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New Direction at the Crossroad Mauritius Budget 2015 Highlights

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Date

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Foreword



The first National Budget of the newly elected Government was presented by the Minister of Finance and Economic Development, Mr Vishnu Lutchmeenaraidoo on 23 March 2015. The Budget intends to achieve an ambitious target GDP growth rate of 5.7% for 2016/2017 through greater investments and incentives to priority sectors.

The key budget measures are:

- Developing 13 employment-rich mega projects which will involve utilization of some 7,000 arpent of land, requiring Rs 120Bn of private and foreign direct investments.
- Making the SME sector the backbone of the economy through the setting up of an SME bank, a One-Stop shop for all support, financing and information relevant to SME's, fiscal incentives including exemption from corporate tax for eight years, increasing VAT registration threshold from Rs4M to Rs6M and removal of APS filing for companies with turnover of less than Rs10M.
- Transforming the Port Louis harbour into a Regional Hub.
- Restructuring the IRS and RES schemes to make the development more inclusive.
- Providing targeted manpower training to support the mega projects and SME sector.
- Improving business facilitation through a fast track committee to expedite approval for projects, abolition of redundant licenses and automatic renewal of certain licenses.
- Implementing strategies to boost investment and employment in key traditional sectors including financial assistance to the Agro-industry, accelerated annual allowances to the Manufacturing sector, liberal and open air access strategy for the Tourism sector.
- Strengthening the Financial Sector: special schemes to attract international Asset and Fund Managers to Mauritius, specialist training by a Financial Training Institute, exempting non-corporate bond holders from withholding tax and conclusion of discussion on outstanding issues relating on Mauritius-India Treaty.

- Introducing social initiatives such as low cost housing, Marshall Plan against poverty, discouraging gambling, reducing interest rate on Hire Purchase from 19% to 12% and penalty rate from 5% to 2%.
- Promoting transparency and good governance through proper allocation of state land, proper functioning of the board of directors of public sector bodies and tendering of all government contracts.
- Encouraging Mauritian diaspora abroad to return by providing 10-years tax exemption on worldwide income and custom duty exemptions.

Key Fiscal Measures

- Annual turnover threshold for APS filing increased from Rs4M to Rs10M.
- Interest relief for first time home buyers on full amount of the interest over the whole period of the loan.
- Exemption threshold on pension, retiring allowance or severance allowance increased from Rs1.5M to Rs2M as from 1 July 2015.
- Alternative Minimum Tax (AMT) abolished.
- Deposit for lodging an objection to tax assessment reduced from 30% to 10% of amount assessed.
- Solidarity Levy on Telephony Service Providers and Special Levy on Banks extended to 30 June 2018.
- VAT registration threshold for SMEs' increased from Rs4M to Rs6M.
- Exemption from corporate tax for first 8 years for SME's registered person with new SMEDA after 1 June 2015.
- Registration Duty exemption for first time buyers of residential bare land increased from Rs1M to Rs1.5M.
- Increase for late payment of taxes reduced halved from 1% to 0.5%.

Overall Analysis

The new government has unveiled its first budget in line with its electoral promises, set out a vision to increase prosperity, and established a base for greater equity and social justice. The measures outlined in the budget are designed to stimulate economic growth and employment in all sectors especially the SME sector. Whilst the budget has been described as a No-Tax budget, a number of positive measures have been included to simplify the tax system and provide incentives to promote economic development.

The government has laid out the foundation for the various stakeholders to take advantage of the opportunities and convert the vision into reality. However, the transition to a 5.7% GDP growth rate economy may be a challenge given the prevailing global economic environment.

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Budget Night, 23 March 2015

Detailed Fiscal Measures



Corporate Tax

- Special levy on banks (currently 10% of chargeable income for segments A banking business, 3.4 % on book profit and 1% on operating income for segment B banking business) has been extended up to June 2018 with no change in basis.
- Solidarity levy on telephony services extended up to June 2018.
- Alternative Minimum Tax (AMT) abolished.
- For accounting period ending 31 December, the filing date for the income tax return will be 2 working days before 30 June.
- SME registered under the new Small Medium Enterprise Development Act (SMEDA) after 1 June 2015 will be exempted from:
 - Payment of corporate income tax for the first 8 years
 - Tax Deduction at Source (TDS) for the first 8 years except for PAYE.
- Annual turnover for APS filing increased from Rs 4M to Rs 10M
- Accelerated annual allowance introduced in 2013 to promote green and sustainable development now made permanent.
- Income tax exemption on interest received by non-resident companies on debentures quoted on the Mauritius Stock Exchange.
- Accelerated annual allowances for manufacturing extended for 3 more years up to 30 June 2018.
- Companies with annual turnover not exceeding Rs 6M not required to operate Tax Deduction at Source (TDS).
- Large companies (with turnover exceeding Rs 100M) required to submit yearly electronic statement to the MRA showing details of all payments exceeding Rs 100,000 for purchase of goods and services purchased.
- All CSR guidelines removed and companies authorised to expend their 2% CSR at their own discretion.
- Companies having accounting year ending 30 June will be allowed at their option to pay the tax due in the last quarter based on an additional APS return. Any adjustment based on the Audited Financial Statement will have to be effected before 31 January.

Personal Income Tax

- **Increase in Income Exemption Thresholds for all categories by Rs 10,000 as follows:**

Category	Applicable to	From (Rs)	To (Rs)
A	Individual with no dependent	275,000	285,000
B	Individual with one dependent	385,000	395,000
C	Individual with two dependents	445,000	455,000
D	Individual with three dependents or more dependents	485,000	495,000
E	Retired Individual with no dependent	325,000	335,000
F	Retired Individual with one dependent	435,000	445,000

- **Additional deduction for tertiary education**

The additional deduction in respect of a dependent child who is pursuing tertiary education is raised:

- From Rs 80,000 to Rs 135,000 if in Mauritius
- From Rs 125,000 to Rs 135,000 if abroad

The deduction which could be claimed for up to 3 consecutive years will now be available for the first 6 years of education.

- **Interest relief on secured housing loan**

Interest relief for the first time acquisition of a house can now be claimed during the total period of loan repayment without any capping (previously the exemption could be claimed only for a period of 5 years and had a yearly capping of Rs 120,000).

- **Exempt income**

Exemption threshold on pension retiring allowance increased from Rs1.5M to Rs2M as from July 2015.

New Income Exemption

- **Donation of basic retirement pension**

Old age pension donated for the alleviation of poverty under the Marshall Plan against poverty, exempt from income tax.

- **Solar energy investment allowance**

Total amount invested in household solar energy unit deductible from an individual's chargeable income.

- **Mauritian Diaspora**

Returning Mauritian professionals with 10 years of working experience abroad, exempted from income tax on their worldwide income for a 10-year period.

Submission of Personal Income Tax Returns

- Introduction of new fiscal year from 1 July to 30 June with tax filing due by 30 September/ 15 October.
- In 2015, there will be 2 income tax returns for individuals as follows:

Income period	Due date
1 January 2014 to 31 December 2014	31 March 2015 / 15 April 2015
1 January 2015 to 30 June 2015	30 September 2015 / 15 October 2015

Exemption threshold for the period January 2015 to June 2015 will be as follows:

Category	Applicable to	Rs
A	Individual with no dependent	142,500
B	Individual with one dependent	197,500
C	Individual with two dependents	227,500
D	Individual with three dependents or more dependents	247,500
E	Retired Individual with no dependent	167,500
F	Retired Individual with one dependent	222,500

Additional exemption	Amount deductible
Dependent child pursuing undergraduate course	Rs 67,500 The 6 months period will not account when applying the time limit of 6 years.
Relief for medical or health insurance premium	The monetary ceiling will be halved
Interest relief on secured housing loan	Relief will be granted in respect of the actual amount of interest paid for the 6 months

Employers will be required to issue a Statement of Emoluments and Tax Deduction for the 6 months period not later than 15 August 2015.

Value Added Tax (VAT)

- VAT registration threshold for SME's increased from Rs 4M to Rs 6M.
- VAT exemption for machinery and equipment used in the exploration and production of petroleum products.
- Zero-rate VAT classification for chill deep sea water used for the provision of air condition services.
- Compulsory VAT registration amended to include the importers of second hand motor cars.
- Refund up to Rs 300,000 on VAT charged by a VAT-registered building contractor on the construction of new residential unit costing less than Rs 2.5M for household with monthly income of less than Rs 50,000 has been extended to June 2018.
- Exemption of VAT on construction of a purpose built building for health services to include nursing home under the Residential Care Home Scheme.
- Ministries, Government departments, local authorities, statutory bodies and the Rodrigues Assembly will be required to remit a percentage of VAT directly to the MRA paid on contract exceeding Rs 300,000. The VAT registered contractor will make necessary adjustment regarding the input and output tax in his returns.
- Time limit for repayment of VAT amended to start from the date the relevant receipts submitted to the MRA.
- Attachment order and inscribed privilege limited to VAT on amount paid compared to the whole amount payable previously.

Custom and Excise Duties

- Customs duty on iron bars reduced from 15% to 10% as from 1 July 2015.
- The allowable evaporation rate for duty computation will be raised from 1% to 2% to cater for more sophisticated methods of ageing such as in wooden casks for production of premium quality rum.
- Security in the form of bank guarantee for ensuring payment of excise duty payable on excised good manufactured in Mauritius will be replaced by bond.

Land Transfer and Registration Duty

- Exemption threshold from Registration Duty for first time buyer of residential bare land increased from Rs 1M to Rs 1.5M.
- Tax exemption and land conversion permit to cater for solar farms, agri-solar farms and biomass projects requiring large extent of land.
- Registration Duty Act to be amended and extended to June 2018 for the Construction of Housing Estate Scheme targeting middle income households.
- Construction falling under the housing estate scheme with at least 5 units for which the selling price per unit is less than Rs 4M exempted from payment of land transfer tax.

Tax Administration

- Amount payable for lodging an objection to tax assessment reduced from 30 % to 10 % of the amount assessed.
- Expeditious Dispute Resolution of Tax Scheme renewed for one additional year.
- Arrears Payment Scheme renewed for one additional year.
- Interest rate for late payment of taxes reduced from 1 % to 0.5 % per month.
- Penalty clauses for SMEs:
 - Late or non-submission of income tax returns - Maximum amount of penalty will be reduced from Rs 20,000 to Rs 5,000.
 - Late payment of taxes - Rate of penalty reduced from 5 % to 2 % of amount due.
- Time limit for MRA to make assessment reduced from 4 years to 3 years. Approval of the ARC required to make an assessment beyond a 3-year period.

Others

- Small enterprises will be given the option to join the simplified income tax system.
- A simplified income tax and VAT system will be introduced as regards to keeping of records and filing of income tax and VAT returns to facilitate small enterprises to comply with the legal requirements.
- MID levy of 30 cents per litre levied on petroleum products removed as from 1 July 2015 on all petroleum products that are re-exported.
- Levy of 10 cents on SMS and MMS abolished with effect from 1 July 2015.
- Concessionary rate of excise duty on purchase of a motor car extended to include a parent of a disabled person whether the latter is a minor or not.
- The current CO2 emission for imported motor cars currently set at 150g/Km will be reviewed to provide for the fixing of the threshold by way of Regulation.
- Advertising structure which has not been registered with the MRA will be liable to a penalty equivalent to 50% of the amount of the fee payable.
- The taxation system on gambling, gambling and betting simplified and streamlined.

Other Budgetary Measures

Making the SME sector the backbone of the economy

- Setting up a one-stop-shop that will provide all support to SMEs.
- Launching an SME Bank that will provide funding to entrepreneurs without personal guarantee.
- Earmarking of Rs 10 Bn over the next 5 years for the SME Bank.
- Fast track mechanism for securing permits and approvals.
- Re-engineering SMEDA.
- Creating 7 additional SME parks.

Building a modern Mauritius

- Unlocking 13 mega projects including 8 “Smart City” projects.
- The above projects will mobilise some Rs 120 Bn of private and foreign direct investment.
- Transforming the Port Louis harbour to a regional hub.
 - Extending the port from GRNW to Baie du Tombeau.
 - Development of a new Port Master Plan.
 - Expanding port activities.
 - Expansion of storage facilities for onshore bunkering.
 - Introduction of a new Petroleum Bill.
- Restructuring a single scheme for IRS and RES that will be centered on inclusive development.
- Setting up of a National Ocean Council to boost the Ocean Economy Project.
- Investment in flyovers to reduce traffic congestion.
- Construction of new bridge to link Coromandel to the Motorway.
- Acquisition of 100 semi low floor buses to modernise public transport.
- Extension of Sir Gaetan Duval Airport in Rodrigues.

Promoting social welfare and unity

- Provision of Rs 27.5 Bn for social security expenditure.
- Construction of 1,000 low cost housing for low-income families.
- Setting up “parrainage” concept by corporates for undeveloped areas to resolve problem of poverty.
- “Nation Zougadere” : Total ban on gambling advertisement and on scratch cards. Total ban on issue of new gaming and betting licences (except for casinos) for a period of 5 years. Relocating all gambling houses from city centres to designated areas.
- Setting up an office of Ombudsperson on financial institutions.
- Protecting consumer rights by reducing rate of interest on hire purchase.

Building a green and clean economy

- Development of National Environment Commission to better address environmental concern.
- Providing Rs 1.3 Bn for priority drain works across the island.
- Banning the use of plastic bags in Mauritius, effective as from 1 January 2016.
- Setting up of Mauritius Renewable Energy Agency to promote use of renewable energy sources.
- Encourage households to have their own solar energy unit.
- A total investment of Rs 3 Bn in waste water services.
- Implementation of a new waste recycling facility at La Brasserie.
- Provision of at least 6 cubic meters of water per month free of charge.
- Replacement of all defective water pipes across the country, representing a project value of Rs 20 Bn over 8 years.

Consolidating traditional sectors

- **Tourism**
 - Adopting a more liberal approach to open air access.
 - Negotiating with airline companies for stopovers in Mauritius on UK-Australia route.
 - Negotiating to expand air connectivity to Eastern Europe and Central Asia.
- **Financial services**
 - Introducing a special Financial Sector Incentive Scheme to attract international asset and fund managers.
 - Reactivating the Financial Services Promotion Agency for more effective promotion campaigns.

- Cooperating with Indian authorities to conclude DTAA between Mauritius and India.
- **ICT/BPO**
 - Installation of a new submarine cable.
 - Implementing an island-wide full broadband fibre connectivity.
 - Increasing the number of free Wi-Fi hotspots from 15 to 350.
- **Agro-industry and fishing**
 - Provision of a one-off compensation for small sugar planters for crop 2014.
 - Possibility of waiving all interest and penalties on loans up to Rs 100,000 to planters, fishermen and breeders.
 - Providing a package of incentives for production of bio food including an 8-year tax holiday.
- **Manufacturing**
 - Improving the Accelerated Annual Allowances to modernise the textile sector.
 - Extension of Freight Rebate Scheme to other ports in Africa and open to all shipping lines.

Empowering human capital

- Utilizing the three existing campuses at Reduit, Montagne Blanche and Pamplemousses to provide courses on ICT-related, tourism and health.
- Development of government-sponsored tailor-made crash courses for the 3000 “gradues chomeurs” in fields with high job prospects.
- Setting up of “Chambre des Metiers” to give greater recognition to skills of tradespersons.

Enhancing business facilitation

- Providing greater powers to fast track committee to expedite approval and facilitation of major investment projects.
- Abolition of a total of 70 various permits and licences.
- Automatic renewal of some types of permits and licences upon payment.
- Renewal of licences for a period of up to 3 years.
- Giving possibility of an omnibus permit for various tourism activities.

Promoting transparency and good governance

- Amendment of Public Procurement Act to provide for full and transparent tender procedures.
- Provision of a Digital State Land Register for greater transparency in allocation and management of State Lands.
- Setting up of a Civil Service College.

Contact



Twaleb Butonkee
Partner
tbutonkee@deloitte.com
+230 403 58 00

**Deloitte
Mauritius**
7th Floor
Raffles Tower
19 Cybercity, Ebène
Mauritius



Roopesh Dabeesingh
Tax Director
rdabeesingh@deloitte.com
+230 403 58 00

**Deloitte
Mauritius**
7th Floor
Raffles Tower
19 Cybercity, Ebène
Mauritius



Roomesh Ramchurn
Tax Senior Manager
rramchurn@deloitte.com
+230 403 58 00

**Deloitte
Mauritius**
7th Floor
Raffles Tower
19 Cybercity, Ebène
Mauritius

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