

Foundation Programme in Literacy, Numeracy and Skills

Financial Literacy

{ELECTIVE}

Grade 9



Value Added Tax (VAT) & Income Tax



MAURITIUS INSTITUTE OF EDUCATION under the aegis of



MINISTRY OF EDUCATION AND HUMAN RESOURCE

Dr Ajay Ramful

Head of Curriculum, MIE

PANEL COORDINATOR

Dr Vandana Tulsidas-Veeraragoo

Senior Lecturer, MIE

PANEL MEMBERS

Dr Roodradeo Beefun
Mrs Bibi Husna Noor Oozeer-Boodhoo
Ms Drishtee Chadee

Senior Lecturer, MIE
Educator
Educator

PROOF READER

Ms Reshma Gungapersand

Senior Lecturer, MIE

DESIGN

Ms Bhoomita Chumun

Graphic Designer

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Lesson 15 | Value Added Tax (VAT) and Income Tax

A Value Added Tax (VAT) and Income Tax

B Competency

- Main Competency
 - Managing Personal Finance
- Sub- Competencies:
 - 1. Demonstrate an understanding of VAT.
 - 2. Demonstrate an understanding of Income Tax.

C Learning Outcomes

By the end of the lesson students should be able to:

- define VAT
- give examples of goods and services on which VAT is imposed.
- define Income Tax.
- understand the difference between VAT and Income tax.

D Resources and materials

- Whiteboard + markers
- Flashcards with goods/services examples
- Recent receipt or visual aid
- Sample payslip
- Worksheet with matching/tick-box questions

E Implementation guidelines

Introduction

- Begin the lesson with the brainstorming session on the concept of VAT.
- Provide a clear definition of VAT:

“VAT is a tax added to the price of goods and services at each stage of production or sale”.

List the items that are zero-rated i.e. no VAT is charged.

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Zero-Rated Items

- Infant fruit and vegetable purées
- Canned vegetables (e.g., tomatoes, mushrooms)
- Frozen packed vegetables (e.g., spinach, beans, mixed vegetables)
- Hairdressing services
- CCTV cameras and related systems

3. Provide examples of goods and services subject to the standard 15% VAT in Mauritius—i.e., those that are not zero-rated or exempt as per the Budget 2025/2026.

VAT - Charged Goods and Services (15%)

General Consumer Goods

- Most retail items: clothing, electronics, household goods
- Packaged foods not covered by zero rating (e.g., snacks, candies)
- Beverages like soft drinks, bottled water, wine and beer

Services

- Hairdressing services (though now zero-rated—many other services remain taxable)
- Restaurants and cafes (meals and drinks)
- Taxi rides and private transport services
- Hotel rooms and holiday accommodation
- Domestic repair and installation services (e.g., plumbers, electricians)

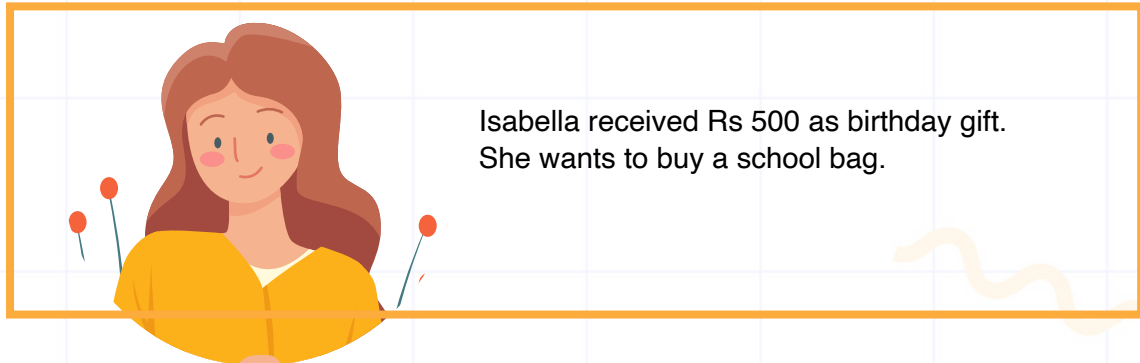
Imports

- Any imported goods not specifically zero-rated (e.g., clothing, furniture, electronics)

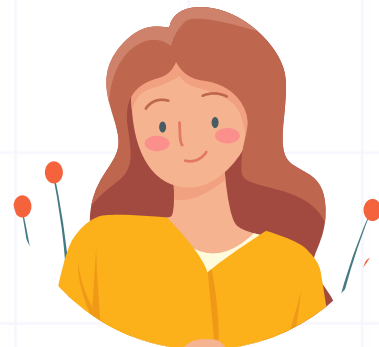
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Read the case study and discuss the concept of VAT.

Use flashcards: Show a picture (e.g., mobile phone, shoes) and ask students if VAT is imposed on the items?

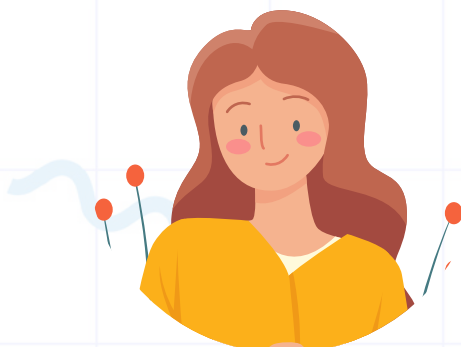


Isabella and her mother go to a store to buy the school bag.



I have the exact amount of money.
She gives her mother the money to pay to the cashier

The cashier informs her that the price does not include VAT.



Isabella looks at the receipt and she finds something wrong.

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Wait mom.

The receipt says we paid Rs 575.
But the bag was Rs 500.
Why there is an extra of Rs 75.

That extra Rs75 is called VAT which means
Value Added Tax.
It is a 15% tax added to the price.



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4. Income Tax

Begin the lesson with the brainstorming session on the concept of Income Tax.

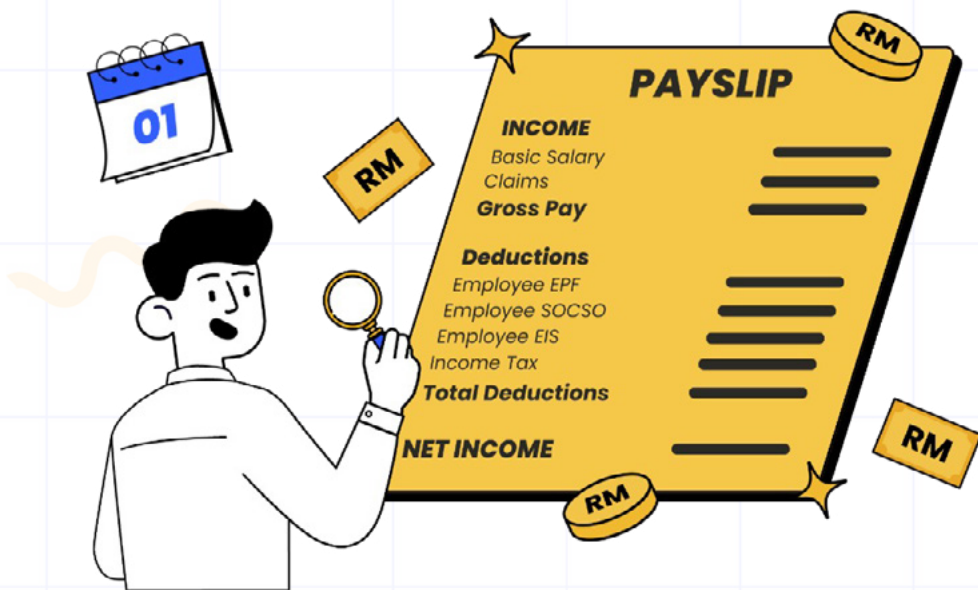
Provide a simple definition of income tax

“Income tax is a direct tax imposed by the government on the income earned by individuals”.

Examples:

A teacher, doctor or shop worker pays income tax from their monthly salary.

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5. Explanation of payslip and its different components.

A payslip is a document given by an employer that shows how much an employee is paid and what deductions have been made from their salary.

A sample of a payslip is provided for students. The teacher had to explain about the different components of the payslip.

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A sample of a payslip is provided for students. The teacher had to explain about the different components of the payslip.

| Components of a payslip | |
|---------------------------|--|
| Company Details | Company Name: Name of the business or employer Company Address: Location or address of the company |
| Employee Details | Employee Name: Full name of the employee Employee ID: Unique identification number given by the company Designation: Job title or role of the employee |
| Payslip Period | Month: The month the salary is being paid for Pay Date: The exact date the salary is paid |
| Earnings (Revenue) | These are the amounts earned by the employee before deductions: Basic Salary: The fixed monthly salary Overtime: Extra pay for extra hours of work Transport Allowance: Money given for travel expenses Attendance Bonus: Reward for regular attendance |
| Deductions | These are amounts taken out of the salary: PAYE (Tax): Tax paid to the government CSG Contribution: Contribution to the Contribution Sociale Généralisée (social fund) NSF Contribution: National Savings Fund contribution Loan Repayment: Money deducted to repay a loan |
| Totals | Total Earnings: Sum of all earnings Total Deductions: Sum of all deductions Net Salary: Final salary after deductions (Net Salary = Total Earnings – Total Deductions) |

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Read the conversation between Edward and his father on the term PAYE.



Edward works as a junior office assistant and earn a monthly salary of Rs 40 000.

One day, Edward checks his bank balance and sees only Rs 34 000 deposited.

Dad, my salary is Rs 40 000 but I got only Rs 34 000.
Did they make a mistake?



There is No mistake. That's **PAYE**

A tax called "Pay As You Earn"

The government collects tax from an employee

The Rs 34 000 is your **Net Salary**.

The Rs 6000 is your **Income Tax**.

**Note: Net salary is salary
after all deductions.**

Lesson 15 | Value Added Tax (VAT) and Income Tax

6. Explain the differences between VAT and Income Tax Difference Between VAT and Income Tax

| Feature | VAT | Income |
|-------------|--|-------------------------------|
| Who pays? | Consumers when buying goods and services | An employee having a payslip. |
| Type of tax | Indirect tax | Direct Tax |

F Assessment (in worksheet)

G Extension of activity
Encourage students to reflect on Budget 2025/2026.

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