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HIGHLIGHTS

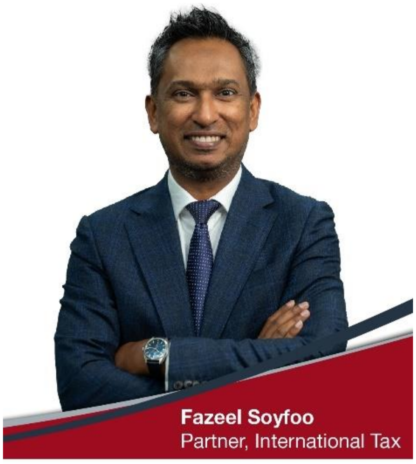
BUDGET 2024/2025

Mauritius

Contents

Editorial

The Final Instalment



Far from setting the pulse racing, this final Budget of the current government is a balancing act between social progress and economic growth – no doubt influenced by the impending polls

The Honourable Minister of Finance, Economic Planning and Development, Dr Renganaden Padayachy, delivered today the final Budget of this government's mandate. In a 2 hour+ speech that was typically lauded at regular intervals by the government's benches, the focus was a three-pronged approach aimed at Fostering economic dynamism, Working towards a sustainable and inclusive Mauritius and Building our future.

With all of the expectations around this being the last chance for the government to make its economic case ahead of a general election, it was a budget generous on social give-aways and benefits, with the new guaranteed minimum "revenue" of Rs. 20,000 per month for all employees, being the headline announcement. Increased parental leaves, higher retirement pensions, new schemes and allowances – no stone was left unturned. Social inclusiveness has been high on this government's agenda throughout its mandate. This time is no different. Such populist measures will have been well received and will certainly appeal to voters too.

We welcome social reforms that help the more vulnerable members of the population, so long as they make a sustained difference and are carried out in a fiscally responsible manner. The so-called Reagan question "Are you better off than you were four years ago" is the ultimate question to assess whether the reforms have worked. In our opinion, the jury is still out.

On the economic side, the government has sought to balance these with ambitious measures in innovative as well as growth sectors.

With a backdrop of a resilient economy showing a decent GDP growth of 6.5% in 2024 amidst record FDI inflows, the government has set itself a target of a Rs 1 trillion economy by 2030, based on increased investment, diversified sectoral development and a lower debt to GDP ratio, amongst others.

As the first contributor to GDP, the financial services sector needs to maintain its momentum. The 2030 Blueprint for the sector will be reviewed – and rightly so. The competition is fiercer than ever, and our jurisdiction needs to keep pace. The announcement to review our Funds regime is also a positive one, as is the proposed blueprint for positioning Mauritius as a fin-tech hub. Other proposals in the financial services sector include the centralized e-KYC system, which will be extended to the Global Business sector to streamline compliance processes and enhance efficiency, and the introduction of a 10-year expert Occupation Permit to attract foreign talents in wealth management and family offices, amongst others.

In terms of tax changes, following the overhaul of the personal income tax system last year, no significant changes have been announced for individuals. On the corporate side, we note the introduction of the new Corporate Climate Responsibility (CCR) levy, equivalent to 2% of a company's profits, for companies with a turnover of Rs 50 million or more. This effectively increases the tax rate for companies in Mauritius to 19% after taking into account the 15% corporate tax rate and the 2% CSR, although it remains to be seen whether Global Business companies will be excluded from the CCR levy as they are from the CSR. The CCR levy will be used to support national initiatives to protect, manage, invest and restore the country's natural ecosystem and combat the effects of climate change.

On the other hand, the Partial Exemption Regime has been extended to Payment Intermediary Services (PIS) and Robotic and Artificial Intelligence Enabled Advisory Services Licence Holders.

Recognizing the transformative potential of AI, the government is committed to encouraging its use across all sectors. We believe this has the potential to be a game changer for Mauritius, given the vast opportunities that exist in this field. We welcome initiatives that would make AI technologies accessible to all, fostering an environment where AI can flourish and contribute to a modern, competitive economy.

On the ease of doing business side, the potential for enhanced economic and trade relations with Reunion Island and Japan is welcome. We should continue to explore strategic markets and partnerships which could open new doors for our economy. Measures to attract foreign talent are welcome, although we were expecting more initiatives in this area to attract and retain talent in Mauritius, given the shortage that the country faces across various sectors of the economy. We hope that the government will consider introducing further measures to address brain drain and talent shortage in Mauritius.

Ultimately, the success of the Budget will lie in the timely and effective implementation of the measures announced. This year, even more so, implementation and execution will be critical. Being an election year, any commitments for the future could well depend on the outcome of that election.

Corporate Taxation

Corporate Climate Responsibility Levy

Introduction of a Corporate Climate Responsibility ("CCR") Levy of 2% on profits of companies with a turnover of at least more than Rs 50 million

With the aim of combatting the effects of climate change, the most significant tax measure of this Budget is the introduction of the CCR Levy.

The detailed mechanism on how the CCR Levy will be applied and calculated has not been provided yet. We would however expect that it will be applied in the same manner as the existing Corporate Social Responsibility ("CSR"), which is calculated at 2% of a company's prior year chargeable income (i.e., taxable profit). However, further guidance is required, and it is currently unclear if the CCR Levy will follow the same calculation rules or if different rules will apply.

Most significantly, clarity is required on whether Global Business Companies ("GBCs") will also fall under the net of the CCR Levy, which in contrast with the CSR applicable to domestic companies and resident sociétés only. Exemptions also apply for other types of companies such as a company which has elected to pay a presumptive tax and banks for transactions with non-residents or GBCs. It remains to be seen therefore whether GBCs will be subject to the CCR Levy. If this is the case, this could negatively impact Mauritius' competitiveness as an International Financial Centre.

Exempt Income

Additional exemptions

The Second Schedule to the Income Tax Act 1995 ("ITA") will be amended to provide for the following exemptions:

- Interest income derived from a bond issued by a public sector company to finance infrastructure projects, provided the exemption is approved by the Minister of Finance, Economic Planning and Development.

* Compensation payable, as from 1st January 2024, by the Government or a public sector body for losses directly or indirectly suffered as a result of a natural disaster.
* Currently, gains or profits derived from the sale of units, securities or debt obligations by a person is exempt. The exemption will be extended to cover sale of virtual assets and virtual tokens.

The Partial Exemption Regime

The Partial Exemption Regime will be extended to include the following:

* Income derived by a company holding a Robotic and Artificial Intelligence Enabled Advisory Services licence issued by the Financial Services Commission ("FSC").

* The 80% partial exemption granted to a licensed Closed-End Fund ("CEF") will be extended to cover income from sale of money market instruments or debt instruments.

  Currently, profits or gains derived from the sale of securities or debt obligations are fully exempt from income tax. The 80% exemption on income from the sale of debt instruments as announced in the Budget seems contradictory to the existing provision of the ITA.

* Income derived by Payment Intermediary Services ("PIS") Licence Holders.

* It has been clarified that income derived from the provision of administrative services by a Management Company ("MC") to a CIS licence holder will not fall under the ambit of the 80% partial exemption available to companies licensed as a CIS Administrator.

The above exemptions are however subject to the company claiming the exemption satisfying substance conditions in Mauritius which will be prescribed.

Investment Tax Credit

The investment tax credit of 15% over 3 years will henceforth include Artificial Intelligence and patents.

Corporate Tax Rate for the Medical, Biotechnology or Pharmaceutical Sector

Income derived from intellectual property assets by a manufacturing company engaged in medical, biotechnology or pharmaceutical sector will be taxed at the rate of 15% instead of 3%

Manufacturing companies engaged in the medical, biotechnology or pharmaceutical sectors, which hold an Investment Certificate issued by the Economic Development Board, are currently subject to a tax rate of 3%, provided they meet certain prescribed substance conditions in Mauritius. This reduced tax rate applies to all income derived from such activities by the manufacturing company. However, income derived from intellectual property ("IP") assets by these companies will no longer be eligible for the reduced tax rate of 3% and will instead be taxed at a flat rate of 15%. This change is aligned with international norms and the OECD's recommendations to address harmful IP regimes.

Other Measures

The following measures have also been announced:

- A company will now be able to operate in the Freeport under both a Global Business licence and a Freeport certificate. The 8-year income tax holiday available to qualifying Freeport operators will however not be applicable to such companies.

- Recycling will now be considered as manufacturing activity. A company engaged in recycling activities will therefore now be eligible to tax incentives available to manufacturing companies such as specific investment tax credits.

Personal Taxation

Exempt income

- The exemption threshold on lump sum received as pension, retiring allowance or severance allowance will be raised from Rs 2.5 million to Rs 3 million.

- An allowance paid by the Government to an individual under a financial assistance scheme, will be considered as exempt income.

Personal deductions

- The maximum deduction for donations to NGOs and charitable institutions will be doubled from Rs 50,000 to Rs 100,000.

- All parents having children in full-time education in fee-paying private schools will be eligible to an income tax deduction of up to Rs 60,000 per child per annum.

Value Added Tax

Exempt supplies

The following VAT exemptions have been announced:

- The procurement of goods and services for a project that is funded by a donor organisation to the tune of at least 50% grant or concessionary loan will be exempt from VAT, customs duty and excise duty.
- Entrance fees to digital art galleries.
- Construction of purpose-built buildings for the provision of Pre-primary, Technical and Vocational Education and Training. The exemption will apply retrospectively.
- Motor vehicles of approved contractors engaged in the construction of social housing units under a contract with New Social Living Development Ltd. The exemption will apply retrospectively.
- The once-in a lifetime VAT exemption for taxis will be increased to Rs 120,000.
- Provision will be made to allow diplomatic missions and agents to benefit from VAT exemption or VAT refund services.

Zero-rated supplies

The Budget announced the below categories of zero-rated supplies:

- Services provided by a Management Company (“MC”) to:
  i. trusts whose settlor and beneficiaries are non-residents; or
  ii. foundations whose founder and beneficiaries are non-residents.

  Currently the supply of services by an MC to a Global Business Company and the supply of services to a person who belongs in a country other than

  Mauritius and who is outside Mauritius at the time the services are performed are zero-rated for VAT purposes. The addition of services provided by an MC to trusts and foundations whose settlor/founder and beneficiaries are non-residents, to the list of zero-rated supplies, is welcomed.

- Vegetable seeds, fruit and flower seeds, bulbs and plants used for sowing or planting, seedling trays, plant pots, agricultural sprayers, roasted coffee and baby lotions

Other Taxes

Property Taxes

- The transfer of a social housing unit by the New Social Living Development Ltd will be exempt from registration duty, land transfer tax and tax on transfer of leasehold rights in State land.

Customs Duty

- The 15% customs duty on milk beverages made from nuts will be abolished.

Excise Duty

- Excise duty introduced on a new category of wine, called wine cooler.
- A new Excise Licence will be introduced for the storage and maturation of alcoholic products.
- Plastic bottles made from plant-based materials will be exempted from the Rs 2 excise duty per unit on plastic bottles used in the beverages industry.
- The rebate of 45% or 55% granted on motor vehicles under the current Excise/Customs Duty Rebate Scheme which will end on 30 June, will be extended permanently on conventional petrol and diesel driven vehicles.

Tax Administration

Income Tax

Sharing of information

- The Mauritius Revenue Authority (“MRA”) can share details about financial assistance schemes with the Ministry of Finance, Economic Planning, and Development.

- Additionally, anonymized data on salaries and earnings will be provided to Maurice Strategie to aid research on inequality and poverty in Mauritius.

E-publication of names of Companies

- The timeline for publishing the names of Companies that fail to submit returns will be adjusted.

Amended Return

- If a taxpayer has raised an objection against an assessment to the MRA or submitted a representation to the Assessment Review Committee (“ARC”), they will not be permitted to file an amended return.

Statements of Financial Transactions

- In the Statement of Financial Transactions submitted by banks to the MRA, they will be required to provide information pertaining to deposits made by a bank account holder in his credit cards or prepaid cards account.

Captive Insurance

- The 8-year income tax holiday granted to a captive insurer will apply from the date a Company has started its activities.

Value Added Tax

- Individuals who voluntarily register for VAT can claim input tax on goods and services they acquire starting from the date of their voluntary registration.

- If a supplier issues a VAT invoice indicating the value of the supply in a foreign currency, he must specify the conversion rate into rupees.

- The MRA has a 4-year time limit to request information from a person regarding a submitted return, starting from the taxable period in which the return is submitted.

- Henceforth, the MRA will be empowered to make an assessment of tax payable over a maximum of 4 years prior to the taxable period in which a return is submitted instead of 4 years prior to the taxable period in which the liability to pay tax arose, to provide for sufficient time to examine a return which was submitted late.

- When a non-VAT registered individual applies for a refund of VAT paid on imported equipment under the VAT Refund Scheme, they must provide a statement from a freight forwarding agent or customs house broker certifying the amount of VAT paid.

Mauritius Revenue Authority Act

Tax Arrears Payment Scheme ("TAPS")

The TAPS will be extended for another year, offering a complete waiver of penalties and interest if tax arrears under the ITA, the VAT Act, and the Gambling Regulatory Authority Act are settled in full by 31st March 2025. Taxpayers must register under the Scheme by 31st December 2024, to avail of these benefits.

Communication to e-tax Account

If the MRA has dispatched a notice to a person's e-tax account, the notice will be considered served on the date of dispatch, given that the individual has been duly notified of this communication through both SMS and email.

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Joe Chan
Partner
Tel: +(230) 403 0838
Email: joe.chan@mu.Andersen.com

Fazeel Soyfoo
Partner
Tel: +(230) 403 0843
Email: fazeel.soyfoo@mu.Andersen.com

Zaynab Hisaund
Associate Director
Tel: +(230) 403 0842
Email: zaynab.hisaund@mu.Andersen.com

Ravi Sookur
Associate Director
Tel: +(230) 403 0836
Email: ravi.sookar@mu.Andersen.com

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