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FINANCE ACT MEASURES

A photograph of an office desk with a calculator, a glass globe, a smartphone, and a pen on a clipboard with documents. The background shows a window with a view of a city skyline at sunset or sunrise.

Finance Act 2020 Summary of Tax Measures

August 2020

Dear Valued Clients,

His Excellency the President Mr. Prithvirajsing Roopun gave his assent to the Finance (Miscellaneous Provisions) Act 2020 ("the Act") on 7 August 2020. This alert covers the key tax measures set out in the Act.

The main amendments include an increased Solidarity Levy on income derived by individuals, tax holidays for companies, Alternative Minimum Tax for life insurance businesses, double deduction for patents and franchises, and deferred taxation for companies in the tourism industry.

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The above information has been extracted from the Finance (Miscellaneous Provisions) Act 2020 that has been voted in parliament with amendments.

The above content is intended to provide a general guide and should not be regarded as a basis for ascertaining tax liability or determining investment strategy in specific circumstances. Please contact your tax advisor prior to any action being taken. In any event, we shall not have any liability, including claims for damages of any nature, to any parties, in connections with this tax brief.

Baker Tilly Tax Services Ltd ("Baker Tilly") is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

CORPORATE INCOME TAX

Expenditure on electronic, high precision or automated machinery or equipment

Expenditure on or after 1 July 2020 will qualify for full deduction in the year the person incurs the relevant expenditure.

Investment Allowance to companies affected by Covid-19

Any company affected by COVID-19 is entitled to Investment allowance of 100% of capital expenditure incurred on new Plant and Machinery acquired during the period 1 March 2020 to 30 June 2020.

Income Tax Holiday

- The 8-year tax holiday available on income from manufacture of nutraceutical products will be applicable for companies starting operations on or after 4 June 2020.
- Companies having started its operations on or before 8 June 2017 and engaged in the manufacturing of pharmaceutical products, medical devices or high-tech products will be entitled to an 8-year income tax holiday.
- The 8-year tax holiday available on income from inland aquaculture will be applicable to companies starting operations on or after 4 June 2020.
- The 8-year tax holiday available on income from tertiary education will be applicable for companies starting operations on or after 4 June 2020 provided that the institution ranks amongst the top 500 institutions worldwide.
- The company operating inland aquaculture and tertiary education will also be exempt from VAT.

Solidarity Levy on Telephony Service Providers

- Levy at 5% of accounting profits and 1.5% of turnover will be applicable for profitable operators.
- The accounting profits include all profits derived by an operator from all its activities in accordance with IFRS.

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

Life insurance companies will be subjected to tax at the higher of:

- Tax payable as per regulation 17 of the Income Tax Regulations ("ITR"), and
- 10% of the profit attributable to shareholders, adjusted by any capital gains/(losses) attributable to them.

Double deduction on medical research and development

- Expenditure on medical research and development will qualify for a 200% deduction in the year the person incurs the expenditure provided the research and development is carried out in Mauritius.
- The person will also be exempt from VAT.

Patents and franchises

Double deduction is available to a company that acquires of patents and franchises and incurs costs to comply with the international quality and norms.

Tax credit on capital expenditure incurred by manufacturing companies

Where a manufacturing company incurs capital expenditure on plant and machinery, excluding motor cars, during the period from 1 July 2020 to 30 June 2023, the company will be allowed a tax credit of 15% in the year of acquisition and the next two income years.

Freeport Zone

Sale of retreaded tyres and recycled waste by freeport operators and private freeport developers on the local market will be taxed at 3%.

Companies in tourism industry

- Companies in the tourism industry having accounting years ending during the period September 2019 to June 2020 are allowed a relief via a deferred tax payment scheme.
- Corporate income tax payable under the annual return and APS system will be deferred as follows:
 - ✓ 50% by 29 December 2020; and
 - ✓ 50% by 28 June 2021.

PERSONAL INCOME TAX

Income Exemption Thresholds (IET)

The IET has increased for the different categories – please refer to Annex 1.

Relief for bedridden dependent

A bedridden father, mother, grandfather, grandmother, brother or sister of a person or his spouse may be claimed as a dependent provided that the person who is bedridden is eligible for the Carer's Allowance.

Solidarity Levy

- The rate has been increased to 25% whereas the leviable income threshold has been reduced to Rs 3M.
- Furthermore, the solidarity levy is restricted to 10% of the sum of net income and dividend income.
- The levy should be retained and remitted under the Pay As You Earn ("PAYE") system.
- The levy is applicable to residents of Mauritius.

VALUE ADDED TAX

Reverse charge

Reverse charge provision will apply only on supply of services by a foreign Non-VAT registered person.

Government Contract for Construction Works

During the period 1 October 2020 to 30 September 2022, payment date will be considered as time of supply instead of invoice date in order to remit output VAT on government contracts.

VAT Exemption

- Services provided by a subsidiary of the Bank of Mauritius are exempt from VAT.
- VAT exemption on construction materials and specialised plant and equipment for purpose-built buildings will be provided to persons engaged in:
 - ✓ medical research and development; or
 - ✓ smart and innovative-driven project.

Standard 15% VAT rate

A non-resident providing digital or electronic services to a person in Mauritius should apply 15% VAT on its supply provided that he does not have a permanent establishment in Mauritius.

Transfer from Exempt to Zero-rated supplies

The following items become zero-rated:

- i. Primary agricultural and horticultural produce;
- ii. Live animals towards human consumption other than live poultry;
- iii. Transport of passengers by public service vehicles excluding contract buses for transport of tourists and contract cars;
- iv. Medical, hospital, dental services, clinical laboratory services and services provided in a health institution.

TAX ADMINISTRATION

Income Tax

- Compulsory electronic submission and payment of tax in respect of:
 - ✓ Annual personal tax return with due date being 15 October.
 - ✓ APS return
 - ✓ CPS return
- Refund of excess income tax
 - ✓ The refund of any excess income tax should be made within 60 days from the due date of submission of the tax return or the date of receipt of the claim, whichever is the latter.

Value Added Tax

- If a transaction is not at arm's length or the consideration is not wholly in money, the market value would be used 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 be entertained in case of construction of residential building if the VAT paid during a quarter and the prior 3 quarters does not exceed Rs25,000 or the claim is for a final application.
- VAT registration application will be available via CBRIS.
- Payment of VAT should be made electronically.

PROPERTY TAX

- Transfer of freehold land during the period 1 July 2020 to 31 December 2020 is exempt from land transfer tax and registration duty, provided that the transfer is made to a company undertaking construction of housing projects of at least 5 residential units.
- Sale value of up to Rs 7M is exempt from land transfer tax where a company transfers housing unit forming part of a housing estate to a citizen of Mauritius on or before 31 December 2020.
- Registration duty exemption on immovable property acquired for use as a Life Science Research Centre.
- Registration duty exemption on companies trading on the venture market operated by the Stock Exchange of Mauritius Ltd.

NON-TAX MEASURES

A Sustainable Pension System

- The contribution to the National Pension Fund is being replaced by the Contribution Sociale Généralisée (“CSG”) with effect from September 2020. The scheme will be applicable to the participants, namely employees and self-employed individuals, as from 1 September 2020.
- The CSG being a progressive scheme will be applied based on the remuneration of the participant, as may be prescribed. The rates are set out in Annex 3.

General

- The ARC can now strike out a case if a taxpayer or his representative is absent for 2 consecutive sittings, unless it was due to illness or other reasonable cause.
- The delivery of any correspondence notice of assessment, determination or other notice or document by the MRA to any person may be made electronically, by post or personal delivery as from 1 December 2020.
- Systems for the electronic service of notices and documents, and payment of taxes may be set up by the MRA as from 1 December 2020.
- An e-tax account system is being introduced as from 1 December 2020 whereby a taxpayer can submit and effect payments for his returns. A tax representative will have in addition to his personal e-tax account, a tax representative e-tax account.

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Non-Citizens

Type	Permanent Residence	Residence Permit	Occupation Permit
General	Period is extended from 10 to 20 years	<ul style="list-style-type: none"> • Holders may bring their parents to live in Mauritius • Validity up to 10 years, renewable for retirees 	Holders may bring their parents to live in Mauritius.
Investor	<ul style="list-style-type: none"> • Minimum investment amount of USD 375,000 in a qualifying business activity • Holder of an investor OP for at least 3 years and minimum Rs 15M gross income for the 3-year period preceding the application 		<ul style="list-style-type: none"> • Validity up to 10 years if permit was issued for 3 years and was valid as at 1 September 2020 • New permits extended to 10 years • Minimum investment requirement of USD 50,000 or minimum transfer of USD 25,000 plus remaining value in high tech machinery • Existing businesses to have minimum net asset value of USD 50,000 and cumulative turnover of Rs 12M for the last 3 years. • At least Rs 4M turnover annually required for renewal
Holder of an immovable property under an existing scheme		Minimum investment amount is reduced to USD 375,000	
Self-employed	Holder of OP and minimum annual income from business of Rs 3M for 3 consecutive years immediately preceding the application		<ul style="list-style-type: none"> • Validity up to 10 years if permit was issued for 3 years and was still valid as at 1 September 2020 • New permits extended to 10 years • Initial investment of USD 35,000 and engaged in services sector only • At least Rs 800,000 business income required for renewal
Professional	Holder of OP for at least 3 years and basic monthly salary of at least Rs 150,000 for 3 consecutive years immediately preceding the application		Minimum salary applicable: <ul style="list-style-type: none"> ✓ Rs 30,000 for ICT, BPO, pharmaceutical, manufacturing and food processing sectors; ✓ Rs 60,000 for other sectors.
Retired Non-Citizen	Holder of RP for the last 3 years and minimum transfer of USD 54,000 during the prior 3-year period	<ul style="list-style-type: none"> • Valid up to 10 years if permit was issued for 3 years and was still valid at 1 September 2020 • New permits extended to 10 years • Initial transfer of USD 1,500 and thereafter minimum transfers of USD 1,500 monthly or total instalment transfers of USD 18,000 per year during the 10-year period. 	
Young Professional			Permit available only if holder has at least completed an undergraduate degree in a local tertiary education institution recognised by the Higher Education Commission

ANNEX 1

Income Exemption Thresholds

Category	Individual with	Amount
A	0 dependent	Rs 325,000
B	1 dependent	435,000
C	2 dependents	515,000
D	3 dependents	600,000
E	≥ 4 dependents	680,000

Retired / disabled person may still claim the additional deduction of Rs50,000

ANNEX 2

Solidarity Levy: some examples

(Amounts are in Rs 000s)

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8
Emoluments & Business Income	-	3,500	4,000	5,000	6,000	10,000	20,000	40,000
Net income	-	3,500	4,000	5,000	6,000	10,000	20,000	40,000
Category A deduction	(325)	(325)	(325)	(325)	(325)	(325)	(325)	(325)
Chargeable income	(325)	3,175	3,675	4,675	5,675	9,675	19,675	39,675
Taxation @ 15%	-	476	551	701	851	1,451	2,951	5,951
Chargeable income	(325)	3,175	3,675	4,675	5,675	9,675	19,675	39,675
Dividend - local	20,000	1,000	1,000	5,000	4,000	1,000	1,000	1,000
Total Leviable Income	19,675	4,175	4,675	9,675	9,675	10,675	20,675	40,675
Solidarity Levy Exemption	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Taxable Leviable Income	16,675	1,175	1,675	6,675	6,675	7,675	17,675	37,675
Solidarity Levy @ 25%	4,169	294	419	1,669	1,669	1,919	4,419	9,419
Cap on solidarity levy 10%	2,000	450	500	1,000	1,000	1,100	2,100	4,100
Solidarity Levy payable	2,000	294	419	1,000	1,000	1,100	2,100	4,100
Total tax liability	2,000	770	970	1,701	1,851	2,551	5,051	10,051
<i>ETR (Total tax/ Total income)</i>	10%	17%	19%	17%	19%	23%	24%	25%

ANNEX 3

Monthly and Annual Solidarity Levy (Amounts are in Rs)

	July	August	September	October	Annual
Monthly emoluments	269,231	269,231	269,231	269,231	3,500,000
Cumulative emoluments	269,231	538,462	807,692	1,076,923	
Dividends	-	-	-	-	1,000,000
Cumulative I.E.T.	(25,000)	(50,000)	(75,000)	(100,000)	(325,000)
Cumulative Leviable income	244,231	488,462	732,692	976,923	4,175,000
Cumulative Solidarity threshold	(230,769)	(461,538)	(692,308)	(923,077)	(3,000,000)
Cumulative Taxable Leviable income	13,462	26,923	40,385	53,846	1,175,000
Solidarity levy at 25%	3,365	6,731	10,096	13,462	293,750
Less Levy already paid	-	(3,365)	(6,731)	(10,096)	(43,750)
Net Solidarity Levy	3,365	3,365	3,365	3,365	250,000
Cap on solidarity levy	26,923	26,923	26,923	26,923	450,000
Solidarity payable	3,365	3,365	3,365	3,365	250,000

ANNEX 4

Contribution Sociale Généralisée – Impact

Monthly Salary	Employee Rate	Employer Rate
CSG:		
Up to Rs50,000	1.5%	3%
Exceeding Rs50,000	3%	6%
NPF		
Ceiling of Rs19,900	3%	6%

(Amounts are in Rs)

	Case 1	Case 2	Case 3
Monthly salary	50,000	100,000	200,000
Employee			
NPF	597	597	597
CSG	750	3,000	6,000
Increase (in pct.)	26%	403%	905%
Employer			
NPF	1,194	1,194	1,194
CSG	1,500	6,000	12,000
Increase (in pct.)	26%	403%	905%