



BUDGET

2021/22

HIGHLIGHTS

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Editorial

Building a stronger Mauritius

In his much anticipated second Budget, the Minister of Finance, Economic Planning and Development set the tone for a stronger and more resilient future for the country. In many ways, it felt like the dawn of a new era – one where Mauritius will have to reinvent itself in order to achieve sustainable growth in a post-Covid world. From the announcement of a new growth sector in the Green energy industry, to the steps identified to make the country more attractive to foreigners, the focus has been placed on measures that, if successful, could indeed transform the landscape in years to come.

As expected, the bulk of the government's expenditure will be on public infrastructure projects, including programmes around flood management, water supply and transport, which inevitably has a sense of déjà-vu. Not totally unexpected, it has to be said – but whether the mammoth spending on such public sector investment will generate wealth and create jobs remains to be seen, especially when we are saddled with an ever-rising public sector debt, not to mention an already elevated budget deficit.



The measures announced to encourage foreign professionals, investors, retirees as well as students to come to Mauritius are laudable. However, such measures are most effective when implemented in a holistic manner, i.e., beyond the incentives, we need a conducive living environment for these people to stay in Mauritius, as well as a smooth flight connectivity. Unfortunately, the Budget was silent on measures to boost such connectivity – perhaps understandably so, as our national carrier still lays mostly grounded. In our view, this is the type of long-term vision and planning that is needed to get us out of the current situation.

On a related note, the reopening of borders cannot come sooner, as the tourism industry still lives off government support – as do many SMEs. The tourism sector is set to change forever – and we need to adapt fast. Perhaps the government is betting on the sector to bounce back like a coiled spring once the borders open fully at the start of the summer. But the world has changed, and more blue-sky thinking, and action, is required in this area if we want to maintain our competitive edge.

From a tax perspective, whilst we welcome the decision of the Minister to keep the headline rates of income tax and VAT unchanged, we feel that he could have been bolder by introducing more fiscal incentives to boost investment and growth – especially after the hikes seen last year in the Contribution Sociale Généralisée (“CSG”) and the Solidarity Levy. The extension of the partial exemption regime to cover

investment dealers and leasing activities is welcome – but doesn't go far enough. We hope that the consultations made by the industry in this regard will be taken into consideration in the forthcoming Finance Bill. In this post-pandemic world where investments and employment need to be promoted, we need a tax system that is adapted to the situation – one that imposes the minimum burden on taxpayers.

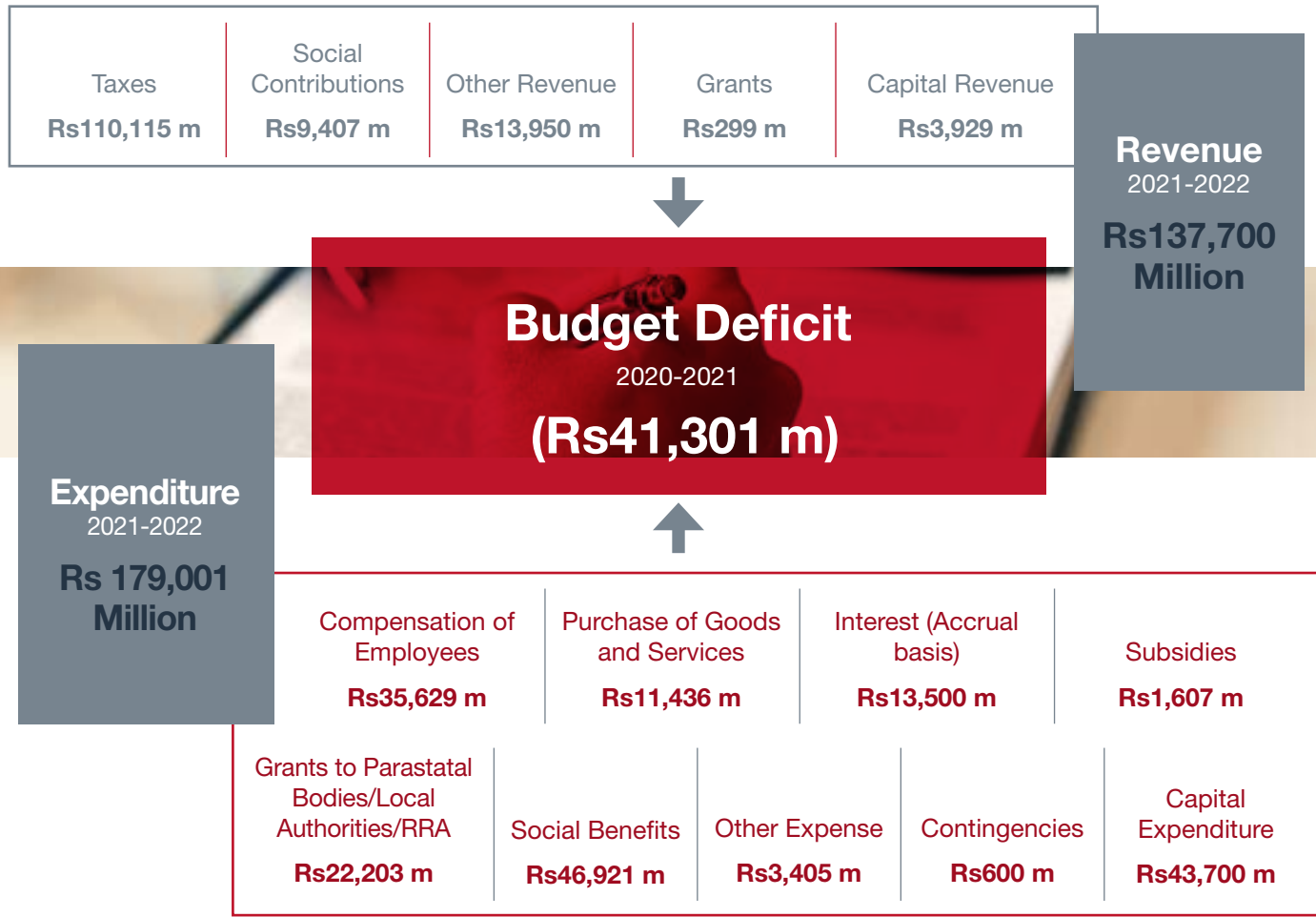
The Minister recognised that the Financial Services sector was one of the few sectors to generate positive growth over the last year, despite the headwinds it faced. It is reassuring that the government is leaving no stone unturned in order to ensure Mauritius adopts the highest global standards, which hopefully will get us out of the EU's list of High-Risk jurisdictions before the end of the year. On the other hand, the jurisdiction needs to have a dynamic and innovative service offering, especially in the face of growing competition from other International Financial Centres (IFCs). The phasing out of the GBC1 and GBC2 regimes at the end of June 2021 will be a real test of the resilience of the Global Business sector.

To conclude, it is fair to say that the Minister had an unenviable task on his hands. That he chose to go down the path of a huge spending spree on public projects to revive the economy is, as we've said, not unexpected. Except that these are uncharted territories, and if we really want to emerge out of this pandemic successfully, perhaps we may have to dig deeper.

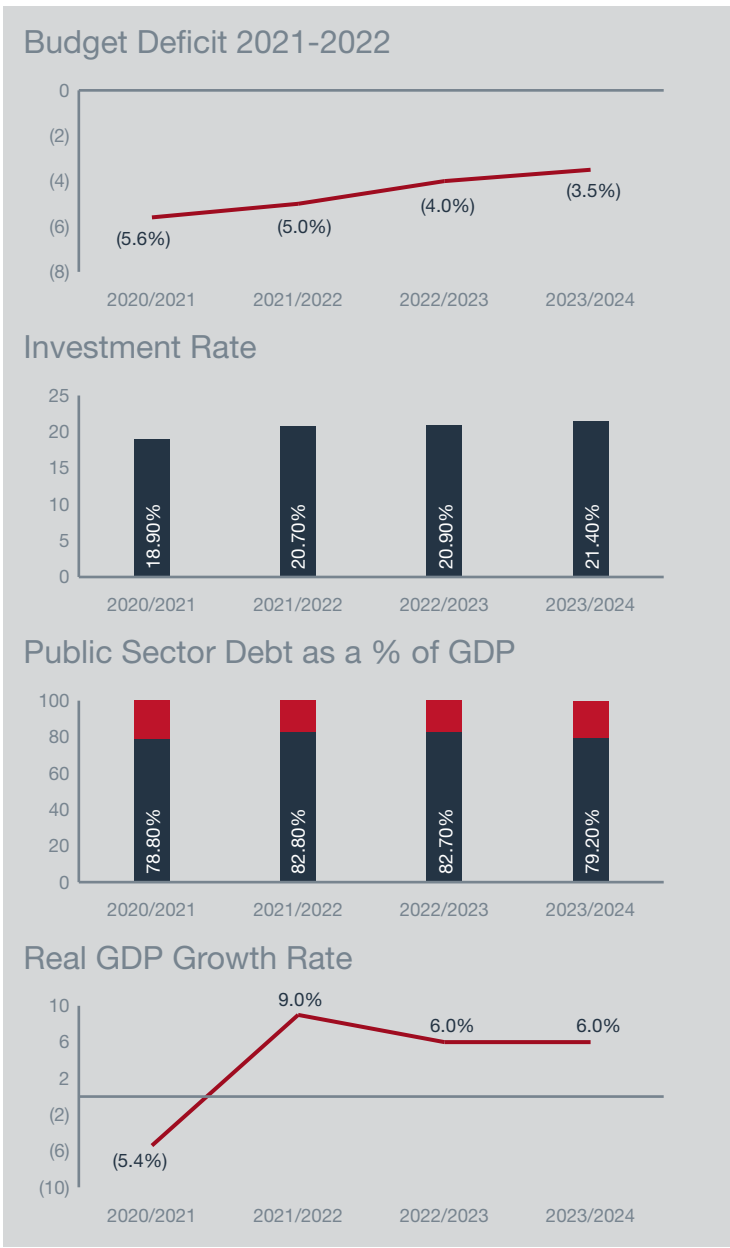
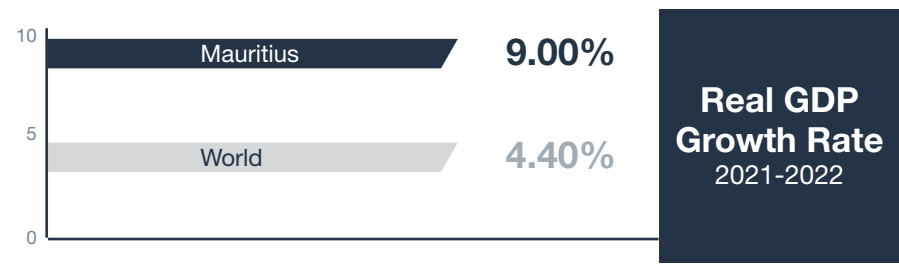


Key Economic Indicators

Key Economic Indicators



Inflation rate
2020
2.5%





Individual Taxation

Income Exemption Threshold (“IET”)

There has been no change in IET for the year ending 30 June 2022.

	Year ending 30 June 2022 Rs
A. Individual with no dependent	325,000
B. Individual with one dependent	435,000
C. Individual with two dependents	515,000
D. Individual with three dependents	600,000
E. Individual with four or more dependents	680,000
F. Retired/disabled person with no dependent	375,000
G. Retired/disabled person with dependents	485,000

Self-Employed Assistance Scheme (“SEAS”)

Self-employed individuals should be paying the Contribution Sociale Généralisée (“CSG”) as from 1 July 2021 to be eligible for the SEAS.

The self-employed will be required to file an income tax return with the Mauritius Revenue Authority (“MRA”).

Contributions to COVID-19 Vaccination Programme Fund

Individuals who contribute to the COVID-19 Vaccination Programme Fund will be eligible to deduct the amount donated from their taxable income when filing their income tax returns.

An individual may carry forward any unrelieved deduction from one year to the next for a maximum of two years.

Last year’s budget introduced another category of dependent, that is, a bedridden next of kin. This year’s budget clarified that any financial assistance provided to the bedridden person under the National Pensions Act such as basic retirement pension, basic invalidity pension, carer’s allowance and contributory invalidity pension will not be taken into account in determining his eligibility as a dependent.

Premium Visa

A Premium Visa Scheme has been developed with the goal of encouraging eligible foreigners to come to Mauritius for a long stay of at least one year, with the option of renewal.

To make this Scheme more appealing and to minimize any administrative barriers, a holder of a Premium Visa who stays in the Republic of Mauritius for 183 days or more shall be liable to income tax as follows:

- i. Mauritian-sourced income will be taxed on a remittance basis;
- ii. money spent in Mauritius through the use of a foreign credit or debit card will not be deemed to have been remitted to Mauritius;
- iii. income brought and deposited in a bank account in Mauritius is subject to tax except if a declaration is made by the holder of a Premium Visa that the required tax has been paid thereon in his country of origin or residence.

These measures are welcome and will attract investors in Mauritius. Since these measures take retrospective effect as from 1 November 2020, we must await the Finance Bill for further clarity on any refund process.

Tax Holiday

Asset/Fund Manager

The existing 5 years tax holiday on the emoluments of an asset manager, a fund manager, or an asset and fund manager who manages an asset base of at least USD 100 million and who was issued with a certificate on or after 1 September 2016, has been extended for an additional 5 years.

New certificate holders will be eligible to a 10 years tax holiday.

The threshold of USD 100 million has also been reduced to USD 50 million.

Tax payment under Current Payment System (“CPS”)

The method for calculating the tax liability of a self-employed individual under CPS will be amended to cater for taxpayers subject to the lower tax rate of 10%.

Deferral of tax payment

The Income Tax Act will be amended to ratify the decision for the deferment of payment of personal income tax in advance by self-employed individuals under CPS in the income year 2020/2021 until October 2021.

Tax on Winnings

The 10% tax on winnings will also apply to Lotterie Vert winners.





Corporate Income Tax

Small and Medium Enterprises (“SMEs”) will benefit from Salary Compensation

SMEs will be refunded in respect of salary paid to its employees up to a maximum of Rs 375 per employee monthly, for the period from January 2021 to June 2022, effective as from 1st January 2021.

An export-oriented SME will receive a monthly reimbursement of up to Rs 235 per employee.

No assistance will be received if the SME has benefited from Wage Assistance Scheme in a particular month.

Contributions to COVID-19 Vaccination Programme Fund

Enterprises will be allowed to deduct the amount contributed to the COVID-19 Vaccination Programme Fund from their taxable income when filing their tax return and carry forward any unrelieved deduction for a maximum period of 2 successive income years.

Lower tax rate under Advance Payment System (“APS”)

APS will now cater for companies paying corporate tax at a rate lower than 15%.

Investment Tax Credit

A manufacturing company's unrelieved investment tax credit may be carried forward for 10 years.

Previously unrelieved investment tax credit was subject to 6 years' time limit.

Small Enterprise paying Presumptive Tax

The budget clarified that a small enterprise can pay a presumptive tax of 1% of its turnover without declaring its chargeable income and will be exempted from the Corporate Social Responsibility (“CSR”) requirement.

Deferral of tax payment

APS Payments due in November 2020 to May 2021 will be deferred to 30 June 2021.

CSR

For a CSR Fund set up on or after 1st January 2019, a company may use 25% of its CSR Funds to implement a CSR programme or finance an NGO implementing a CSR programme as per the list of priority areas of intervention.

Restoration of a building designated as a national heritage under the National Heritage Fund Act 2003 has been added to the list of priority areas of intervention.

Dividends payable

Any dividend paid by a non-resident to another non-resident is not taxable in Mauritius.

The provides clarity with regards to the tax implications of dividend distribution from an Authorised Company to another non-resident.

Tax Incentives

Partial Income Exemption

The 80% partial tax exemption has been extended to:

- investment dealers; and
- activities relating to the leasing of locomotives and train including rails leasing.

We await the Finance Bill for further clarity on any enhanced substance requirements.

Research and Development (“R&D”)

Double tax deduction with respect to qualifying expenditure has been extended till June 2027, provided that the R&D is carried out in Mauritius and no annual allowance was claimed.

A manufacturing company will be able to claim a double tax deduction for market research and product development expenses targeting the African market.

Tax Holiday

Family Offices and Fund and Asset Managers

The tax holiday has been extended from 5 years to 10 years.

Family Offices will no longer be required to hold a Global Business Licence.

Holders of an investment certificate

New companies holding an investment certificate will benefit from an 8 years tax holiday provided that the companies register with the Economic Development Board (“EDB”).

Manufacturing companies will benefit from a 5% tax credit over 3 years in respect of capital expenditure incurred on new plant and machinery until 30 June 2023.

Companies engaged in aquaculture, industrial fishing, seafood processing, high tech manufacturing, pharmaceutical research and manufacturing, agro processing, food processing, healthcare, biotechnology and life sciences, nursing and residential care, digital technology and innovation, marina, tertiary education, seeds production and others, as may be approved by the EDB, will benefit from the 8 years tax holiday.

Pharmaceutical Research and Manufacturing companies

Payment of VAT on Plant, machinery, and equipment & Construction of purpose-built building and plant and equipment (excluding vehicles) for research and development:

- Zero-rated for provision of healthcare, nursing and residential care services;
- Exempt for others

Corporate Income Tax

Biotechnology and Pharmaceutical companies

Companies engaged in the medical, biotechnology and pharmaceutical sector will be taxed at 3% instead of 15%.

Biotechnology and pharmaceutical companies will be allowed a full tax credit on the costs of acquisition of patents.

Developers will be able to benefit from exemption on:

- Registration duty and land transfer tax;
- Land conversion tax; and
- VAT on construction.

Private universities

Private universities set-up in Mauritius will exceptionally benefit from a reduced tax rate of 3%.

The reduced tax rate of 3% is very much welcome in the educational sector.

SME

A 110% deduction will be allowed on the taxable income for the direct expenditure incurred on the purchase of products manufactured locally by SMEs.

Acquisition of specialised software and systems.

A 200% deduction from taxable income will be allowed on the acquisition of specialised software and systems.

Foundations and Trust

Foundations and Trusts benefitting from a preferential tax regime need to ensure that they comply with the OECD standards including substantial activity requirements.

Tax Returns

A foreign limited partnership which is a non-tax resident no longer have the obligation to submit a return of dividend.





Indirect Taxation

Purpose-Built factories for Manufacturing of pharmaceutical products, medical devices, clinical and pre-clinical trials

Exemptions:

- Registration Duties & Land Transfer Tax
- Land Conversion Tax
- VAT on Construction

Levy

Levy on Mogas and Gas Oil will increase by Rs 2 as from 1 July 2021.

Excise Duty

- Increase of Excise Duty on Alcoholic & Tobacco Products by 10%.
- Abolition of the 5% excise duty on electric vans of up to 180KW used solely for the transport of goods.
- Excise duty rebate scheme on motor vehicles extended up to 30 June 2022 as follows:

Type	Capacity	Rebate %
Motor Car	up to 1,000 cc (whether hybrid or not)	40
Motor Car	above 1,000 cc (whether hybrid or not)	30

Customs duty

The 30% customs duty rebate on buses extended up to 30 June 2022.

Value Added Tax

Zero-rated

Preparation & Supply of Dumplings (“boulettes”) to final customers whether cooked & uncooked.

Exempt Bodies

The National Empowerment Foundation and the New Social Living Development Ltd will be made exempt bodies for VAT purposes in respect of the construction of social housing.

VAT Refund on construction or purchase of first house or apartment

New Criteria:

- the cost of construction or the purchase price < Rs 3 million;
- the refund amount capped at Rs 300,000; and
- the household annual income eligibility threshold capped at Rs 1 million.





Tax Administration

INCOME TAX

Tax Arrears Settlement Scheme (“TASS”)

TASS has been extended till December 2021 for SMEs.

Statement of Financial Transactions

The monetary criteria for banks, non-bank deposit taking institutions, insurance companies, and money changers to submit information to the MRA have been cut in half.

Tax on Winnings

The amount of winnings exceeding Rs 20,000 shall be disclosed by Licensed operators by way of a statement.

Arm’s Length Test

The Arm’s Length Test will also be applicable to Global Business Companies.

Submission of Return by Self-Employed Individuals

An income tax return must be submitted by all self-employed individuals.

Request for Information

The MRA can request taxpayers to submit information/documents electronically and virtual meetings can be held through teleconferencing device.

Tax Ruling

Where additional information has been requested by the MRA, the time limit of 30 days to issue a tax ruling will start as from the date that the additional information was submitted to the MRA.

Exchange of Information with Treaty Partners

Where a company has failed to furnish information as per MRA requests, penalties will be charged.

Value Added Tax Act

The 30-days’ time limit for the MRA to rule on VAT issues begins on the date that all documents and information requested by MRA are submitted.

Taxpayer will be able to submit any information requested by the MRA electronically.

Mauritius Revenue Authority Act

Lodging of Representations

In case an objection was lapsed by the MRA due to non-submission of requested information, the taxpayer will still be allowed to lodge the representation to the Assessment Review Committee without making any payment.

Independent tax panel

Under Revenue laws, in case of fraud and non-submission of tax return, no authorisation from the independent panel shall be required by the Director General of the MRA to issue assessments.





Financial Services

Improving the Banking and Financial Services sectors

The Government will introduce a new regulatory framework to incentivise banking institutions to set up regional centres for shared services, which includes asset management and treasury management, amongst others, in Mauritius.

The Mauritius Central Automated Switch (“MAUCAS”) platform which was launched in 2019 will move into its next development phase and enable even more innovation and efficiency to the banking sector.

Open banking initiatives will be facilitated with added guidance by the Bank of Mauritius (“BOM”) on the usage of Application Programming Interface (“API”).

Following previous recommendations of the IMF, the BOM will be assigned the mandate of the Macro-Prudential Authority of Mauritius.

The BOM will also be empowered to implement a centralized bank account holders registry which will facilitate law enforcement’s

investigations into financial crimes. This directly addresses one of the strategic deficiencies identified by the FATF in Mauritius AML/CFT regime, namely, “the failure to demonstrate that law enforcement authorities have the capacity to conduct money laundering investigations, including parallel financial investigations and complex case”

Certificate of Good Standing, typically issued by the Registrar of Companies for Global Business Companies, will now also be issued for legal advisers and accounting firms.

Bank of Mauritius and Financial Services Commission collaboration

The BOM and the Financial Services Commission (“FSC”) will collaborate more to improve both sectors.

A common platform for fitness and propriety of investors and professionals operating in the sector will be set up.

A single and common desk will be set up for all applications relating to FinTech.

The BOM and FSC will also rework the current framework for Investment Banking activities.

Both the BOM and FSC will issue Regulatory Sandbox Licenses for activities falling under their respective mandate.

Promoting the Mauritius International Financial Centre (“IFC”)

To achieve the Government’s vision of making Mauritius a centre for regional banking institutions offices, the BOM will contract with an international consulting firm to develop a strategy for the Future of Banking in and from Mauritius.

The EDB will set up a dedicated commission to develop, implement and monitor a strategy to promote and manage the reputation of Mauritius as an IFC





Ease of Doing Business

Ease of doing business

A series of measures will be implemented to further improve the business environment.

Some of the measures that will be implemented are as follows:

- The creation of electronic Business Registration Cards.
- Changes in legislations to facilitate sharing of information between authorities such as the EDB and MRA.
- Change in legislation to review the types of premises and nature of businesses that should hold a fire certificate.
- Trade fees will be amended and will become due after 2 financial years post registration of the business. Holders of Tourist Enterprise license and Global Business Companies, which do not have a physical office in Mauritius, will be exempted from Trade Fees.
- Legislation on financing through movable assets will be reviewed and a notice-based registry for movable collaterals will be created.

Public utilities

The Government also seeks to facilitate and expedite access to public utilities and will instruct both the Central Water Authority (“CWA”) and the Central Electricity Board (“CEB”) to undertake reforms and investment in new systems which will help streamline operations.

Time limits for court judgements

The Government will consult with the Honorable Chief Justice and bring about changes in legislation to introduce time limits for judgments and rules for adjournments.

The judiciary will be also improved through the implementation of modern case management techniques and court management systems.





Opening the Economy

Opening the economy

Attracting foreigners

The Government is embarking on a scheme in order to attract expertise and give comfort to foreigners coming to Mauritius. The Government is fitting in various incentives that will allow seamless entry into the island and easing the process of the occupational permit. A professional holding an occupation permit is flexible to switch occupation without reapplying.

The validity of the occupational permit has been extended from 3 years to 10 years. A self-employed occupational permit holder can incorporate as one-man company. The spouse willing to work in Mauritius is exempted from applying for permits.

Permanent Residence Permit

In order to encourage foreign expertise in supporting local growth, an automatic extension and flexibility of renewing permits have been announced.




Work Permit

The Ministry of Finance Economic Planning and Development is announced to assist in delivering work permits. Mauritians and non-citizens now have the facility to bring carers and maids from abroad.

Whilst it is undeniable that opening Mauritius to the world will create wealth for the economy, there is a concern that the facilities granted to foreigners will cause an inflationary pressure on the price of property for Mauritians.



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-  Tax Controversy & Litigation
-  Tax & VAT Compliance
-  FATCA & CRS
-  Insolvency & Business Recovery
-  Accounting & Related Services
-  Tax Training

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Our Core Values



Best-In-Class

We aim to be the benchmark for quality in our industry and the standard by which other firms are measured.



Stewardship

We hire the best and the brightest and we invest in our people to ensure that legacy.



Independence

Our platform allows us to objectively serve as our client's advocate; the only advice and solutions we offer are those that are in the best interest of our client.



Seamless

Our firm is constructed as a global firm. We share an interest in providing the highest level of client services regardless of location.



Transparency

We value open communication, information sharing and inclusive decision making.