax Account Number (TAN).

32. Application for registration must be made by completing the form Employee Declaration Form (EDF).This should be completed and returned to your PwC tax consultant, together with the required documentation. Upon registration, the MRA will allocate you a TAN.

33. It is the responsibility of the employer to make the necessary arrangements to obtain a Tax Account Number for the employee, which should be inserted in his payroll.

Pay As You Earn (PAYE)

34. Every employer has an obligation to deduct PAYE from the emoluments of his employees and remit the same to the MRA within the prescribed time.

35. The amount of PAYE tax deducted is calculated in accordance with the amount of emoluments derived by the person at a rate of 15% on the employee's emoluments.

36. Any PAYE so deducted can be claimed as a credit against the final tax liability.

Important tax compliance dates to remember

- The annual income tax return should be submitted on 30 September of each year

37. Failure to do so may give rise to a penalty for late submission of the tax return of MUR 2,000 per month or part of the month up to a maximum penalty of MUR 20,000.

Tax returns

38. Individuals should collate all records necessary to complete the tax return including the Statement of Emoluments as received from the employer.

39. Your PwC tax consultant will prepare the tax return for you, if authorized to do so.

Notice of assessment

40. An income tax assessment may be issued by the MRA after submission of an income tax return

41. Objections must be lodged against the assessment, within 28 days of the date of assessment, if the individual does not agree with the calculation of the taxable income, the tax assessed or the tax rebates allowed. Each notice of objection should clearly state the grounds for the objection. 10% of the assessed amount must be paid on objection. -

Payment of taxes

42. Where the final tax liability in the notice of assessment exceeds the actual tax paid, the balance of the tax will be due and payable within 28 days from the date of determination.

Penalties for non-compliance

43. Where an individual fails to pay his tax liability in accordance with his annual return of income by the due date, he is liable to a penalty of 5% of the amount of the tax, excluding any penalty.

44. In addition, the individual will also be liable to pay interest at the rate of 0.5% per month or part of the month during which the tax remains unpaid.

Step 5:

What to do when you leave Mauritius

45. The resident shall submit a final tax return with the Mauritius Revenue Authotiry ("MRA") and pay any tax liability arising on the final tax return before he leaves Mauritius. The individual is also required to pay for any outstanding tax liability (including any penalty and interest for late filing and late payment of tax) to the MRA arising on any past tax returns.

46. It is advisable to discuss the date of your departure with a tax adviser, as the timing can alter your tax liability. Furthermore, all reasonable steps should be taken to avoid the possibility of dual residence or double taxation after your departure.

47. Any payments or bonuses received after departure in respect of Mauritius employment may be liable to tax in Mauritius under certain conditions. Planning for such payments, if any, should be undertaken with care.

48. At the level of the immigration procedures, the foreign national should remit the Work Permit and Residence Permit or the Occupation permit to their employer if he/she is leaving Mauritius and does not intend to return to the country before the expiry of the permit. The permit will then be deregistered by the employer.

Appendix A:
Rates of tax

Income Exemption Threshold

Category A	MUR 300,000
Category B	MUR 410,000
Category C	MUR475,000
Category D	MUR 520,000
Category E	MUR 550,000
Category F	MUR 350,000
Category G	MUR 460,000

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 dependents only;

v. Category E refers to an individual who, in an income year, has 4 or more dependents;

vi. Category F refers to –

A. a person above the age of 60 who, in an income year, has no dependent and does not derive any salary income or any other income from a trade business;

or

B. a disabled person who, in an income year, has no dependent;

vii. Category G refers to –

A. a person above the age of 60 who, in an income year, has one dependent and does not derive any salary income or any other income from a trade business;

or

B. a disabled person who, in an income year, has one dependent

Appendix B:
Double-taxation agreements

Australia (partial)	People's Republic of Bangladesh
Barbados	People’s Republic of China
Belgium	Rwanda
Botswana	Senegal
Congo	Seychelles
Croatia	Singapore
Cyprus	Sri Lanka
Egypt	South Africa
France	State of Qatar
Germany	Swaziland
Guernsey	Sweden
India	Thailand
Italy	Tunisia
Kuwait	Uganda
Lesotho	United Arab Emirates
Luxembourg	United Kingdom
Madagascar	Zambia
Malaysia	Zimbabwe
Malta	
Monaco	
Mozambique	
Namibia	
Nepal	
Oman	
Pakistan	

Appendix C:
Mauritius contacts and offices

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