

**NEW**

# “Pay As You Earn” (PAYE) Presumptive Tax Regime



## What is PAYE?

“Pay As You Earn” is a new scheme introduced by SRC (as a *pilot project for 2022*) for Businesses falling under the Presumptive Tax Regime. The scheme is effective as of 1<sup>st</sup> January 2022 to encourage businesses currently operating under the ‘informal sector’ to register for tax purposes. It allows those businesses, which will fall under the Presumptive Tax Regime to pay their Presumptive Tax as and when they receive an income thus providing much relief from the potential financial burden at the end of the tax year.

## How will the scheme work?

Businesses falling under the Presumptive Tax Regime (less than 1 million annual turnover) can come forward voluntarily and pay 1.5% of the income received in any particular month. The amount of tax paid will be credited to their account with SRC. The credit will be offset at the end of the year when the taxpayer lodge the Presumptive Tax Return with SRC. Upon lodgment of return at the end of the year the taxpayer will pay only the difference (if any) or if there are any credit, it may be carried forward for the following year. No penalties will be applicable if there is no payment made in a particular month.

## What are the benefits of the scheme?

### 1. Pay as you earn

Taxpayers can contribute towards their tax liability as and when they receive an income. At the end of the year the amount payable will equal to a NIL balance (no more/no less).

### 2. Financial relief at the end of the year

Taxpayer will not have a huge amount to pay at the end of the year. Upon lodging their Presumptive Tax Return, they will only have to pay the difference due, or if there is a credit, the credited amount may be carried forward for the following year. This scenario will only occur if there was an error in calculation or variances in income declaration throughout the year.

## How to effect payment?

Depending on the income received in the particular month, Taxpayer need to calculate 1.5% of the amount and remit to SRC. Taxpayers need to complete and submit the “Advance Payment BAS” when effecting payment to facilitate reconciliation. There are no payment deadlines, which means that payment can be made through any of the following methods any day:

- Physically at any of our SRC offices on Mahe, Praslin and La Digue during working hours
- Taxation e-service portal
- Bank transfer (insert as reference “advance payment for Presumptive (year)” and the Taxpayer Identification Number (TIN).

## Who are exempted from the scheme?

1. Businesses listed categorized as ‘Specified businesses’, using the Deduction at Source (DAS) booklet.
2. Businesses currently paying the monthly Pay As You Go (PAYG) under normal Business Tax regime