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BUDGET BRIEF

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PREFACE



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The Minister of Finance, Economic Planning & Development, Dr Renganaden Padayachy, has delivered his maiden Budget Speech on 4 June 2020 for the forthcoming fiscal year 2020-21.

HLB MAURITIUS is pleased to provide you with the foregoing 'Budget Brief 2020' which highlights the major forecast changes in the business environment, the fiscal landscape and some specific sectors of the economy of Mauritius.

Although the Minister takes pride in 'balancing' the Total Revenue with the Total Expenditure for the forthcoming year, a deeper analysis of the budget proposals reveals that some MUR 60 billion from the Bank of Mauritius Reserves has this year been transferred to Government and considered as 'Revenue' thus bringing equilibrium to the Budget. The Business Community has been taken aback by a Solidarity Levy of 25% on personal income in excess of MUR 3m revealing an effective tax rate of 42% on a company's distributed profit. Absence of strong measures for the SME and the 'Tourism and hospitality' sectors in the aftermath of the Covid19 pandemic form part of the 'grey areas' and definite lack of State support to minimize expected unemployment and economic revival.

The content of this Budget Brief is intended to provide general information on the subject matter and should not be regarded as a basis for ascertaining liability to tax or determining investment strategy.

For specialist advice, please contact our **Team of Consultants** whose contact details are given at the end of this Brief.

TAXATION

1.1 Individual Income Tax

• **Income Exemption Thresholds** will increase within a range of Rs 15,000 to Rs 80,000 as per table below.

| Category | 2019 MUR | 2020 MUR |
|--|----------|----------|
| A- An individual with no dependent | 310,000 | 325,000 |
| B- An individual with one dependent | 420,000 | 435,000 |
| C- An individual with two dependents | 500,000 | 515,000 |
| D- An individual with three dependents | 550,000 | 600,000 |
| E - An Individual with four or more dependents | 600,000 | 680, 000 |
| A Retired/disabled person with no dependent | 360,000 | 375, 000 |
| A Retired/disabled person with dependents | 470,000 | 485, 000 |

The new threshold will become effective for the Income Year starting on **1st July 2020**.

• **Deduction for Dependent:** A taxpayer will be able to claim as dependent a bedridden next of kin who is in his care. An additional annual deduction in the range of Rs 80,000 to Rs 110,000 can be claimed for up to 4 dependents

• **Solidarity Levy:** Actually the Levy is applied at the rate of 5% to an individual whose taxable income combined with interest and dividends exceeds Rs 3.5 M.

As from the Financial Year starting 1st July 2020 it is proposed to reduce the threshold to Rs 3 Million and the levy rate has been increased to 25%.

The following income are excluded from the computation of Solidarity Levy: Pension Lumpsum, Death Gratuity, Compensation for death or injury.

The Solidarity Levy will be paid on the 'Pay As You Earn' basis.



The massive increase in the levy rate produces an element of 'double taxation' on a company's profit and the effective tax rate when adding corporate and personal taxes amounts to 42% which attributes Mauritius a higher tax rate than high-income countries



1.2 Corporate Income Tax

- **Accelerated depreciation:** Capital Annual Allowance will be increased from 50% to 100% on the acquisitions of electronic, high precision machinery or equipment and automated equipment.

Green technology equipment will now include equipment and machinery used for eliminating, reducing or transforming industrial wastes. The Annual Allowance rate of 50% will remain the same

- **Double tax deduction on investment:** Enterprises affected by COVID-19 will benefit to a double tax deduction on their investment in Plant and Machinery during the period 1st March 2020 to 30th June 2020.

- **Income Tax Holiday:** A Company engaged in the manufacture of nutraceutical products, will benefit to An 8-year income tax holiday provided it starts its operations on or after 4th 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 which has started or starts its operation on or after 8th June 2017.

- **Alternative Minimum Tax:** Life insurance Companies 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:** on interest income does not cover:

- non-bank deposit taking institutions;
- money changers;
- foreign exchange dealers;
- insurance companies;
- leasing companies; and
- companies providing factoring, hire purchase facilities or credit sale facilities



•**Solidarity Levy on Corporates:** A company with 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:

0.3% for insurance companies, financial institutions, service providers and property holding companies

0.1% for other companies.

Companies operating in the tourism sector or which holds a Global Business License will be exempted from this levy.

•**Solidarity Levy on Telephony Service Providers:** The Solidarity Levy of 5% of accounting profit + 1.5% of turnover Levy on telephony service providers, will be made permanent.

The Levy will be applied as follows:

A profitable company will pay 5% of its accounting profit and 1.5% of its turnover as Solidarity Levy.

A company which has not made profits will pay 1.5% of its turnover as Solidarity Levy.

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The application of the Levy on ‘Turnover’ or ‘Annual Gross Income’ implies that it is a tax on ‘Sales’ irrespective of whether or not a company reports a LOSS

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1.1 Individual Income Tax

Exemption from Registration Duty on Acquisition of a newly-built dwelling

No Registration Duty will be levied on a Mauritian who acquires a newly built house not exceeding Rs 6 Million during the period 1st September 2016 to 30th June 2020

The Scheme will be extended for a further two years ending 30th June 2022 and the threshold to increase to Rs 7 Million.

The exemption is also granted if the house is purchased on the basis of a plan or during construction (i.e. under vente à terme or vente en l’état futur d’achèvement).

This exemption does not apply to a property on Pas Géométriques or within the Integrated Resort Scheme, Real Estate Scheme, Property Development Scheme or Invest Hotel Scheme.



Exemption from Land Transfer Tax to a Promoter Undertaking Construction of Housing Projects for Mauritians

The construction of housing estate scheme will be extended as follows:

- The Scheme will run, from 1st July 2020 to 31st December 2020, for registration of projects comprising of at least 5 residential units with the MRA;
- No registration duty and land transfer tax will be payable on the transfer of freehold bare land for the construction of housing estate project provided the land is transferred by 31st December 2020;
- Construction must be completed before 31st December 2021; and
- Exemption of land transfer tax will be granted on the sale of a residential unit (including by way of 'Vente en Etat Future d'Achèvement - VEFA') provided it is made to a Mauritian before 30th June 2022.
- In addition, the maximum price of Rs 6 million of a residential unit under the Scheme will be raised to Rs 7 million.

First-Time Buyer Exemption

From now on, 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; or
- Co-owner of an immovable property acquired by inheritance where their share in that property is less than 20 perches of land.



1.4 Value Added Tax (VAT)

Exempt Goods to become Zero-Rated

- Unprocessed agricultural and horticultural produce;
- Live animals of a kind generally used as, or yielding or producing, food for human consumption other than live poultry;
- Transport of passengers by public service vehicles excluding contract buses for the transport of tourists and contract cars; and
- Medical, hospital and dental services.

Digital and Electronic Services: Digital and electronic services provided through internet by non-residents for consumption in Mauritius will be subject to VAT.

1.5 Customs and Excise Duty

- The first Rs 3,000 of the value of an article imported by post or courier services which actually is exempt from customs duty and Value Added Tax will be reduced to Rs 1,000.
- The rate of customs duty on import of sugar will be increased from 80 percent to 100 percent.
- The existing sugar tax of 3 cents per gram on sugar sweetened beverages will be doubled with effect from 5th June 2020. In addition, the tax of 6 cents per gram of sugar will be extended to the following articles as from 1st November 2020:

- Pastries
- Sugar confectionery (e.g. Sweets, candies, chewing gums, fruit jellies)
- Chocolates
- Biscuits
- Waffles and wafers
- Ice creams
- Jams, fruit jellies, marmalades, fruit or nut purées and fruit or nut pastes
- Fruits, nuts, fruit-peels and other parts of plants preserved by sugar (including drained, glacé or crystallised)
- Mixes and doughs for the preparation of bakers' ware
- Crispbreads, gingerbreads
- Rusks, toasted breads and similar products
- Food preparations of flour, groats and malt extract such as custard powder and ovaltine
- Cereal products
- Whey
- Yoghurts, buttermilk



- Excise regulations will be amended to licence importers and manufacturers of sugar sweetened products as in the case of sugar sweetened beverages.

1.6 Tax Administration

1

Income Tax Refund by the MRA:

The time limit to effect income tax refunds will be standardised to 60 days for all taxpayers provided that all necessary documentation pertaining to the application is received by the MRA.

3

Customs Act to be amended to provide for the Principal Officer of a private company to be liable for any taxes due by the company. The Principal Officer may be the executive director or any other person who is entitled to exercise the powers of the Board of directors.

5

The MRA will be empowered to request a VAT-registered person to apply an alternative basis of apportionment for input tax if he is engaged in a project spanning over several years.

7

The MRA will be empowered to request a VAT-registered person to apply an alternative basis of apportionment for input tax if he is engaged in a project spanning over several years.

2

E-services platforms

The MRA will develop further its e-services platform to improve efficiency and transparency in service delivery to taxpayers.

4

VAT Act to be amended to clarify that, where a transaction is not at arm's length, the market value of the supply should be taken as the taxable value.

6

Provision will be made to allow a claim for refund of input VAT in respect of a residential building of less than Rs 25,000 to be entertained where the amount of VAT paid during a quarter and the preceding three quarters do not exceed Rs 25,000.

8

A VAT e-invoicing system will be introduced at business level, on a pilot basis, to enhance tax compliance

9

Assessment Review Committee:

The case of an aggrieved party who repeatedly fails to attend or to be represented upon being convened before the Committee will be struck out if such failure is not due to illness or other reasonable cause.



SMALL & MEDIUM ENTERPRISES (SMEs)

Grants and Facilities to SMEs

- The Development Bank of Mauritius (DBM) is expected to provide loans of up to Rs 10 million per enterprise at a concessional rate of 0.5 percent annually.
- The DBM Enterprise Modernisation Scheme will provide a grant of 15%, up to a maximum of MUR 150,000 on their cost of assets.
- SMEs will have access to broader factoring facilities through Maubank Ltd in order to ease their cashflows. This will be done through a 50% subsidy on the factoring fee per invoice granted by the Investment Support Programme Ltd (ISP Ltd).
- Cooperative societies will be granted a maximum of MUR 50,000 by the Cooperatives Development Fund for the purchase of livestock and for the acquisition of equipment.
- Investment at the SME Equity Fund Ltd will be done through crowd lending up to a maximum of MUR 200,000 per project.
- A dedicated Venture Capital Market will be set up at the Stock Exchange of Mauritius for start-ups and SMEs.
- Enterprises which have been affected by COVID-19 will be entitled to a double tax deduction on their investment in Plant and Machinery during the period 1st March 2020 to 30th June 2020.

Programmes to encourage local production

- Local companies will be encouraged to use the 'Made in Moris' label through the increase of a one-off grant from MUR 5,000 to a maximum of MUR 50,000.
- Ministries and Government Bodies will be required to purchase a minimum of 30% of their goods locally.
- The Procurement Policy Office will require Public Bodies to procure specific goods and services from SMEs only.
- A Margin of Preference of 30% on public purchases for manufacturing SMEs will be provided for.
- SMEs holding the 'Made in Moris' brand will benefit from a Margin of Preference of 40% instead of 30% under Public Procurement.
- The Government will impose a minimum shelf space of 10% for locally manufactured goods in supermarkets.

Agriculture

- Small sugar planters reaping up to 60 tonnes of sugar will be paid a subsidised price of MUR 25,000 per tonne
- The annual premium for the Crop Loss Compensation Scheme operated by the Small Farmers Welfare Fund will be waived.
- A grant of 50% of the cost of permanent netting structures will be provided to orchard owners under the Fruit Protection Scheme
- Subsidies will be provided to boost production of potatoes and onions
- The maximum number of poultry head that a small poultry breeder can breed has been increased to 25,000 instead of 5,000.
- Small farmers will be encouraged to regroup in order to benefit from economies of scale
- A number of loans schemes will be offered to encourage small scale production.

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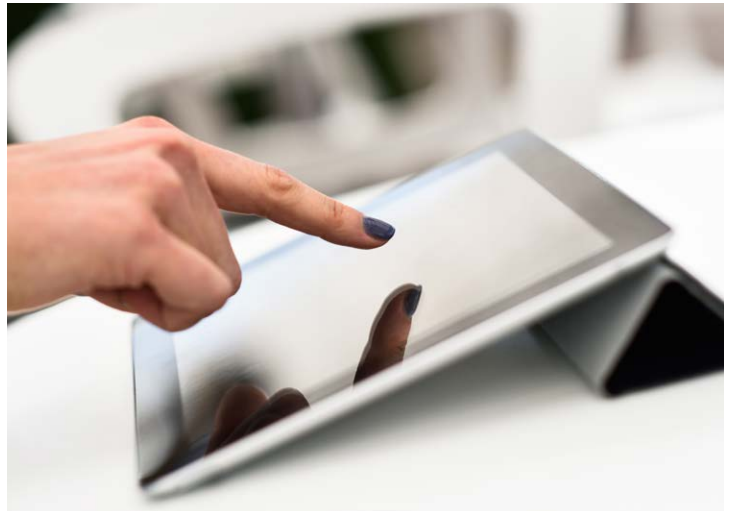
More supporting measures were expected for the SME sector which employs some 54% on the country's labour force and which produces 45% of the GDP. It is argued that some Direct income support and the continuation of the Wage Assistance Scheme for a further six months up to 31 December 2020 would have helped SMEs to get back on their knees after the Covid 19 pandemic

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NEW SECTORS OF DEVELOPMENT

The Minister has proposed a series of measures to facilitate the emergence of new sectors to propel the country into the era of innovation and new technologies. These measures revolve around:

- Stimulating the development of data economy.
- Building a strong biomedical and pharmaceutical industry.
- Diversifying and deepening the blue economy value-chain.



Data Technology

- A Data Technology Park will be set up at Côte d'Or which will lay the foundation for a data driven economy and create the right eco-system to accelerate the innovation process.

- The Park will comprise 12 specialised centres from additive manufacturing to deep artificial intelligence.

- The Deep Artificial Intelligence Centre will provide the necessary support for start-ups, existing businesses and government services to achieve major digital transformation.

Blue Economy

- MIC will invest in joint ventures engaged in fishing activities and its value chain in order to develop the fishing industry.

- An inland aquaculture scheme will be introduced providing an 8-year tax holiday and duty & VAT exemption on equipment.

- A single licence for chartered yacht calls in Mauritius will be introduced encompassing multiple berthing options, rights for helicopter flights and gaming.

Pharmaceutical Industry

- The Mauritius Investment Corporation Ltd (MIC) will invest in the production of pharmaceutical products, medical devices and personal protective equipment through a public-private enterprise.

- A Medical Products Regulatory Authority Bill will be introduced to ensure conformity with international norms and standards.

- Registration duty on acquisition of immovable property in the life sciences sector will be waived to encourage more research and development in Mauritius.

- Medical R&D centres will benefit from VAT exemption on construction materials and specialised equipment, and double deduction on R&D expenditures.

- The Human Tissue Act will be fully proclaimed.
- A regulatory framework will be set up for telemedicine platforms.

“ Successive Governments have made promises to develop this economic sector but no efforts have really been deployed on the ground to make it a reality. It is hoped that this fiscal year will see a successful development the more so that there is now a dedicated Ministry for this economic sector ”

Development in Existing Sectors

The 2020-2021 budget provides development in major existing sectors of the economy. Some of the main points are summarised hereafter.



Agriculture

- The Setting up of National Agri-Food Development Programme to promote the Farm to Fork concept, ensure food security and reduce our dependence on imports.
- The Setting up of a centralised digital Land Bank of State and Private Agricultural Land which will be accessible by the public.
- New mandate to Landscape Mauritius Ltd to acquire more private agricultural lands with the support of the State Investment Corporation (SIC).
- Development of necessary standards and norms for production, storage, transformation and commercialisation of superfoods by the Food and Agricultural Research & Extension Institute (FAREI).
- Amending the Agricultural Marketing Board Act to broaden the role and functions of the Agricultural Marketing Board (AMB).



Manufacturing

- The investment tax credit of 15 percent over 3 years will be extended to all manufacturing companies.
- Double deduction on the cost of acquisition of patents and franchises and also the costs incurred to comply with international quality standards and norms.
- Financial support from ISP Ltd to enterprises producing hygienic goods such as sanitizers, PPEs, masks, handwash, and medical devices.



Hotel industry

- Introduction of the Aparthotels Scheme to enable existing hotels to convert part of their accommodation units into serviced apartments that can be sold individually.
- Amendment in the Invest Hotel Scheme to allow owners to occupy their units for a total period of 90 days instead of 45 days in a year.



Financial Services

- Introduction of new products such as:

The Central Bank digital currency.
An Insurance Wrapper.
Variable Capital Companies.
An inaugural Sukuk issuance by the Bank of Mauritius.
Green and Blue Bond frameworks by the Bank of Mauritius.

- New frameworks for digital banking, private banking and wealth manage to be developed by the Bank of Mauritius.
- A dedicated Venture Capital Market will be set up at the Stock Exchange of Mauritius for start-ups and SMEs.



Export Sector

- Port dues and terminal handling charges for exports will be waived from July to December 2020 and reduced by 50% for the period January to June 2021.
- Extension of the Freight Rebate Scheme for exports to Africa.
- Extension of the Trade Promotion and Marketing Scheme for exports to Japan, Australia, Canada and the Middle East.
- Extension of the Export Credit Insurance Scheme to cover all exports.
- Companies will benefit from a 50 percent refund on the costs of certification, testing and accreditation of local laboratories.
- They will also be exempted from the payment of registration duty and land transfer tax for the purchase of immovable property.

MEASURES FOR EXPATRIATES TO LIVE, WORK AND INVEST IN MAURITIUS

In a view to further attract foreign investors, professional talents and retirees, the Budget 2020/21 has announced the following measures:



Work Permit & Occupation Permit combined

- The work permit and resident permit has been combined into one single permit.
- The Economic Development Board will be the sole authority responsible for processing of OP applications.
- The validity of an OP has been lengthened from 3 years to 10 years, renewable.

Occupation Permit (OP)- Professional Category

- Professional OP Holders will be able to invest in other ventures without any shareholding restriction.
- The salary criteria of MUR 30,000 has been extended to other specified sectors and will not be restricted to the ICT sector only.

Occupation Permit (OP)- Investor Category

- The minimum initial investment required for an OP as Investor has been reduced to USD 50,000 instead of USD 100,000.
- The minimum turnover and investment requirement of USD 40,000 for Innovator Occupation Permit has been removed.

Dependents of Occupation Permit holders

- OP holders will be allowed to bring their parents as their dependents (Dependents which was only restricted to spouse, common law partners and children has been extended to include parents).
- Restriction for spouses of OP holders to work in Mauritius has been removed.

Residence Permits

- The validity of Residence Permit as Retired non-citizens has been increased to 10 years.
- Holders of Residence Permits who have held the permit for three consecutive years will be eligible to apply for the 20-Year PRP.
- Holders of a Residence Permit as Retired non-citizens will be able to invest in other ventures without any shareholding restriction.
- Non-citizens who have a residence permit under IRS, RES, PDS or Smart City Schemes will be exempted from an Occupation or Work Permit to invest and work in Mauritius.
- The minimum investment amount for a holder of an immovable property to obtain a residence permit has been reduced from USD 500,000 to USD 375,000.

Acquisition of Property

- Non-citizens holding a Residence Permit, an Occupation Permit or a Permanent Residence Permit will be able to acquire one plot of serviced land not exceeding 2,100m² for residential purposes in Smart Cities. This measure will be valid for a period of 2 years ending 30th June 2022.

Permanent Residence Permit (PRP)

- Permanent Residence Permit has been extended from 10 years to 20 years.
- The existing turnover required for an Investor (An aggregate turnover of at least 45 million rupees for any consecutive period of 3 years) is removed.
- The existing salary criteria required for a Professional (The basic monthly salary should exceed MUR 150,000 for 3 consecutive years immediately preceding the application) is removed.
- As from now, existing OP holders, who have held the permit for three consecutive years will be eligible to apply for the 20-Year PRP.
- The minimum investment amount for an investor to directly obtain a Permanent Residence Permit has been reduced from USD 500,000 to USD 375,000.

HLB MAURITIUS

HLB MAURITIUS is a leading conglomerate firm of Accountants and Consultants based in Mauritius and it offers a wide range of services to clients in Mauritius, in the Indian Ocean region and in Continental Africa. It specialises in Finance, Management and Development.

It is the member firm of HLB, the global network of independent accounting firms and business advisors, present in some 160 countries and employing together more than 27,000 staff and partners distributed in some 800 offices worldwide.

For further information and advice, please contact our lead Consultants below



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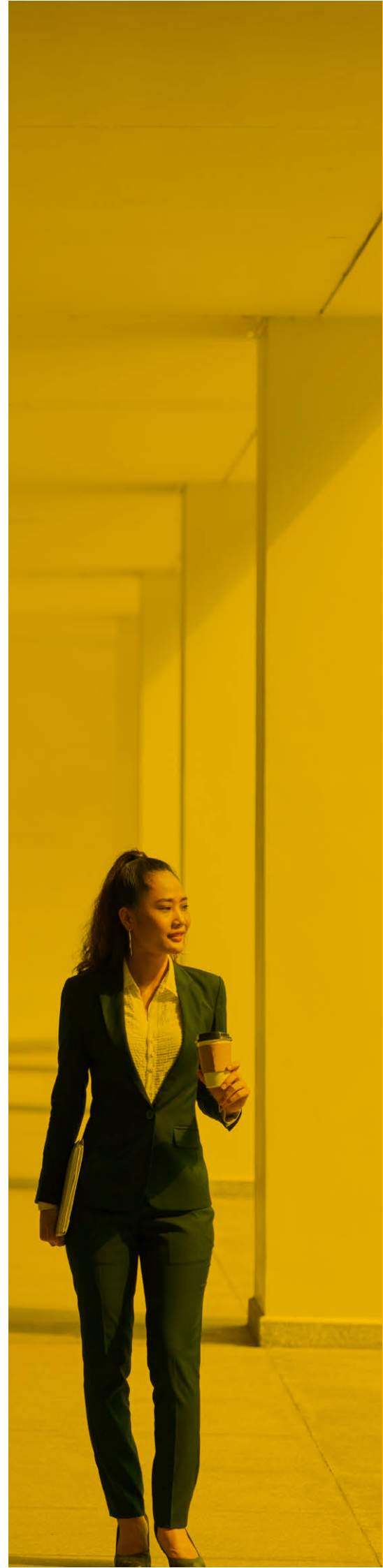
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TOGETHER WE MAKE IT HAPPEN



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