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HIGHLIGHTS

BUDGET

2023/2024

Contents

EDITORIAL

A Budget with a General Election in Mind

The Honourable Minister of Finance, Economic Planning and Development, Dr Renganaden Padayachy, delivered what he called the penultimate Budget of this government's mandate – leaving us in no doubt as to what was going to come. In a speech lasting over two hours, he outlined a slew of populist measures that befit a Budget with a general election in mind. Cue the increases in minimum wages, basic pensions, social benefits – and a new grant to 18-year olds, not to forget the usual spending on public infrastructure. Having said that, the overhaul of the income tax system to make it more progressive, coupled with the abolition of the Solidarity Levy, is a most welcome announcement that will give a massive boost to households and the business community alike.

From the outset, the Minister applauded the resilience of the country in emerging strongly from the Covid pandemic, as evidenced by a growth rate of 8.7% which places us in the Top 20 of the fastest growing economies in the world, according to a recent IMF Outlook. Emphasis in the Budget was then laid on how to strengthen the foundations of the economy, continuing the transformation of Mauritius into a sustainable economy and building for the future.

Overall, the Minister sought to present a growth-oriented Budget whilst keeping it as people-centric as possible – a balance that was tricky to maintain at times.

Nonetheless, one measure which will achieve both is the simplification of the income tax system in Mauritius. The scourge of the Solidarity Levy is no more – as taxpayers wave goodbye to the maximum marginal tax rate of 40%. Instead, a new, progressive tax system shall be introduced whereby the maximum rate of tax shall be 20% for income above Rs 2,390,000. For income up to this level, different tax rates ranging from 0% to 18% shall apply corresponding to certain defined revenue brackets. This announcement is a major relief and helps to restore the reputation of Mauritius as an attractive jurisdiction for tax-paying individuals, especially those at the higher income end.

Mauritius faces an acute labour shortage in several key sectors. A lower income tax rate will give a boost to foreign talent wishing to live and work in Mauritius. In addition, the measures announced by the Minister to boost employment – both from within and also by attracting foreign workers – are laudable, as are the steps to enhance the ease of doing business in Mauritius, such as the simplified process for occupation permit applications. Compared to other financial centres like Dubai and Singapore, the percentage of expatriates in Mauritius is still far lower. With a limited population suffering from its own brain drain, it is imperative that the economy is opened to foreign

A Budget with a General Election in Mind (contd.)

talent and entrepreneurs.

As far as the financial services sector is concerned, we welcome the Minister's announcements to exempt 95% of the interest received by collective investment vehicles. This measure will certainly boost the attractiveness of debt funds in Mauritius since the maximum effective tax rate applicable on interest received shall be 0.75%. It was also very encouraging to see an increase of MUR 100m in the promotion and marketing budget of the EDB. More investment is needed in showcasing the attractiveness of Mauritian as an International Financial Centre, and indeed protecting its image and reputation.

Whilst the Budget was not short of give-aways, it felt lacking in key areas where perhaps more was expected in terms of boosting the economy. Against the challenging backdrop of rising inflation, many Mauritian households and businesses, especially SMEs, are still facing an uncertain time. It remains to be seen whether the measures announced, such as the drop in fuel prices, will be impactful enough. Investment in emerging sectors like biotechnology is welcome, but such measures are few and far between. Equally unclear is how the government will fund its spending. The increase in the tax rates for banks will certainly yield additional revenue, but where else will the funds come from? There is no mention of spending cuts either, which could have released much-needed funds for reallocation to new projects.

Overall, the Budget was certainly more "Care" than "Dare". With its current term coming to an end next year, it is no surprise that the government wants the population to feel good and optimistic about the future. As long as the economy keeps growing and the rising cost of living is kept in check – not to mention a simplified income tax system that gives more disposable income to taxpayers – there will be cause for cautious optimism.

Glossary of Terms

Glossary of Terms

ARC	Assessment Review Committee
DG	Director General
FSC	Financial Services Commission
IET	Income Exemption Threshold
ITA	Income Tax Act
M	Million
MRA	Mauritius Revenue Authority
PRGF	Portable Retirement Gratuity Fund
Rs	Mauritian Rupees
TASS	Tax Arrears Settlement Scheme
TDS	Tax Deducted at Source
VAT	Value Added Tax

Income Tax

Individual Taxation | Corporate Taxation

Individual Taxation

Tax Rate & Solidarity Levy

The individual tax regime will be completely overhauled with effect from 1 July 2023. The current personal tax rates applicable are as follows:

Annual net income	Rate
Not exceeding Rs 700,000	**10%**
Exceeding Rs 70,000 but not exceeding Rs 975,000	**12.5%**
Exceeding Rs 975,000	**15%**

Additionally, where an individual’s leviable income exceeds Rs 3M in an income year, in addition to his liability to income tax, he is subject to a Solidarity Levy of 25% of the leviable income in excess of Rs 3M, giving rise to maximum marginal rate of 40%. The Solidarity Levy is however capped at 10% of the net income of the individual, therefore with maximum effective tax rate is 25%.

The Finance Minister proposed to abolish the Solidarity Levy and introduce a progressive personal income tax system with effect from 1 July 2023.

Individual Taxation

Annual chargeable income (Rs)		Taxable amount at applicable tax rate (Rs)	Rate
-	390,000	390,000	0%
390,001	430,000	40,000	2%
430,001	470,000	40,000	4%
470,001	530,000	60,000	6%
530,001	590,000	60,000	8%
590,001	890,000	300,000	10%
890,001	1,190,000	300,000	12%
1,190,001	1,490,000	300,000	14%
1,490,001	1,890,000	400,000	16%
1,890,001	2,390,000	500,000	18%
>2,390,000			20%

A progressive personal income tax system with effect from 1 July 2023

Individual Taxation

It would seem that the Negative Income Tax Allowance applicable for individuals earning monthly basic salary of less than Rs 9,900 will also be abolished.

With the introduction of the progressive tax system, the government seems to remove income tax on local dividend which is currently applicable under Solidarity Levy. This is a good initiative by the government as it eliminates the double taxation on local dividends, considering that the profits being used to distribute the dividend would have already been subject to corporate income tax in most instances.

Under the new personal income tax system maximum marginal tax rate goes down from 40% to 20%, and the maximum effective tax rate goes down from 25% to less than 20%.

Andersen's Comments:

While more clarity is certainly needed, it would seem that individuals, at least those at the lower end, will be paying less income taxes. The small tax brackets introduced however seem cumbersome and will have to be carefully applied. Also, it is unclear whether the pre-existing IET brackets will continue to apply. Overall, however, we welcome these measures towards a fairer tax system.

Tax Deduction

Deduction on animals adopted

A deduction of Rs 10,000 against their chargeable income will be available for individuals adopting animals from registered NGOs. The deduction will be applicable for each animal adopted.

Exemption

Interest income on sustainable projects

Currently, interest income derived from bonds to finance renewable energy projects is exempt. The exemption has been extended to cover interest income derived from bonds to finance all sustainable projects.

Corporate Taxation

Taxation of Banks

Pursuant to Section 44C of the ITA, a bank with chargeable income exceeding Rs 1.5 billion is liable to income tax as follows, subject to satisfying prescribed conditions:

<table>
<tr><th>Chargeable income</th><th>Where chargeable income for the base year
> Rs 1.5 billion</th><th>Where chargeable income for the base year
≤ Rs 1.5 billion</th></tr>
<tr><td>≤ Rs 1.5 billion</td><td>5%</td><td rowspan="3">5%</td></tr>
<tr><td>> Rs 1.5 billion up to the amount equivalent to the chargeable income of the base year</td><td>15%</td></tr>
<tr><td>Remainder</td><td>5%</td></tr>
</table>

We note that the reduced tax rate of 5% applicable in the cells highlighted in blue will no longer be available. Instead, banks will be subject to the below tax rates, irrespective of the amount of the chargeable income for the base year:

Chargeable income	Tax rate
≤ Rs 1.5 billion	5%
> Rs 1.5 billion	15%

Andersen's Comments:

Banks are also liable to the Special Levy under the VAT Act. The rate of special levy will be standardized to 5.5% for all banks regardless of the amount of leviable income.

The special levy should be remitted to the DG at latest 5 months from the end of the accounting period.

Tax Incentives for Manufacturing Companies

Investment Tax Credit

Manufacturing companies will be eligible for an investment tax credit of 15% for 3 years in respect of expenditure incurred on new plant and machinery, excluding motor cars. We understand that the investment should be made up to the financial year 2025/2026 and any unrelieved investment tax credit may be carried forward over 10 years.

Andersen's Comments:

We note that companies engaged in the manufacture of both alcoholic and non-alcoholic beverages will fall within the scope of this new tax incentive, but the credit will be restricted to expenditure in relation to new plant and machinery used exclusively for the production of non-alcoholic drinks. We find that the investment tax credit does not take into consideration the definition of "manufacturing company" under section 2 of the ITA which specifically excludes a company engaged in the manufacture of alcoholic drinks.

Double Deduction

Currently, a manufacturing company may claim a double deduction for the amount of expenditure incurred on market research and product development for the African market. We note that the double deduction will be extended in relation to all markets for companies with annual turnover not exceeding Rs 500 million.

Andersen's Comments:

We wish to highlight that companies claiming the double deduction are not entitled to also claim annual allowance on the expenditure incurred. Unlike the other provisions of the ITA providing for tax incentives on research and development expenditure, we note that the condition for carrying out the actual market research and product development physically from Mauritius is not a criteria for availing of the double deduction in this case.

Reduced tax rate at 3%

Companies manufacturing medical devices will be taxed at the reduced rate of 3%.

Exempt Income

1 The exemption rate under the partial exemption regime granted on interest derived by a Collective Investment Scheme or a Closed End Fund will increase from 80% to 95%.

Andersen's Comments:
This measure is most welcomed and will encourage more funds to move to Mauritius. It will have a positive impact on Mauritius which is often seen as a leading jurisdiction for holding investments.

2 Currently interest income derived by individuals and companies from bonds, debentures or sukuks issued by a company to finance renewable energy projects is exempt from income tax. The exemption has been extended to bonds, debentures or sukuks issued by an overseas entity to finance renewable energy projects referred as "Green Bonds".

3 The exemption of income derived by Mauri-Facilities Management Co. Ltd has been extended from 5 years to 10 years.

Tax Deduction

200% tax relief is provided on amount spent by local companies in financing, sponsoring or marketing and/or distributing an approved film project, subject to conditions.

Export Regime

Companies engaged in the export of goods are entitled to a reduced income tax rate of 3% on their chargeable income attributable to exports.

It has been clarified that profits derived from the sale of aviation fuel to an airline will be considered as an export and will be subject to the reduced tax rate of 3%.

Andersen's Comments:
Whilst TDS is applicable on payment to consultants, the Budget Speech clarified that TDS will not be applicable on fees paid to a licensed Management Company and a licensed Investment Adviser. This clarification is welcomed.

Solidarity Levy on Telephony Service Providers

The rate of solidarity levy applicable to an operator will change as follows:

Current rate	New rate
1.5% of turnover	1% of turnover
5% of book profit	5% of book profit

The levy of 1% will still be applicable where an operator has made a loss.

Waiver of COVID-19 Levy

Every employer who has benefited from an allowance under the Wage Assistance Scheme were liable to the COVID-19 Levy, in respect of the year of assessment commencing on 1 July 2020, 1 July 2021 or 1 July 2022.

The Minister announced that all outstanding debts of the COVID-Levy as at 20 January 2023, including penalties and interest will be waived.

Tax Deduction at Source

The scope of TDS will be extended to include the below payments:

Services	Rate of TDS
Payment of fees made by insurance companies to panel beaters and spray painters for repairs of motor vehicles of policy holders	3%
Payment for services of an Interior Decorator/Designer	5%

Andersen's Comments:

Unlike the normal principle of income tax where chargeable income is used as a base to calculate tax liability, we note that "profits" will be used in relation to sale of aviation fuel.

Indirect Tax

Value Added Tax | Property tax | Excise Duty

Value Added Tax

VAT Exemption on Essential Consumer Goods

In a significant move aimed at easing the financial strain on Mauritian families in the face of rising prices, the government has announced the removal of VAT on a range of essential everyday items:

- Noodles
- Toothpastes
- Toothbrushes
- Baby wipes
- Baby diapers
- Baby powder
- Baby cream
- Breast pumps
- Infant feeding bottles
- Exercise books
- Pencils
- Crayons
- Erasers
- Walking sticks
- Incontinence mattress pads

Andersen's Comments:

This measure will enhance affordability and accessibility, enabling families to maintain their standard of living without the added pressure of VAT on certain essential goods.

Other VAT Updates

Description	VAT Category
Musical instruments, glass-ceramic blocks for dental use and medical grade silicone	Removed
Construction of building for primary and secondary education	Exempt
Procurement of goods (excluding vehicles), works, consultancy and other related services, by contractors involved in social housing projects by New Social Living Development Ltd	Exempt
Medical instruments and appliances (HS Code 90.18)	Zero-rated
Water, infrastructure works and renting of meters by Rodrigues Public Utilities Corporation	Zero-rated

VAT Administration

Voluntarily Registered VAT Claim

A person who voluntarily registers for VAT will be eligible to claim credit for input taxes as from the date of registration.

Time Limit for VAT Assessment

The time limit for issuing a VAT assessment is set at 4 years from the occurrence of the tax due, except in cases involving fraudulent activities.

Developer's Portal for EBS Testing

The MRA will launch a developer's portal to test Electronic Billing Systems (EBS) as part of the E-invoicing project.

VAT Exemption for Event Organisers

Event organisers will be exempted from paying VAT on accommodation costs for qualifying events, eliminating the need for VAT refunds.

VAT Refund for Residential Buildings

Amendments to criteria

The criteria for the cost of the building, house or apartment to not exceed Rs 3M to be eligible for the VAT refund has been re-introduced, after being repealed last year. Individuals can therefore apply for a VAT refund on residential buildings, houses, or apartments, provided that the construction value is below Rs 3M and the constructed area does not exceed 1,800 square feet.

Other measures

If requested, VAT registered entities must include the name and address of a person on their VAT invoice to facilitate the process of VAT refund.

Property Tax

Home Ownership Scheme

The Home Ownership Scheme will be extended until 30 June 2024, providing for a refund of 5% of the cost of property up to a maximum of Rs 500,000.

The scheme is applicable to an eligible person buying:

- A house, an apartment or bare land to construct his residence;
- A property under ‘vente en l’etat futur d’àchèvement’ in respect of the amount paid up to 30 June 2025; or
- A property subject of a reservation on or before 30 June 2024 provided the deed of transfer is signed and registered not later than 30 June 2025.

Home Loan Payment Scheme

The Home Loan Payment Scheme will be extended until 30 June 2024, providing for a refund of 5% of the loan amount disbursed up to 30 June 2025, up to a maximum of Rs 500,000.

Exemption from Payment of Registration Duty

No registration duty or fee will be payable in relation to documents signed or executed by the Financial Intelligence Unit under which it is a beneficiary.

Excise Duty

Effective as from 3 June 2023, the new rates will apply on the following products

Alcoholic Products	Current (Rs)	As from 3 June 2023 (Rs)
Beer (per litre) Up to 9 degrees Above 9 degrees	 48.00 66.65	 52.80 73.30
Spirit cooler (per litre)	62.60	68.85
Fruit wine (per litre)	38.85	42.75
Made wine (per litre)	83.30	91.65
Wine of grapes (per litre) In bulk for bottling purposes In bottle	 134.00 234.75	 147.40 258.25
Champagne (per litre)	1,118.00	1,229.80
Rum (per litre of absolute alcohol)	658.25	724.10
Cane spirits (per litre of absolute alcohol)	658.25	724.10
Whisky (per litre of absolute alcohol) In bulk for bottling purposes In bottle	 1,271.60 2,032.80	 1,398.75 2,236.10
Liqueur (per litre of absolute alcohol)	447.25	492.00

Tobacco Products	Current (Rs)	As from 3 June 2023 (Rs)
Cigars (per kg)	21,373	23,510
Cigarillos (per thousand)	12,480	13,728
Cigarettes (per thousand)	6,188	6,807

Excise Licence Fees	Current (Rs)	New (Rs)
Wholesale dealer	6,000	18,000
Retailer	1,000 – 6,000	2,000 – 12,000

Current customs duty rebate on motor vehicles has been extended up to 30 June 2024

Type	Capacity and specifics	Rebate on excise duty
Motor car	up to 1,000 cc	55%
Motor car	above 1,000 cc, double/single space cabin vehicle, van or bus	45%

The negative excise duty scheme of 10% up to a maximum of Rs 200,000 on the purchase of electric vehicles by individuals has been extended to 30 June 2024.

The rate of refund payable for waste PET bottles recycled into reusable goods will be increased from Rs 15 per kg to Rs 30 per kg to encourage local recycling.

Tax Administration

Tax Arrears Settlement Scheme (TASS)

TASS is making a comeback, offering a complete waiver of penalties and interest on outstanding tax arrears under the ITA, the VAT Act and the Gambling Regulatory Authority Act. To qualify for the benefits, taxpayers must pay their arrears in full by 31 March 2024 and register under the scheme before 31 December 2023.

Andersen's Comments:

While we strongly welcome this measure, we hope that the TASS scheme will be applied consistently and in good faith by the MRA. The extension provided last year had only been applied for assessments issued up to the budget date.

Statement of Financial Transactions

Virtual asset service providers and issuers of initial token offerings must report transactions to the MRA as follows:

- For individuals, société or successions in relation to a transaction exceeding Rs 250,000 or transactions aggregating to more than Rs 2m in a year.
- For a company in relation to a transaction exceeding Rs 500,000 or transactions aggregating to more than Rs 4M in a year.

Protected Cell Company and Variable Capital Company

The MRA will not pursue the recovery of tax owed by a specific cell within a Protected Cell Company from the assets of other cells or non-cellular assets belonging to the Protected Cell Company. This means that each cell within the company will be treated as a separate entity for tax recovery purposes, ensuring that the liabilities of one cell are not extended to other cells within the same company.

Similarly, in the case of a Variable Capital Company, each sub-fund or special purpose vehicle will be treated as an independent entity for tax recovery purposes. This ensures that tax liabilities associated with a particular sub-fund or special purpose vehicle are not extended to other sub-funds or vehicles within the Variable Capital Company.

Andersen's Comments:

In summary, these measures establish a clear separation of tax liabilities among different cells of a Protected Cell Company and different sub-funds or special purpose vehicles within a Variable Capital Company. This approach aims to provide greater clarity and fairness in tax recovery procedures and protects the assets of unaffected cells or entities from being used to settle the tax liabilities of other specific cells or entities.

Mauritius Revenue Authority Act

Refinement of Tax Debt Recovery Process

The tax debt recovery process through a "contrainte" issued against a debtor will be improved and simplified.

Offences Related to CSG Income Allowance

Police officers assigned to the Legal Services Department of the MRA will be authorized to investigate and initiate inquiries for offenses concerning the payment of CSG Income Allowance.

Engagement of Technical Experts

The DG has the authority to engage appropriate experts in specific technical fields to assist in determining a person's tax liability.

Review of Tax Appeal System

To enhance revenue collection effectiveness, necessary legislative amendments will be made to improve the existing tax appeal procedures, making them more efficient and productive.

Andersen's Comments:

These measures demonstrate a proactive approach to tax administration, enforcement, and dispute resolution. The focus on refining processes, investigating offenses, engaging experts, and improving the appeal system indicates an effort to enhance compliance, fairness, and efficiency in the tax system.

Other measures

Social Contribution and Social Benefits

Self-Employed Individuals

- The deadline to submit the annual social contribution return for a self-employed will be extended by one month, that is, by the end of August of each year.
- A self-employed or a private household employer who has submitted a monthly return for part of the year will be allowed to submit a return covering the remaining months of the financial year.
- Quarterly statements will not be applicable where a self-employed submits annual social contribution return.
- Penalty and interest on unpaid social contributions will also apply to self – employed.

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