



MAIN TAX MEASURES

Mauritius

Budget speech 2020 - 2021

Main Tax Measures

June 2020

The Honourable Dr. Renganaden Padayachy, Minister of Finance, Economic Planning and Development, presented his Budget Speech 2020-2021 on Thursday 4 June 2020. For your convenience, we have summarised the main measures in this document.

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The information below has been extracted from the budget speech delivered by The Honourable Dr. Renganaden Padayachy, Minister of Finance, Economic Planning to the National Assembly, on 4 June 2020. The Budget proposals may be amended significantly before enactment. The content of this summary is intended to provide a general guide to the subject matter and should not be regarded as a basis for ascertaining liability to tax or determining investment strategy in specific circumstances.

CORPORATE INCOME TAX

Accelerated depreciation

Capital expenditure incurred on electronic, high precision machinery or equipment and automated equipment will be allowed as a deduction in the year in that it is incurred instead of being amortised over more than two years.

Double tax deduction on investment

Enterprises that have been affected by COVID-19 will be entitled to a double tax deduction on their investment in Plant and Machinery during the period 1 March 2020 to 30th June 2020.

Income Tax Holiday

- An 8-year income tax holiday will be granted to a company engaged in the manufacture of nutraceutical products provided it starts its operations on or after 4 June 2020.
- The 8-year income tax holiday granted to a company engaged in the manufacturing of pharmaceutical products, medical devices or high-tech products will apply to a company that has started or starts its operations on or after 8 June 2017.

Inland aquaculture

An inland aquaculture scheme will be introduced with the following incentives:

- (a) an 8-year tax holiday; and
- (b) duty and VAT exemption on equipment.

Education

Branch campuses in Mauritius will benefit from:

- (a) Tax holiday for the first 8 years of operation; and
- (b) Exemption of tax on IT and IT related materials and equipment for the purpose of online education.

Solidarity Levy on Telephony Service Providers

The above levy will be made permanent. A profitable company will pay 5% of its accounting profit and 1.5% of its turnover as Solidarity Levy. A company that has not made profits will pay 1.5% of its turnover as Solidarity Levy.

Alternative Minimum Tax (AMT) on companies carrying on life insurance business

- The AMT that was repealed by the Finance Act 2015 has been reintroduced. A company carrying on life insurance business will pay tax based on the existing system of taxation or under an alternative minimum tax, whichever is the higher.

- The alternative minimum tax will be computed at the rate of 10% of profit attributable to shareholders adjusted for capital gains or losses.

Partial Exemption Regime

More clarity has been provided regarding partial exemption regime on interest income. Partial exemption will not apply to:

- (i) non-bank deposit taking institutions;
- (ii) money changers;
- (iii) foreign exchange dealers;
- (iv) insurance companies;
- (v) leasing companies; and
- (vi) companies providing factoring, hire purchase facilities or credit sale facilities.

Levy on Corporates

- A company, having gross income exceeding Rs 500 million in an accounting year or if it forms part of a group of companies where the gross income of the group exceeds Rs 500 million, will be subject to a levy on its annual gross income at the rate of:
 - (i) 0.3% for insurance companies, financial institutions, service providers and property holding companies; and
 - (ii) 0.1% for other companies.
- The levy is not applicable to the tourism sector or a company that holds a Global Business License (GBC).

PERSONAL INCOME TAX

Income Exemption Thresholds

- The income exemption thresholds will be increased in the range of Rs 15,000 to Rs 80,000 as shown in Annex 1.
- These new thresholds will be effective as from income year starting on 1st July 2020, i.e. on income received by an individual as from 1st July 2020.

Deduction for Dependent

A taxpayer may claim an additional deduction for a dependent who is bedridden in the range of Rs 80,000 to Rs 110,000 provided that the total number of dependents does not exceed 4.

Special Allowance

The Workers' Rights Act will provide for the payment of a Special Allowance that guarantees the minimum salary of Rs 10,200.

Solidarity Levy

As from July 2020, the levy will be calculated on the portion of chargeable income plus dividends exceeding Rs 3 million of a Mauritian citizen at the rate of 25%. Formerly the rate was 5%. This represents an increase in tax rate from 20% to 40% on chargeable income. The payment should be made in the form of PAYE on a monthly basis.

Property Tax Exemption from Registration Duty on Acquisition of a Newly-Built Dwelling

- A Mauritian who acquires a newly-built dwelling during the period 1st September 2016 to 30 June 2020 for an amount not exceeding Rs 6 million is eligible to full exemption from registration duty.
- The above scheme will be extended up to 30 June 2022 and the threshold will be raised from Rs 6 million to Rs 7 million.

First-Time Buyer Exemption of Registration Duty

A person will be considered as a first-time buyer even if he or his spouse is or was the:

- owner of an immovable property acquired by inheritance where the land area is less than 20 perches (approx. 505m²); or
- co-owner of an immovable property acquired by inheritance where their share in that property is less than 20 perches of land.

VALUE ADDED TAX

Government Contract for Construction Works

Remittance of VAT may be made based on payment date instead of invoice date.

VAT Exemption

- Medical research and development centres will be exempt from VAT on construction materials and specialised equipment.
- Equipment under the inland aquaculture scheme will be exempt from VAT.

Standard 15% VAT rate

15% VAT will apply on digital and electronic services provided through internet by non-residents in Mauritius.

Zero-Rating of Previously Exempt Goods

The following items will become zero-rated:

- Unprocessed agricultural and horticultural produce;
- Live animals towards human consumption other than live poultry;

- Transport of passengers by public service vehicles excluding contract buses for transport of tourists and contract cars;
- Medical, hospital, and dental services.

Duty Free Shops and Deferred Duty and Tax Scheme Shops

They will have the possibility to sell on local market without restriction until 31 December 2021, subject to payment of duties and taxes.

CUSTOMS DUTY

Exemption on Goods Imported by Post or Courier Services

- The exemption value from customs duty and Value Added Tax (VAT) has been reduced from Rs 3,000 of the value of an article imported by post or courier services to Rs 1,000.
- The rate of customs duty on import of sugar will be increased from 80 percent to 100 percent.

EXCISE DUTY

Sugar Sweetened Products

The existing sugar tax of 3 cents per gram on sugar sweetened beverages will be doubled with effect from 5 June 2020. In addition, the tax of 6 cents per gram of sugar will be extended to several locally manufactured and imported non-staple sweetened products with effect from 1st November 2020.

Motor Vehicles

A rebate on the amount of customs/excise duty payable will be granted on vehicles, provided they were in a bonded warehouse before 5 June 2020 and are cleared from Customs before 30 June 2021. *Please refer to Annex 2.*

OTHER TAX MEASURES

Tax Administration – Income Tax

- MRA has a time limit of 60 days as from date of submission of relevant documentation to refund income tax to taxpayers.
- MRA will enhance its E-services platform for more efficiency and transparency in its service delivery.

Tax Administration – Value Added Tax

- In case a transaction is not at arm's length, market value is to be used as taxable value to calculate VAT.
- MRA may allow a VAT-registered person to apply an alternative basis of apportionment for input VAT in the case of a project lasting more than one year.

- An administrator, executor, receiver or liquidator has to inform MRA of his appointment to manage or wind up the business of a taxable person within 15 days of his appointment.
- VAT refund of less than Rs25,000 will apply in case of construction of residential building lasting over a long period of time if the VAT paid during a quarter and the prior 3 quarters does not exceed Rs25,000.
- VAT e-invoicing system will be launched on a pilot basis.

Tax Administration – Mauritius Revenue Authority

A case at the Assessment Review Committee may be struck off if the appellant does to appear/is not represented before the Committee unless for illness purposes or other reasonable cause.

Tax Administration – Customs

- The Customs Act will provide for new definitions to identify a passenger from a crew member and master of an aircraft or ship.
- The Principal Officer (executive director or any other person entitled to exercise powers of the Board of directors) of a private company will be personally liable for taxes due by the company.
- Time limit of 28 days to settle underpayment, with possibility to appeal against same, is extended to
 - Default on deferred payment facilities;
 - Non-submission of cargo report for an aircraft or ship;
 - Import of selected prohibited goods.
- Same tariff clarification will apply for goods such as photovoltaic system or greenhouse, imported in multiple consignments or shipments to be assembled into a complete finished goods, as from the finished goods.
- Bills of entry on import of goods to be treated as a self-assessment.
- In case of failure to give cargo report in respect of an aircraft or ship, its cargo and passengers, the master, owner or duly authorised agent of the aircraft or ship becomes subject to a penalty of Rs500 (max Rs5,000) per day of non-compliance, with right of appeal against the penalty.
- MRA must give public notice of any suspension of clearance of imported goods or on detention of goods on local market upon suspicion of infringement of industrial property rights, except in certain specific cases.
- MRA will not suspend any subsequent similar consignments if the rights holder does not initiate

legal proceedings for 2 consecutive cases during a period of 6 months, unless and until the rights holder initiates legal proceedings.

- MRA will authorise a person from a freight forwarding agent company to act as broker if he meets certain conditions.

Tax Administration – Customs Tariff

Foreign exchange rate for valuation purposes will be posted on MRA website.

Tax Administration – Registrar-General

Person registered on the Social Register of Mauritius will be exempted from registration duty upon acquiring a residential unit from the National Empowerment Foundation.

NON-TAX MEASURES

Companies Act

- To increase shareholders' protection, conducts prejudicial to shareholders will be defined and Director's liability will be engaged for prejudicial conduct.
- Board of Directors of entities listed on the Stock Exchange of Mauritius have to include at least 2 independent and non-executive directors.
- Upon company incorporation and business registration, Ultimate Beneficial Owners will be registered, and VAT Registration will be done.

Bank and Non-Bank Financial Services

The Banking Act will be amended in respect of and not limited to:

- Digital banking
- Transfer the responsibility for supervision of money lenders from the Bank of Mauritius (BOM) to the Financial Services Commission (FSC); and
- Allow the BOM to vary the capital adequacy ratio to a lower level should the need arise or in exceptional circumstance.

Financial Services Act

The Financial Services Act will be amended to cater for, amongst others:

- Providing for the definition of 'peer to peer' lending;
- Empowering the FSC to collect information on a conglomerate group, including unregulated entities, that would impact on the safety and soundness of the financial group;
- Prior notice to be given when a licensee wishes to surrender its licence and to provide a timeframe to

licensees for a proper transfer of business operations to the transferee;

- Giving a flexibility regarding the filing of annual financial statements during a curfew period or situation of emergency or natural disasters;
- Catering for exemptions for filing of annual financial statements where the FSC is of the opinion that it is not applicable;
- Providing that the Enforcement Committee shall consist of not more than 4 employees designated by the Board; and
- Providing for the duties of auditors of all licensees of the FSC to include the reporting of irregularities to the FSC.

FATF Action Plan

- The five remaining recommendations under the Financial Action Task Force (FATF) Action Plan for Mauritius will be completed by September 2020.
- A new AML/CFT (Miscellaneous Provisions) Bill will be introduced.
- A dedicated and specialised Financial Offences Court will be set up.

10-Year Blueprint

The following new products will be introduced in line with the recommendations of the 10-Year Blueprint:

- The Central Bank digital currency;
- An Insurance Wrapper;
- Variable Capital Companies;
- An inaugural Sukuk (Islamic Financial Certificate) issuance by the Bank of Mauritius;
- Green and Blue Bond frameworks by the Bank of Mauritius.

A Sustainable Pension System

- The Basic Retirement Pension (BRP) is guaranteed and maintained to all individuals at the age of 60 years and above.
- This universal monthly benefit of Rs 9,000 will continue to be paid.
- The contribution to the National Pension Fund is being abolished
- Introduction of a contributory, participative and collective system, the *Contribution Sociale Généralisée* (CSG). The first payment of benefits under the CSG will be in July 2023.
- Under this new system that will be effective as from 1st September 2020,
 - employees earning up to Rs 50,000 monthly, will contribute 1.5% and their employers 3% of monthly salary.

- employees earning more than Rs 50,000 monthly will contribute 3% and their employers 6% of monthly salary.
- This new system will also be applicable to self-employed individuals.

Non-Citizens

- Permanent Residence
 - Period is extended from 10 to 20 years.
 - Minimum investment amount is reduced to USD375,000 for an investor.
 - Non-citizen will be allowed to acquire 1 plot of serviced land of up to 2,100 m² for residential purposes in smart cities, subject to conditions for completion of construction.
- Residence Permit
 - Minimum investment amount is reduced to USD375,000 for holder of an immovable property under an existing scheme.
 - Non-citizen will be allowed to acquire 1 plot of serviced land of up to 2,100 m² for residential purposes in smart cities, subject to conditions for completion of construction.
 - Validity will be extended to 10 years renewable for retirees.
 - Retirees may invest in other ventures without shareholding restriction.
 - Holder of permit under any of the real estate schemes will not be required to hold an OP to invest and work in Mauritius.
 - Holder may apply for a Permanent Residence Permit if he held the current permit for 3 consecutive years.
- Occupation Permit
 - Validity is extended to 10 years renewable.
 - Minimum investment requirement is reduced from USD100,000 to USD50,000.
 - Minimum turnover and investment requirement for Innovator OP is removed.
 - Spouse will not require a permit to invest or work in Mauritius.
 - OP holders may bring their parents to live in Mauritius.
 - Professionals may invest in other ventures without shareholding restriction.
 - Holder may apply for a Permanent Residence Permit if he held the current permit for 3 consecutive years.
 - Non-citizen will be allowed to acquire 1 plot of serviced land of up to 2,100 m² for residential purposes in smart cities, subject to conditions for completion of construction.

- Minimum monthly salary Rs30,000 is extended to other specified sectors.
- Work Permit and Residence Permit
 - These permits will be combined into one single permit.

Gambling Regulatory Authority

Increase in duties and taxes for:

- Bookmakers conducting fixed odds betting on local race at the race course;
- Bookmakers conducting fixed odds bet through remote communication;
- Totalisator operator at the race course, outside the race course, operating bets through remote communication, conducting local rate inter-totalisator betting or conducting foreign race inter-totalisator betting
- Bookmaker conducting fixed odds betting on foreign football matches;
- Sweepstake organiser;
- Limited pay out machine operator; and
- Amusement machine operator.

Workers Rights Act

- Definition of earnings will be aligned to earnings as per Remuneration Regulations;
- In case of payment of severance allowance, payment under the Portable Retirement Gratuity Fund will not be applicable;
- Protection Order to be extended to ruling of the Redundancy Board with a view to protect workers against abusive termination of employment;
- Employees earning up to Rs100,000 to be entitled to end of year bonus under this legislation whereas employees earning more than Rs100,000 will be covered under the End of Year Gratuity Act;
- Increase in Transition Unemployment Benefit payable;

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Annex 1

Income exemption thresholds as from 1 July 2020		
Category	New (MUR)	Increase of (MUR)
A (self + no dependent)	325,000	15,000
B (self + 1 dependent)	435,000	15,000
C (self + 2 dependents)	515,000	15,000
D (self + 3 dependents)	600,000	50,000
E (self + 4 dependents)	680,000	80,000
F (retired/ disabled self + no dependent)	375,000	15,000
G (Retired/ disabled self + dependents)	485,000	15,000

Annex 2

Excise Duty Motor Vehicles	
Motor Vehicles	Customs/Excise Duty Rebate
Motor Cars:	
Up to 1,000 cc	40% of the excise duty payable on the motor car or Rs 100,000, whichever is the lower.
1,001 to 1,600 cc	30% of the excise duty payable on the motor car or Rs 125,000, whichever is the lower.
Buses, Double/ Single Space Cabin Vehicles and Vans	30% of the customs/excise duty payable on the motor vehicle or Rs 125,000, whichever is the lower.

Annex 3

Staying on Course to Fulfill Vision 2030 with Enhanced Socially Inclusive Measures

In 2017, the Government presented “Vision 2030”, a long-term plan designed for our country to achieve measurable goals via clearly articulated strategies:

Vision	Goals	How we have been doing recently
High Income Country	Increase income per capita to USD 13,550 by 2023	USD 10,500 in 2019, +4% from 2018
	Increase real GDP growth to 4.3% by 2023	3.7% in 2017 3.8% in 2018 3.6% in 2019
	Unemployment rate of 5% by 2023	6.6% in Dec 2019 / 6.7% in Mar 2020
Inclusive	Gini coefficient reduced to 30% by 2020	35.7% in 2006 / 36.8% in 2017
High quality of life and sustainability	Life expectancy at birth of at least 75 years in 2020	75 years old, +0.2% from 2019
	35% of electricity generation come from clean local renewable energy sources by 2025	20.7% in 2018

In Green: on track In Red: improvement required

COVID-19 has put a major dent in the country’s short to mid-term ambitions, with GDP expected to contract by 11% in 2020 and unemployment expected to rise due to distressed sectors such as hospitality and leisure. The potential addition of Mauritius to the EU’s blacklist further complicated an already challenging situation. In the face of this unprecedented situation, the Minister of Finance presented a budget underpinned by the Government’s commitment to stay on course to fulfilling its vision, with a mix of measures to:

Objectives			
	Stimulate the economy	Foster innovation and the development of new economic pillars	React to lessons learnt during the pandemic
How	<ul style="list-style-type: none"> Maintain and extend public infrastructure projects - MUR 41 billion Provide incentives for private property development projects 	<ul style="list-style-type: none"> Foster innovation in technology Promote the blue economy Foster the development of a local pharmaceutical industry Support SMEs as the backbone of the economy Invest in renewable energy 	<ul style="list-style-type: none"> Foster agricultural development Favor locally manufactured products with quotas and taxes on imported products
Macro-economic impacts	<ul style="list-style-type: none"> Boost employment in the construction sector and associated supply chain 	<ul style="list-style-type: none"> Boost skilled labor demand Favor inclusive development Combat climate change 	<ul style="list-style-type: none"> Improve food security Boost low skilled labor demand Improve trade balance, with lessened pressure on our currency

	Support key traditional sectors of our economy	Improve the education and well-being of our citizens	Control budget deficits and public debt
How	<ul style="list-style-type: none"> • Kick starting the recovery of the tourism sector • Comply with FATF requirements to save our financial services sector • Impose additional tax on imported sugar 	<ul style="list-style-type: none"> • Invest in new cancer, eye and teaching hospitals • Promote physical activities, sport and recreation • Secure an inclusive education system fully adapted to the new developmental needs of our economy and society (MUR 15 billion) 	<ul style="list-style-type: none"> • Reduce recurrent expenditure (-10%) • Reduce provision for overseas missions (-60%) • Implement recommendations from the National Audit Office
Macro-economic impacts	<ul style="list-style-type: none"> • Boost employment • Improve trade balance, with lessened pressure on our currency 	<ul style="list-style-type: none"> • Improve life expectancy • Favor inclusive development • Resolve the skills mismatch 	<ul style="list-style-type: none"> • Maintain control over the public debt level as a percentage of GDP

The above-mentioned measures if implemented efficiently will increase the country's resilience and help it navigate the current crisis, provided that the potential blacklisting of Mauritius by the EU does not materialize. None of these announcements, however, are more impacting than the measures announced to foster social justice and narrow the gap between poor and rich. Indeed, since 2015, never had a government been so radical to fulfill its vision in terms of inclusivity, with a significant increase of the solidarity levy for high earners (**+MUR 3.5 billion of tax revenue**), the introduction of a contributory, participative and collective pension system, and a plan to build 12,000 social houses (**MUR 12 billion**)