

A composite background image. On the left, a person's hands are shown typing on a laptop keyboard. On the right, a hand holds a white marker with a black cap. A vertical red bar is positioned between the two scenes, containing the text "HIGHLIGHTS BUDGET 2022/2023".

HIGHLIGHTS  
**BUDGET**  
2022/2023



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# EDITORIAL



# Playing it safe

The Honourable Minister of Finance, Economic Planning and Development, Dr Renganaden Padayachy, delivered his much anticipated Budget speech on June 7<sup>th</sup>, 2022.

The measures announced in the Budget follow a trend that has been set since the Minister's first Budget in 2020. Some people may point to the challenging environment that the country has experienced for the last two years, and is still experiencing. Others will argue that it is the kind of policy making that is the hallmark of the Minister and this Government. But perhaps it's a mixture of both. Make no mistake, it is vital that the Government supports the vulnerable, the pensioners, the low-income earners and indeed those in the middle-income bracket too – especially at a time of unprecedented crisis – and these measures are welcome. Similarly, the measures announced to encourage local food production, boost exports, support and nurture SMEs and expand renewable energy production are commendable and will help the economy grow sustainably and become more resilient.

However, the reality is that our economy also needs to adapt to the new post-Covid normal and we need more sustained growth, which can only come with innovative measures. These in turn require strategic thinking. Unfortunately, the Budget falls short of this, whether we're talking about financial services, tourism or technology-enabled development. What we have instead is more blueprints: a 5 year one for the ICT sector, and a 10-year blueprint for tourism, to be prepared in the future. We remain hopeful that these blueprints will be prepared with urgency and a seriousness of purpose, and will deliver actionable items that will transform the sectors holistically – unlike the last blueprint that was announced in similar fashion (for Financial Services some years ago) on which the jury is still out.

The Budget also fails to mention how the Government plans to tackle the problem of brain drain as a result of talent leaving Mauritius in high numbers – caused in part by the introduction of the Solidarity Levy and the increased social contributions over the last couple of years. No changes in these rates have been announced, despite intense lobbying for a reduction in the Solidarity Levy in particular. The headline rate of VAT also remains unchanged.

The Budget is silent on our Africa strategy, as well as on opportunities that may arise for Mauritius from the current geo-political crisis. The country relies heavily on foreign direct investment. Above and beyond the business facilitation measures announced, there is an urgent need to attract capital across different sectors of the economy.

Overall, it is clear that the Minister has played it safe with this third Budget of his mandate. Let's not forget the task he faced from the outset – an extremely challenging economic situation coupled with an ever-increasing cost of living. The priority was to provide relief to those most in need so as to enable inclusive growth. In essence, this has been achieved. The Budget gives a “feel good factor” – although there is no explicit mention of how the Government will actually finance its expenditure, or indeed the shortfall in revenue following the specific incentives and tax reductions announced.

Beyond that, however, it could have been a more ambitious Budget in several ways. The digitalisation measures announced in the Budget are still very rudimentary. The public-private partnerships are positive, and we need more of these to drive growth. And last but not least, we need more creativity and innovation to boost a struggling economy to achieve, and surpass, its pre-pandemic levels of growth. Perhaps the expectation is that the country will readjust naturally and things will simply fall into place as we return to some sort of post-pandemic normality – as intimated in the Minister's expectation for tourist arrivals in the next financial year. Time will tell whether this is the right strategy – else we'll need these blueprints sooner rather than later.

# GLOSSARY OF TERMS



<b>ARC</b>	Assessment Review Committee	<b>OADR</b>	Objections, Appeals, and Dispute Resolution Department
<b>ATDR</b>	Alternative Tax Dispute Resolution	<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>BEPS</b>	Base erosion and profit shifting	<b>PAYE</b>	Pay As you Earn
<b>DBM</b>	Development Bank of Mauritius	<b>PE</b>	Permanent Establishment
<b>EDB</b>	Economic Development Board	<b>PRGF</b>	Portable Retirement Gratuity Fund
<b>EUR</b>	Euro	<b>Rs</b>	Mauritian Rupees
<b>FSC</b>	Financial Services Commission	<b>SIPF</b>	Sugar Industry Pension Fund
<b>GMT</b>	Global Minimum Tax	<b>SMEs</b>	Small And Medium Enterprises
<b>GRA</b>	Gambling Regulatory Act	<b>TASS</b>	Tax Arrears Settlement Scheme
<b>IET</b>	Income Exemption Threshold	<b>TDS</b>	Tax Deducted at Source
<b>ITA</b>	Income Tax Act 1995	<b>USD</b>	United States Dollar
<b>M</b>	Million	<b>VAT</b>	Value Added Tax
<b>MIC</b>	Mauritius Investment Corporation	<b>VRS</b>	Voluntary Retirement Scheme
<b>MNE</b>	Multinational Enterprise	<b>WRA</b>	Workers' Rights Act 2019
<b>MRA</b>	Mauritius Revenue Authority		

# Income Tax

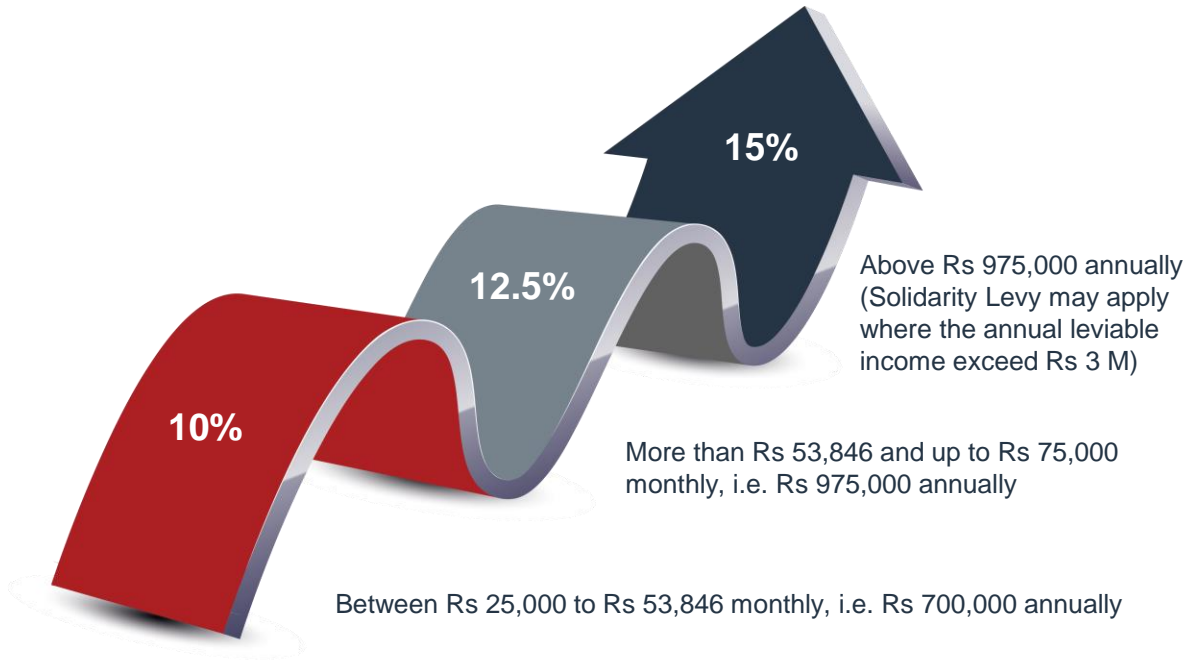
- *Individual Taxation*
- *Corporate Taxation*





# Individual Taxation

New tax rates on annual net income will apply as follows:



The increased threshold to benefit from the reduced income tax rate of 10% and the introduction of a new tax rate at 12.5% are welcomed by taxpayers.

Currently, the ITA provides for 5% tax credit to employees with annual net income between Rs 650,000 and Rs 700,000, which effectively reduces the tax rate of the employee to 10%. Hence, where the tax credit is claimed, the reduced 10% tax rate cannot be applied.

Since the tax rate for an individual earning up to Rs 700,000 is being reduced to 10%, we believe that the 5% tax credit will be repealed.

## Tax Deductions

The following changes will apply:

	Year ending 30 June 2022	Year ending 30 June 2023
	Rs	
Dependent child attending undergraduate course	225,000	500,000
Medical Insurance Premium:		
-First Dependent	20,000	25,000
-Every Other Dependent	15,000	20,000
Donation to Charitable Institutions	30,000	50,000
Contribution to Approved Personal Pension Scheme	30,000	50,000

There has been no change in the IET.

The Budget has further clarified that the next of kin deduction for a bedridden spouse of a taxpayer will apply, irrespective of any financial assistance provided to the bedridden spouse.

## Travelling Allowance

The exempt portion of travelling allowance for an employee using his private car for work-related purposes is now increased from Rs 11,500 to Rs 20,000.

# Corporate Taxation

## Global Minimum Tax

The Minister announced the introduction of a domestic minimum top-up tax on resident companies forming part of an MNE group with global annual revenue of at least EUR 750 M, so that such Mauritian companies are taxed at a GMT rate of 15%.

*As a member of the Inclusive Framework, Mauritius was expected to implement the Global Anti-Base Erosion Model Rules (Pillar 2).*

*However, more clarity is required on the practical application of the top-up tax, in particular whether it will follow the Income Inclusion Rule, the Undertaxed Payments Rule or the Subject to Tax Rule as prescribed by the OECD. From the Budget speech, it is also not clear whether the GMT of 15% refers to the effective tax rate.*

*Unfortunately, the Minister did not mention any carve outs or exemptions in his Budget speech and this information is much awaited, particularly by MNEs using Mauritius as an investment platform.*

*Considering the high threshold of at least EUR 750 M of global annual revenue, only a minority of MNEs with Mauritian companies may be impacted and this may include those companies benefiting from the partial exemption regime, the export regime and tax holidays.*

## Tax Holidays

Person	Conditions	Income Tax holiday
Freeport operator or developer	<ul style="list-style-type: none"><li>- Starts operations on or after 1 July 2022</li><li>- Invests at least Rs 50 M</li><li>- Satisfies substance requirements</li></ul>	8 years
Integrated Modern Agricultural Morcellement Scheme	<ul style="list-style-type: none"><li>- Plot of land exceeding 2 arpents</li></ul>	8 years Exemption from payment of Registration Duty
Planters engaged in sustainable agricultural practices	<ul style="list-style-type: none"><li>- Registered with EDB</li></ul>	8 years

## Tax Adjustments

The additional tax deduction on the purchase of locally manufactured products from small enterprise by a large manufacturer increased from 10% to 25%.

For annual allowance purposes, the sale or transfer of plant, machinery or industrial premises to a relative or to a related company, shall be deemed to have been made at a price equal to the base value of the plant, machinery or industrial premises at the date of sale or transfer. That is, there will be no balancing charge or balancing allowance.

The Budget has extended such a measure to cover all assets which are subject to depreciation and pointed out that it is applicable on “transfer of asset to a related company”. In this respect, a sale of asset and a sale/transfer to a relative (individual) will not be covered under this extension.



# Corporate Taxation

## Small and Medium Sized Enterprises

The Minister announced a change in the definition of SMEs, whereby companies with annual turnover of up to Rs 100 M will be categorised as SMEs.

*This change is most welcome as a wider number of companies falling within the new SME category may avail of the existing 8-year income tax holiday on income derived from qualifying projects and the 4-year income tax exemption under the Second Schedule of the ITA.*

*From a pension contribution perspective, lower PRGF contributory rates are available for qualifying SMEs for a period of 3 years starting from 1 January 2022. Subject to the effective date of the new definition of SMEs, more clarity is required on whether companies (employers) which have been contributing the normal 4.5% PRGF rate and fall within the new definition of SMEs, will be entitled to a refund for the excess PRGF contribution already made.*

SMEs with outstanding income tax returns and income tax liability as at 25 March 2022, in relation to the years 2020 and 2021 will have their penalties for late submission of return and late payment of tax waived.

## Premium Visa Scheme

Effective from 1 November 2020, where a holder of a Premium Visa derives income for work performed remotely from Mauritius, such income shall be deemed to be derived in Mauritius only upon remittance.

This year's Budget clarified that corporate income tax and social contributions will not be applicable to the foreign employer of a holder of a Premium Visa, in respect of that employee performing work remotely from Mauritius.

*In the event where the foreign employer is creating a PE in Mauritius as a result of the foreign employee working from Mauritius, does that mean that the foreign employer would not be liable to corporate income tax on the income derived through the PE?*

*The Mauritian employment tax implications of the foreign employer should also be assessed.*

# Indirect Tax

- *Value Added Tax*
- *Property Tax*
- *Excise Duty*
- *Custom Duty*



# Value Added Tax

## VAT Refund for events

Introduction of a VAT refund for costs incurred on events with a minimum of 50 participants under the Meetings, Incentives, Conferences and Exhibitions (MICE) Scheme. Although this is an incentive to encourage physical meetings in a post-Covid environment, more clarity is required on whether this will apply to VAT registered taxpayers only.

## VAT Administration

### VAT Refund on residential building

Amendments to criteria:

The covered area constructed of the residential building, house or apartment should not exceed 1,800 square feet to be eligible for the VAT refund. The criteria for the cost of the building, house or apartment not exceeding Rs 3 M is no longer applicable.

The current deadline of 30 days from the date of application for the MRA to process the VAT refund on a residential building, house or apartment is being amended to 30 days after receipt of all documents in support of the application for the refund.

### Other measures

- The MRA will be empowered to compulsorily register a person who is required by law to be registered, or has been directed by the MRA to compulsorily register for VAT, but has failed to do so.
- Henceforth, the list of all VAT-registered persons will be published on the website of the MRA.

- The objection against a decision of the MRA by a taxpayer will lapse where the taxpayer fails to submit the requested information, books or records to the MRA within the due date. These documents would also not be allowed to be presented to the ARC in case of any appeal to the ARC by the aggrieved taxpayer.
- Currently under the VAT Act, the MRA may require a taxpayer to use an e-invoicing system to record transactions subject to VAT. The MRA will be working on a strategy for the implementation of the e-invoicing system with all taxpayers, which will allow for the online recording, authentication and monitoring of invoices issued in the course of a business activity.
- Where a taxable person dies, any heir/legatee who accepts the succession of his estate or any executor/liquidator of his estate will be deemed to be an agent of the deceased and be liable to submit any VAT return and pay the VAT due with respect to transactions where VAT has been collected by the deceased.

Where the business continues to operate after the death of the taxable person, the transactions will be deemed to be those of the succession and the latter will be required to register for VAT purposes.

# Property Taxes

## **Municipal tax**

Abolishment of the municipal tax on the family home as from 1 July 2022.

## **Share Buyback**

The Registration Duty Act and The Land (Duties and Taxes) Act will be amended to clarify that a share buyback will be subject to registration duty and land transfer tax in the same manner as a transfer of shares under these acts: The transfer of shares in a company holding immovable property, and which results in a change in control of that company, is subject to Registration Duty and Land Transfer tax.

## **Home Ownership Scheme**

The Home Ownership Scheme is being extended for another year up to 30 June 2023. Under the scheme, the homeowner is eligible for a refund of 5% of the cost of the property, up to a maximum of Rs 500,000.

The scheme is also being extended to allow each spouse married under the regime “corps et bien” to benefit from the exemption on registration duty for first time buyers.

## **Home Loan Payment Scheme**

The Home Loan Payment Scheme is being extended for another year up to 30 June 2023. Under the scheme, the homeowner is eligible for a refund of 5% of the home loan amount, up to a maximum of Rs 500,000. The Scheme will also cover transactions effected as from 12 June 2021.

## **VRS Scheme – Transfer among Heirs**

The transfer of a VRS property of a deceased beneficiary to his heirs will be free from duty and tax. The amendment will be applied retrospectively as from 1 July 2016.



# Excise Duty

Alcoholic Product:	Current	As from 8 June 2022
	<b>Rs</b>	
Beer*		
Up to 9 degrees	43.60	48.00
Above 9 degrees	60.60	66.65
Spirit cooler*	56.90	62.60
Fruit wine*	35.30	38.85
Made wine*	75.70	83.30
Wine of grapes*		
In bulk for bottling purposes	121.70	134.00
In bottle	213.40	234.75
Champagne*	1,016.40	1,118.00
Rum**	598.40	658.25
Cane spirits**	598.40	658.25
Whisky**		
In bulk for bottling purposes	1,156.00	1,271.60
In bottle	1,848.00	2,032.80
Liqueur**	406.60	447.25

\* Per litre

\*\* Per litre of absolute alcohol

Tobacco Product:	Year ending June 2022	Year ending June 2023
	<b>Rs</b>	
Cigars (per kg)	19,430	21,373
Cigarillos (per thousand)	11,345	12,480
Cigarettes (per thousand)	5,625	6,188

Type	Capacity and specifics	Rebate on excise duty
Motor Car	up to 1,000 cc	40%
Motor Car	above 1,000 cc, double/single space cabin vehicle, van and an electric vehicle	30%

All hybrid and electric vehicles will be duty-free, effective as from 1 July 2022.

Introduction of a negative excise duty scheme of 10% up to a maximum of Rs 200,000 on the purchase of electric vehicles by individuals.

# Customs

## Customs Administration

### Objections to a decision of the MRA Customs

Objections to a decision of the MRA Customs under the Customs Tariff Act and Excise Act will now be able to be made electronically.

Refunds of taxes may now be made by the MRA Customs in cases where a stakeholder objects to a tax assessment and the Objection Directorate at MRA Customs allows the objection.

### Customs cases at the ARC

An aggrieved taxpayer lodging a representation at the ARC against the decision taken by the MRA Customs under the Customs Act and Customs Tariff Act may now file a Statement of Case with all facts of the case.

# Tax Administration



# Tax Administration

## Tax Arrears Settlement Scheme

TASS is being re-introduced, whereby taxpayers may benefit from a full waiver of penalties and interest on outstanding tax under the ITA, the VAT Act and the GRA Act, provided that the tax due is settled in full by 31 March 2023 and that the taxpayer joins the scheme by 31 December 2022.

Where a taxpayer is having any assessment pending before the ARC, the Supreme Court or Judicial Committee of the Privy Council, he may join the scheme by withdrawing the case before the above-mentioned institutions.

## Income Tax

### Tax Deduction at Source

	Current rate	New rate
Services provided by professionals	3%	5%
Rent paid to a resident	5%	7.5%

The scope of TDS has also been extended to the below payments and the applicable TDS rate is 3%:

- Consultancy fees;
- Security Services and cleaning services;
- Pest Management Services;
- Payment of fees made by insurance companies to motor surveyors and mechanics for repairs of motor vehicles of policy holders.

The term “consultancy” may cover a broad range of consultancy services and more clarity is required in this respect.

## Solidarity Levy – Pay As You Earn

Upon the request of an individual deriving pension or director’s fees, the employer may withhold PAYE at the rate of 10% for solidarity levy, if applicable. However, at the time of filling the annual individual income tax return, the individual should calculate any applicable solidarity levy at the rate of 25% subject to the 10% cap and reduced by the amount already withheld under PAYE.

## Mauritius Revenue Authority Act

### Alternative Tax Dispute Resolution

The threshold to expedite tax appeal cases at the ATDR panel has been reduced from Rs 10 M to Rs 5 M.

### Improving Efficiency of the Assessment Review Committee

The following changes will be made to the MRA Act to accelerate the determination of cases at the ARC:

- One informal meeting may be held subject to agreement from both parties where the Chairperson/Vice-Chairperson agrees that some/all of the issues can be settled.
- A panel may now be composed of 2 persons instead of 3 persons.
- An oral decision can be given by the Chairperson/the Vice-Chairperson on the same day of a hearing where:



# Tax Administration

- i. either a tax return was not submitted or required documents were not produced by a taxpayer to the OADR; or
  - ii. neither the 10% due on objection nor the 5% due on appeal was paid by the taxpayer; or
  - iii. a case was lodged after the prescribed delay; or
  - iv. a point of law is taken before the start of a hearing.
- The hearing of a case will not start anew, where 2 members (apart from the Chairperson/Vice-Chairperson) of the panel of the ARC are being replaced.
  - At the request of a party, the ARC can conduct a hearing through videoconferencing.
  - A decision may be given by the Chairperson/Vice-Chairperson based on the submission of statements of case only.
  - A delay of not more than 21 days will be granted to each party for the submission of its statement of case and witness statement after a case has been called proforma for the first time.



# Ease of Doing Business



# Ease of Doing Business

- Non-citizens can buy a residential property under fractional ownership; they will be eligible to apply for residency status, and each investor should invest more than USD 375,000.
- There will be a committee chaired by the Prime Minister to ease the process for work permits application.
- An online platform will be set up to facilitate job search and the recruitment of registered skills workers in the manufacturing and construction sectors.
- Investors will benefit from a tax allowance on their investment in the set-up of SMEs.
- An extension in the validity period from 2 to 4 months, will be given to the Pre-Shipment Inspection Certificate.
- The clearance process with regards to import requiring testing certificate will be simplified.
- The process of opening a bank account will be reduced to 1 week for both individuals and business.
- A committee will be set up to facilitate the process of obtaining licenses and permits in the construction, tourism, healthcare, and logistic sectors.
- Entrepreneurs will have the support to recruit talents under the young professional occupation permit.
- Holders of Residence Permits will be able to acquire a residential property at a minimum of USD 350,000 subject to 10% contribution made to the solidarity fund.
- To attract more foreign retirees, the EDB will organize a first edition of Mauritius International Silver Economy Festival.

- Businesses will benefit from an increase in monthly stipend for training the youths.
- The definition of SMEs will be amended as follows:

TYPES	TURNOVER
Micro-Enterprise	Rs 2m to Rs 10m
Small Enterprise	Rs 10m to Rs 30m
Medium Enterprise	Rs 30m to Rs 100m
Mid-Market Enterprise	Up to Rs 250m

- There will be an extension in the SMEs interest free loan scheme and Covid-19 special support scheme up to June 2023.
- A fund of Rs 5 billion will be available by the DBM, to support SMEs, Mid-Market Enterprises, and entrepreneurs.
- A venture capital fund of Rs 5 billion will be set up by the MIC to support SMEs and Mid- Market Enterprises.
- A grant of 50% up to Rs 500,000 will be available to the Co-operative sector to invest in recycling equipment and transportation vehicle from local suppliers.
- The Medical and Healthcare Products Bill will be introduced to facilitate the setting up of pharmaceutical manufacturing plants.
- The Public Procurement legislative framework will be simplified by enhancing compliance, user-friendliness, transparency and clarity.
- The Government will provide a monthly Prime à l'Emploi of Rs 15,000 for the first year of employment of 10,000 youths between 18 and 35 years and women up to 50 years.



# Workers' Rights Act 2019





# Workers' Rights Act 2019

## The Portable Retirement Gratuity Fund

Under the WRA, where the retirement benefits of a worker are paid by the employer under a private pension scheme, such a worker is not eligible to join the PRGF. Although the private pension scheme must be approved by the FSC, the contributory rate under the private pension scheme was not prescribed and this was a grey area which certain service providers might have taken advantage of.

In the annex to the Budget Speech, it was announced that the contributory rate to a private pension scheme and the SIPF should not be less than the prescribed PRGF rate of 4.5%.

Upon retirement, a worker was entitled to his retirement benefits after completion of the benchmarking exercise following filing of the last return by the employer. The Budget proposed to change the timing of such payment, such that 90% of the retirement benefits can be paid on the date of the worker's retirement and the remaining 10% after completion of the benchmarking exercise.

The Budget also clarified that lump sum payment in respect of past services can be paid directly to the worker or the heirs of the deceased worker in the event of retirement or death.

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