

*MAURITIUS BUDGET BRIEF 2020/2021*

*THE FINANCE (MISCELLANEOUS) PROVISIONS BILL 2020*



**MITCO**

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## *THE FINANCE (MISCELLANEOUS) PROVISIONS BILL 2020*

As many other economies worldwide, Mauritius has not been spared by the COVID 19 pandemic. The Budget 2020/2021 has taken into consideration the consequences of the novel coronavirus on the population, as well as the economy.

The sectors which have been most negatively impacted are the Tourism and export-oriented industries. This is due to the fact that the services sector including Tourism, Financial services and Banking and BPO amongst others, account for around 76% of GDP of Mauritius.

The Government of Mauritius has on the one hand proposed measures to promote numerous sectors but also to protect low income earners in various ways.

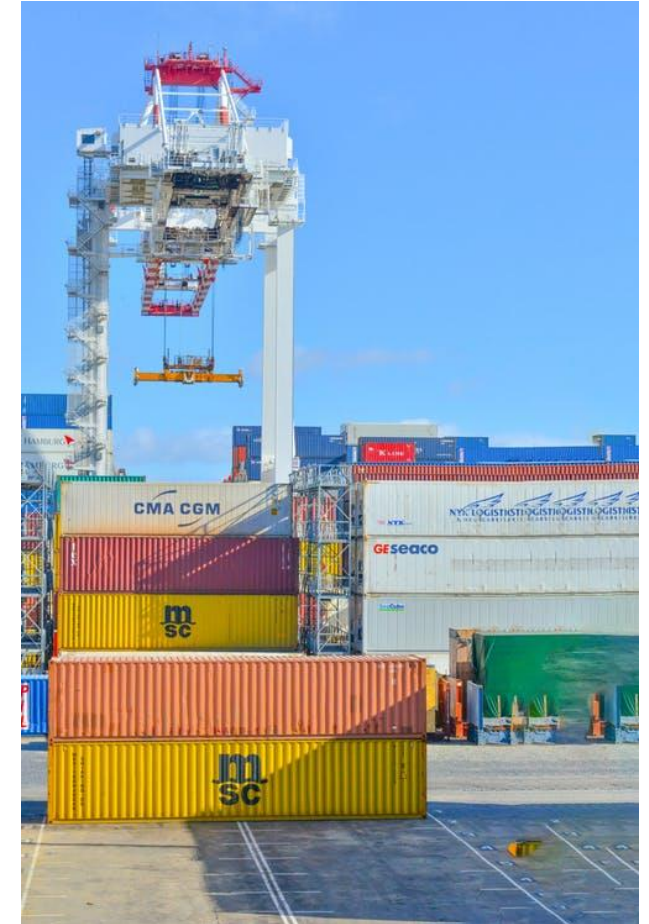
The opening of the economy to investors and talented experts, as well as the opportunity offered to skilled Mauritians to set up their own businesses reflect a plan of sustainability as well as long term resilience.



## THE INVESTMENT OPPORTUNITIES IN MAURITIUS

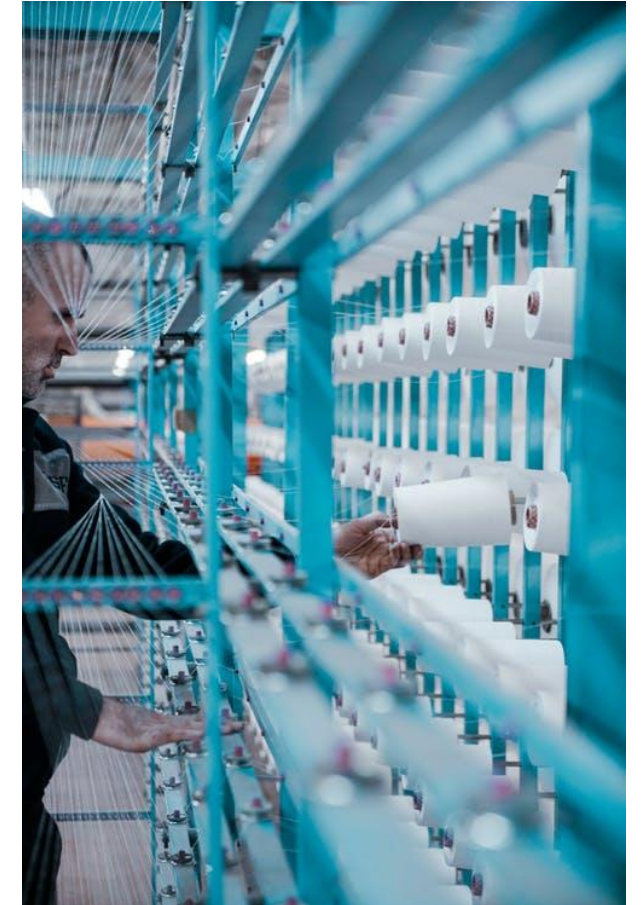
The Ministry of Finance announced in its budget speech on 04<sup>th</sup> of June 2020 several stimulus plans to boost the Mauritian economy. The Government of Mauritius has proposed key measures and incentives in the following industries:

- Manufacturing and Exports
- Agro-industry
- Pharmaceutical Industry
- Construction
- Blue economy
- Tourism
- Small Medium Enterprises
- Financial Services Sector
- Emergence of New Sectors - New Data Technology Park



### Manufacturing and Exports

- Impose minimum shelf space of 10% for locally manufactured goods in supermarkets
- Ministries and Government Bodies will be required to have a minimum domestic content of 30% in their purchase of goods
- Investment tax credit of 15% over 3 years extended to all manufacturing companies
- Double deduction on cost of acquisition of patents & franchises and the costs incurred to comply with international quality standards and norms
- Financial support to enterprises producing hygienic goods, PPEs masks, handwash and medical devices
- Port 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
- Extending the Freight Rebate Scheme for exports to Africa and the Trade Promotion and Marketing Scheme for exports to Japan, Australia, Canada, and Middle East
- Export Credit Insurance Scheme will be extended to cover all our exports
- Government will support the first two years of operation of a “Made in Mauritius” warehouse set-up in Tanzania and Mozambique.
- Companies will benefit from a 50 % refund on the costs of certification, testing and accreditation of local laboratories and will also be exempted from the payment of registration duty and land transfer tax for the purchase of immovable property



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## Agro-Industry

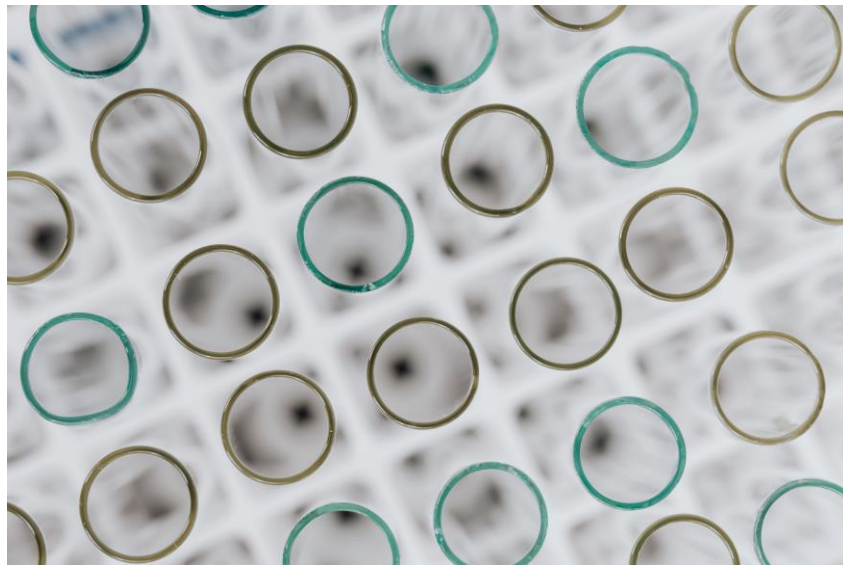
- Introduction of a comprehensive National Agri-Food Development Programme to promote the Farm to Fork concept, ensure food security and reduce the dependence on imports.
- Bring more land under cultivation.
- A centralised digital Land Bank of State and Private Agricultural Land will be set-up under Landscape Mauritius Ltd. This platform will help to match demand and supply for land that can be used for food production.
- Small planter, having up to 10 acres of agricultural land will be allowed to convert up to 10 percent of his land for residential or commercial purpose.
- 20,000 acres of abandoned land will be put on the platform for immediate use.
- The Food and Agricultural Research & Extension Institute (FAREI) will develop the necessary standards and norms for production, storage, transformation and commercialisation of superfoods.
- The Agricultural Marketing Board Act will be amended to broaden the role and functions of the Agricultural Marketing Board (AMB).
- Under the Fruit Protection Scheme, a grant of 50% of the cost of permanent netting structures will be provided to orchard owners.
- For distressed companies affected directly by the Covid-19 pandemic in the agricultural sector, the Development Bank of Mauritius (DBM) will provide loans at the concessional rate of 0.5 % per annum.

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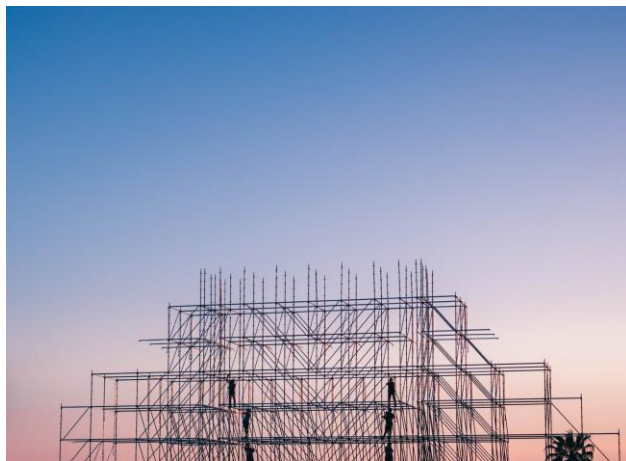
### **Pharmaceutical Industry**

- Introduction of a Medical Products Regulatory Authority Bill to ensure conformity with international norms and standards
- To bring more research and development in Mauritius, registration duty on acquisition of immovable property in the life sciences sector will be waived
- 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
- Waiver of registration duty on the acquisition of immovable property in the life sciences sector



## **Construction**

- The Government will be engaged in different construction projects namely construction of social housing, dam, bus terminals, new roads and bridges, Breakwater, fishing Por and Cruise Terminal Building.
- Government will provide incentive to the construction industry by waiving fees related to the Building and Land Use Permit (BLUP) for construction of pharmaceutical manufacturing factories, food processing plants and warehouses.
- Facilitating purchases of immovable properties by foreign buyers through digital Power of Attorney.
- Extending the Construction of Housing Estate Scheme and Acquisition of Newly Built Dwellings Scheme for another period of two years: raising the eligibility threshold under these schemes from 6 to 7 million rupees.
- Allow for payment of VAT as from the date of receipt instead of the date of invoice for Government contracts in relation to construction works.
- The Construction Industry Development Board Act will be amended to review the grading of contractors.
- Public projects with investments of less than Rs 300 million and where pre-qualification is not required by Central Procurement Board, will be opened to Mauritian companies only.

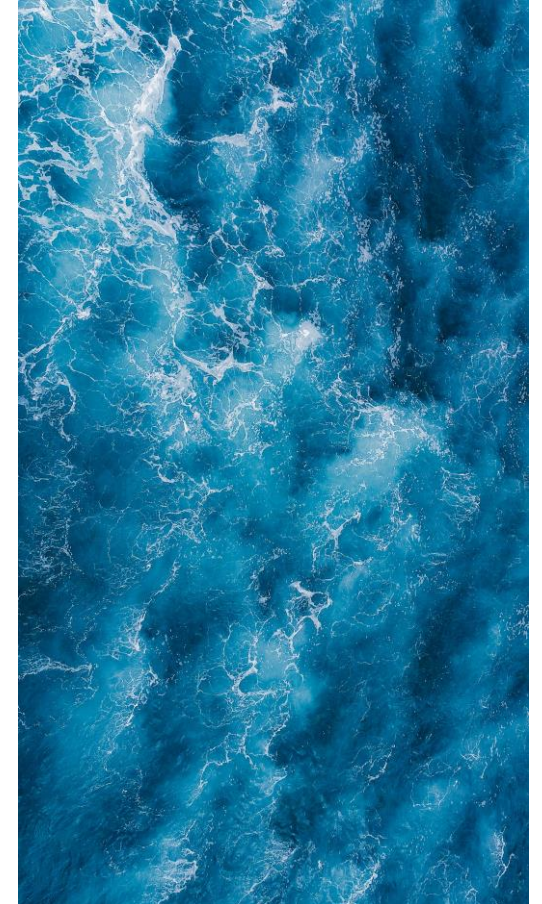


### **Blue Economy**

- An inland aquaculture scheme will be introduced with the following incentives:
  - an 8-year tax holiday; and
  - duty and VAT exemption on equipment.
- Ship registration is another segment of the blue economy.
- A single licence for chartered yacht calls in Mauritius will be introduced encompassing multiple berthing options, rights for helicopter flights and gaming.

### **Emergence of New Sectors - New Data Technology Park**

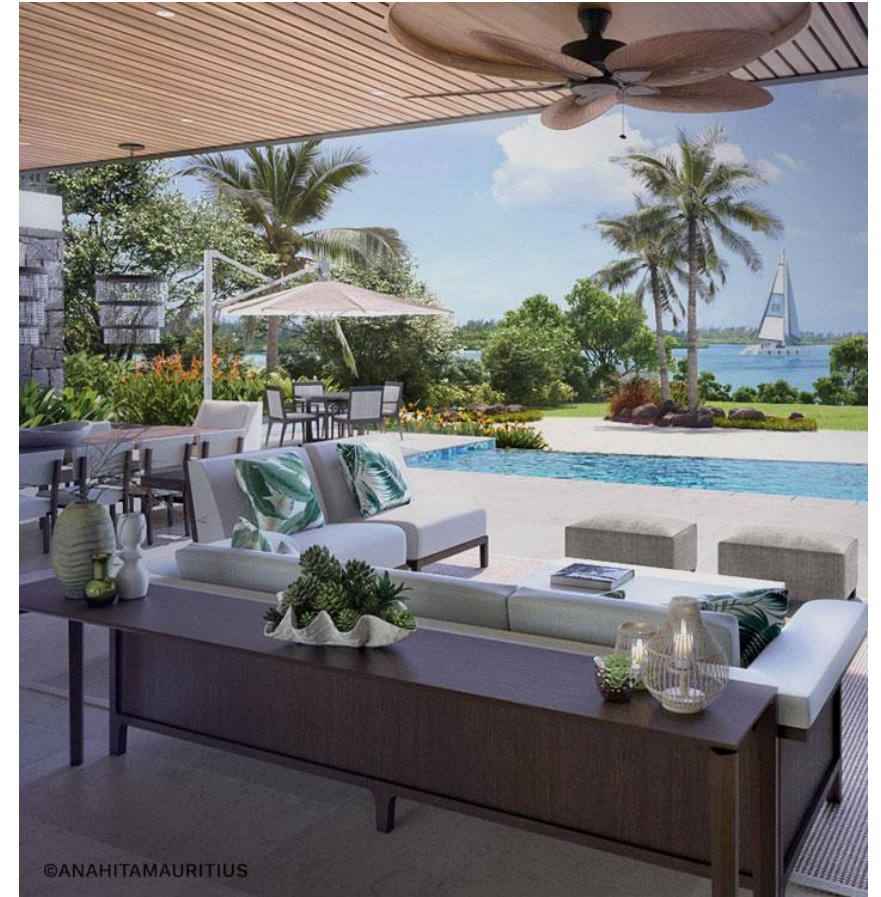
- The Park will encompass 12 highly skilled and specialised centres from additive manufacturing to deep artificial intelligence.
- This Park will endow Mauritius with a Carbon Neutral Green Certified Tier 4 Data Centre.





## Tourism

- Introduction of Aparthotels Scheme to enable existing hotels to convert part of their accommodation units into serviced apartments that can be sold individually.
- The Invest Hotel Scheme will allow owners to occupy their units for a total period of 90 days instead of 45 days in a year.
- To attract High Net Worth tourists, special arrangements will be made at the airport to accommodate visitors coming in private jets.
- The MTPA will organise major events in Mauritius where various tour operators, travel agents and international press will be invited to experience our tourism industry.
- The licensees of Tourism Authority and Beach Authority will be exempted from payment of licence fee for a period of two years.
- The rental payment of state lands for hotels will be waived for the upcoming financial year.
- The Hotel Reconstruction and Renovation Scheme rebate of 50 % on rental of state lands for hotels will be increased to 100% for two years up to 30 June 2022.



### **Small Medium Enterprises**

- The Development Bank of Mauritius (DBM) will provide loans of up to Rs 10 million per enterprise at a concessional rate of 0.5 % per annum.
- One-off grant towards certification under 'Made in Moris' label from Rs 5,000 to a maximum of Rs 50,000.
- A Technology and Innovation Fund will be created to invest up to Rs 2 million as equity in projects recommended by Mauritius Research and Innovation Council.
- SMEs and cooperative societies will benefit from a grant of 15 % on cost of assets of up to a maximum of Rs 150,000 under the DBM Enterprise Modernisation Scheme.
- To boost local production, the Cooperatives Development Fund will provide a grant of up to Rs 50,000 to cooperative societies for:
  - the purchase of livestock; and
  - acquisition of equipment involved in the production of food items



### Financial Services Sector

- Government is committed to completing the five remaining recommendations under the Financial Action Task Force (FATF) Action Plan for Mauritius by September 2020
- New AML/CFT (Miscellaneous Provisions) Bill will be introduced to complement existing legislative framework
- A dedicated and specialised Financial Offences Court will also be set up.
- To further enhance competitiveness of the Financial Services Sector, the following new products will be introduced in line with the recommendations of the 10-Year Blueprint.
  - 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.
- A dedicated Venture Capital Market will be set up at the Stock Exchange of Mauritius for start-ups and SMEs

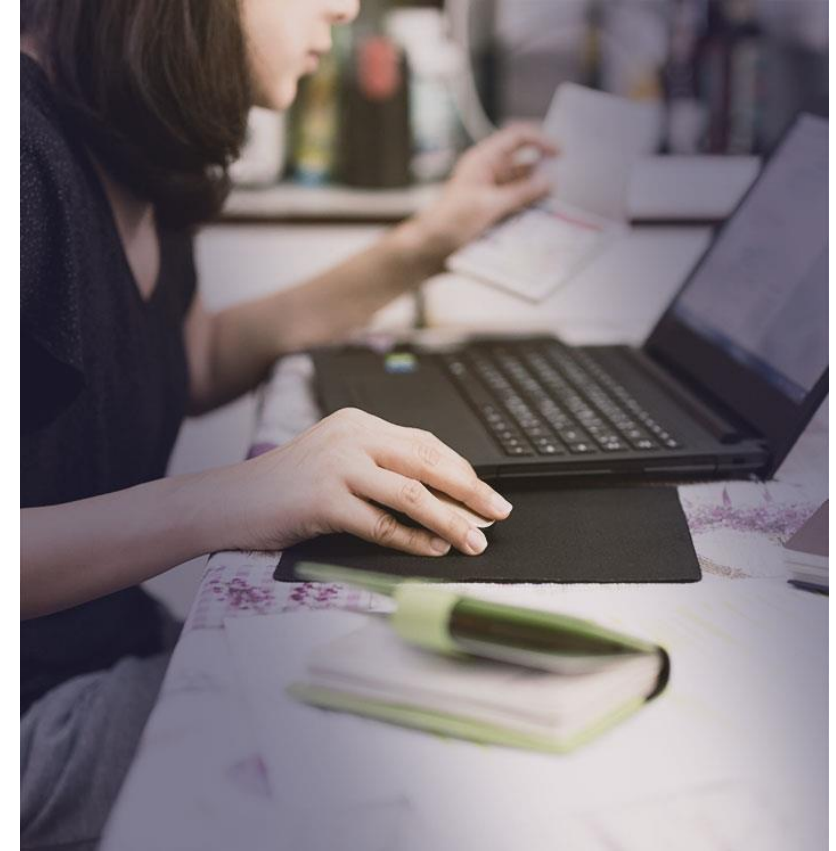


### **Occupation Permit (OP) as Investor and Professional**

- The validity of an OP will be increased from 3 years to 10 years, renewable
- The minimum investment requirement for an OP as Investor will be reduced from USD 100,000 to USD 50,000
- The minimum turnover and investment requirement of USD 40,000 for Innovator Occupation Permit will be removed
- The minimum monthly basic salary MUR 30,000 for ICT Professional to obtain an OP as Professional will be extended to other specified sectors
- Holders of an OP as Professional will be able to invest in other ventures without any shareholding restriction
- OP holders who have held their permit for 3 consecutive years will be eligible to apply for a Permanent Residence Permit

### **Dependents of OP holders**

- OP holders will be allowed to bring their parents to live in Mauritius as their dependents
- No permit is required for the spouse of an OP holder to invest or work in Mauritius





**Residence Permit (RP) as Retired non-citizen**

- The validity of an RP as Retired will be increased from 3 years to 10 years, renewable
- Holders of RP as Retired will be able to invest in other ventures without any shareholding restriction
- RP holders who have held their permit for 3 consecutive years will be eligible to apply for a Permanent Residence Permit

**Permanent Residence Permit (PRP)**

- Permanent Residence Permit will be extended from 10 years to 20 years
- The existing turnover and salary criteria are being removed
- Existing OP holders, who have held the permit for three consecutive years will be eligible to apply for the 20-Year PRP



**Residence Permit (RP) through acquisition of property in Mauritius**

- The minimum investment amount for an investor to obtain the status of Permanent Resident as an owner of immovable property under the existing scheme will be reduced from USD 500,000 to USD 375,000
- Holders of RP under the various real estate schemes will no longer require an Occupation or Work Permit to invest and work in Mauritius

**Acquisition of Property**

- Non-citizens who are holders of Residence Permit, Occupation Permit or Permanent Residence Permit will be able to acquire one plot of serviced land not exceeding 2,100m<sup>2</sup> for residential purposes within smart cities until 30<sup>th</sup> of June 2022
- The total area of all plots of serviced land for sale should not exceed 25% of the land area planned for residential properties
- Any construction of residential building by the non-citizens must be completed within 5 years



## Companies Act

- To increase shareholder's protection, the Companies Act will be amended to –
  - define conducts deemed prejudicial to shareholders and engage Director's liability for prejudicial conduct; and
  - provide that Board of Directors of entities listed on the Stock Exchange of Mauritius should comprise at least 2 independent and non-executive directors.
- The registration of Ultimate Beneficial Owners as well as VAT registration will be done at time of business registration and company incorporation.

## Registration of documents

- Online submission of deeds of transfer, tile deeds and other documents for registration will be made mandatory through the Mauritius E-Registry System (MERS) which is accessible to the public.

## Financial Services Act

The Financial Services Act will be amended to:-

- Provide for the definition of 'peer to peer' lending.
- Empower the FSC to collect information on a conglomerate group, including unregulated entities, which would impact on the safety and soundness of the financial group.
- Give flexibility regarding the filing of annual financial statements during a curfew period or situation of emergency or natural disasters.
- Cater for exemptions for filing of annual financial statements where the FSC is of the opinion that it is not applicable.
- Provide for the duties of auditors of all licensees of the FSC to include the reporting of irregularities to the FSC.

**National Savings Fund**

- The National Savings Fund Act will be amended to exempt a Non-Citizen employed by a Non-Citizen Contractor from payment of contributions to the National Savings Fund.

**Worker's Right Act**

- Employees earning up to Rs 100,000 monthly to be entitled to end of year bonus under the Workers' Rights Act.
- Employees earning more than Rs 100,000 monthly will be covered under the End of Year Gratuity Act.



## THE FINANCE (MISCELLANEOUS) PROVISIONS BILL 2020 – CORPORATE TAX

### Levy on Companies

- Companies or group of companies having gross income exceeding Rs 500M will be subject to levy on their annual gross income as follows:

Company Type	Levy (%)
Insurance, financial institutions, service providers & property holding companies	0.3
Other Companies	0.1
Companies holding a Global Business Licence and companies in the tourism sector	Not Applicable

### Tax Holidays:

- 8-year tax holiday for companies engaged in:
  - I. Inland Aquaculture Scheme
  - II. Manufacture of nutraceutical products subject to operations started on or after 04 June 2020
  - III. Manufacture of pharmaceutical products, medical devices or high-tech products if the company has started operations on or after 08 June 2017
- Worldwide institution setting up branch campuses in Mauritius will also benefit from the 8-year tax holiday

### Partial Exemption Regime

For avoidance of doubt, the 80% partial exemption regime on interest income does not apply to the following:

- Non-bank deposit taking institutions
- Money changers
- Foreign exchange dealers
- Insurance companies
- Leasing companies
- Companies providing factoring, hire purchase facilities or credit sale facilities

## Introduction of Contribution Sociale Généralisée (CSG)

The National Pension Fund (NPF) will be abolished and will be replaced by the “Contribution Sociale Généralisée” (CGS).

The (CSG) will have significant impact for both the employee and employer. As from 1 September 2020, there will be a contributory, participative and collective system which will guarantee a monthly income to retired citizens above the age of 65 as from July 2023.

A Service Employment Cheque will be introduced as from September 2020 to enable Mauritians working informally to access the contributory pension system and benefit from their years of service.

•The contributions under this new scheme will be as follows:

Monthly Salary (Contribution)	Employee (Contribution)	Employer (Contribution)
For individuals earning up to MUR 50,000 per month	1.5%	3%
For individuals earning more than MUR 50,000 per month	3%	6%

## Income Exemption Threshold

The income exemption thresholds will be increased by amounts ranging from Rs 15,000 to Rs 80,000 as shown in table below:

Category	From (MUR)	To (MUR)	Increase (MUR)
An individual with no dependent	310,000	325,000	15,000
An individual with one dependent only	420,000	435,000	15,000
An individual with two dependents only	500,000	515,000	15,000
An individual with three dependents only	550,000	600,000	50,000
An individual with four or more dependents	600,000	680,000	80,000
A retired/disabled person with no dependent	360,000	375,000	15,000
A retired/disabled person with dependents	470,000	485,000	15,000

## Other exemptions and reliefs

- Relief for medical or Health Insurance Premium
- An individual will be allowed to claim up to MUR10,000 as relief for a 4th dependent
- The deduction in respect of a dependent child pursuing a tertiary education can be claimed in respect of 4 dependents instead of 3 dependents
- Acquisition of fast charger for an electric car. The total Investment made in relation to the acquisition of a fast charger for an electric car can be claimed as a deduction from taxable income

**Solidarity Levy**

- Lump sum income received by a person by way of commutation of pension, death gratuity or as compensation for death or injury is excluded from the computation of the Solidarity Levy.
- There will be an increase in solidarity levy rate from 5% to 25% on leviable income in excess of MUR 3 Million instead of MUR 3.5 Million as from 1 July 2020 for Mauritian citizens.
- The levy will be payable under the Pay As You Earn (PAYE) system.



**Excise duty on Motor Vehicles**

- A rebate on the amount of customs duty payable will be granted on vehicles, provided they were in a bonded warehouse before 5<sup>th</sup> of June 2020 and are cleared from Customs before 30th of June 2021:
  - 40% of the excise duty payable on the motor car (up to 1000 cc) or Rs 100,000, whichever is the lower.
  - 30% of the excise duty payable on the motor car (up to 1001 to 1600 cc) or Rs 125,000, whichever is the lower.
  - 30% of the customs/excise duty payable on the motor vehicle or Rs 125,000, whichever is the lower. This applies for Buses, Double/Single Space Cabin Vehicles and Vans

## *THE FINANCE (MISCELLANEOUS) PROVISIONS BILL 2020 – CONCLUSION*

Measures announced in the Budget speech 2020 – 2021 will be implemented through the Finance (Miscellaneous) Provisions Bill.

The Bill will be voted by the National Assembly and will then be submitted to the President of the Republic of Mauritius for his assent before it becomes Law.

We shall keep you updated as to when the budget proposals will take legal effect.

**THANK YOU**

