



**A new era of development**  
Mauritius Budget Highlights 2016

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# Embarking on a new era of development

# Foreword

## Budget 2016/2017 – Strategies for a new era of development

The Honourable Minister of Finance and Economic Development Mr. Pravind Jugnauth delivered his first budget speech after the 2014 elections. The budget was presented in a difficult domestic and international economic context with economic growth slowing down to 3.4 percent and unemployment rate standing at 7.6 percent, reflecting the mismatch between market demands and the skills available. The budget deficit is estimated at 3.3 percent and public debt at 55.6 percent which constraints the government's ability to raise further debt for investments.

Whilst some of the sectors such as tourism and ICT are growing steadily, other sectors including construction and manufacturing are experiencing difficulties. International events such as BREXIT and changes to the global business environment may further adversely impact the economy. The Mauritian economy is therefore caught up in an economic impasse which requires immediate attention. The budget is therefore focussed on strategies to improve economic growth before the 3 percent to 3.5 percent becomes the "new normal".

## Key budget measures

- Eight year tax holiday extended to new enterprises set up by individual and cooperative and four year tax holiday for existing enterprises registered with SMEDA
- Creation of new job opportunities for some 21,400 youths, men and women with new Government programmes
- Setting up of a mineral exchange for the trading of gold and bullions as well as diamond and other precious metals
- Response to BREXIT challenges through a 40 percent reduction by the national carrier of the air freight to Europe
- Allowing GBC2 companies to invest in listed securities
- Tax holidays for companies holding licences for Global Headquarters Administration, Treasury Management, Asset and Fund Managers with minimum AUM of USD100 million, international law firms with Global Legal Advisory Services, Investment Banking and Corporate Advisory Services and Overseas Family Corporations and Foreign Ultra High Net Worth Individuals investing a minimum of USD25 million, subject to meeting substance and employment condition
- Hosting of a new derivative and commodities exchange at the Rose Belle Business Park and development of Mauritius as International Arbitration Centre
- Additional investment in marketing the Africa-Mauritius-Singapore-Asia Air Corridor
- Setting up of a National Payment Switch to reduce transaction costs by the Bank of Mauritius
- Significant investments in undersea cable to improve deployment of broadband infrastructure and quality
- Corporate contribution of at least 50 percent of their CSR funds to a newly created National CSR Foundation
- A major public sector reform programme by merging institutions within similar sectors e.g. MHC and NHDC



"We have analysed the current domestic and global context in which we had to prepare the budget. The background is indeed fraught with uncertainty, adversity and tough challenges, while the expectations are many and the aspirations are high. If we stay the course, the confluence of adversities and challenges will most certainly pull us back. If we decide on a new course, we can change things for the better and come on top.

The choice is clear."

**Pravind Jugnauth**  
Minister of Finance and Economic Development

- Grant of MUR12.7 billion from the Government of India to be used for infrastructural projects including Metro Express Project and Parliament House at Heritage City
- Income exemption threshold increased by MUR10,000 for all categories
- Increase in income eligibility criteria for secured housing loans to MUR4 million
- VAT liability now triggered even without the issuance of invoice or receipt of payment
- Measures for the eradication of absolute poverty through financial support
- Definition of “fraud” to include cases of non-submission of tax return
- Time limit of two years for submission of amended income tax returns

### Overall Analysis

The 2016/2017 budget contains various measures to boost the economy in the midst of major challenges facing Mauritius. The Minister has widely consulted with the key stakeholders and the budget proposal reflects some of their recommendations. There is clearly a greater sense of urgency to address the challenges as well as commitment to steer Mauritius back to a high performance economy.

We welcome the new direction to open the economy for international investors, improvement in efficiency in public sector, minimal changes to tax measures as well as incentives for increased investment and programmes to alleviate poverty. Whether these measures will be sufficient to lift the country to the “new normal” growth rate from 3 percent to 3.5 percent will depend upon the ability of the government to implement the various initiatives as well as the private sector playing a key role in the new era of development.



# Detailed Fiscal Measures

## Corporate Tax

- Corporate tax holiday of eight years introduced for Global Headquarters Administration company licensed by the Financial Services Commission (FSC) subject to meeting employment and substance conditions
- Tax holiday of five years now applicable for the following entities:
  - Company providing Treasury Management Centre services licensed by FSC and meeting minimum employment and substance conditions
  - Foreign Ultra High Net Worth Individuals' investing a minimum of USD25 million in Mauritius
  - Law firms providing legal advisory and international arbitration services to global business clients from their regional offices based in Mauritius
  - Investment banks issued with an 'Investment Banking and Corporate Advisory Licence' and regulated by the FSC
  - Overseas Family Corporations licensed by the FSC
- Eight year tax holiday in respect of business income extended to new enterprises set up by individuals or co-operative societies qualifying under the scheme and registered with Small and Medium Enterprise Development Authority (SMEDA)
- Four year tax holiday as from the year of assessment 2016/2017 to existing Small and Medium Enterprises (SMEs) registered with SMEDA, having a turnover of less than MUR10 million, and engaged in qualifying activities
- Eight year tax holiday to industrial fishing companies
- Corporate tax exemption on all income of cooperative societies derived from non-sugar agricultural activities
- Transfer of accumulated losses currently available on takeover or merger of a manufacturing company now extended to cover:
  - cases where the acquiree company is not dissolved but remains in operation as a going concern

- takeover of a company or transfer of undertaking deemed to be in the public interest under the Land (Duties and Taxes) Act
- **Corporate Social Responsibility (CSR):**
  - A National CSR Foundation managed jointly by the public and private sectors to be set up
  - Businesses to contribute at least 50 percent of their CSR fund to the National CSR Foundation and this contribution to increase to at least 75 percent the following year
  - Unspent balance from the 50 percent will be channelled to the National CSR Foundation
- **Tax Deduction at Source (TDS):**
  - Scope of TDS now extended to include:
    - services provided by accountants and tax advisers
    - management fees paid to individuals
  - TDS of 10 percent withheld on payment to non-resident entertainers and sportspersons deemed to be their final tax liability and payers to include individuals as well

### Personal Income Tax

- **Increase in Income Exemption Thresholds for all categories by MUR10,000 as follows:**

Category	Applicable to	From (MUR'000)	To (MUR'000)
A	Individual with no dependent	285	295
B	Individual with one dependent	395	405
C	Individual with two dependents	455	465
D	Individual with three dependents or more dependents	495	505
E	Retired Individual with no dependent	335	345
F	Retired Individual with one dependent	445	455

- **Other exemptions and reliefs**
  - Minimum amount of tuition fees to qualify for additional exemption in respect of dependent child pursuing tertiary education decreased from MUR44,500 to MUR34,800
  - Date restriction for first-time home-owners claiming interests relief on secured housing loan contracted on or after 1 July 2006 removed
- **Extension from MUR2 million to MUR4 million in the annual income limit for entitlement to additional deduction and relief**
  - Limit of annual income for entitlement to additional deduction with respect to child pursuing tertiary education and interest relief on secured housing loan increased from MUR2 million to MUR4 million
- **Exempt income**
  - Exempt income to include emoluments derived by a seafarer employed on a vessel registered in Mauritius or a foreign vessel
- **Tax Holidays**
  - Tax holiday of five years to:
    - Foreign Ultra High Net-Worth Individuals investing a minimum of USD25 million in Mauritius
    - Asset and Fund Managers licensed by the FSC and managing a minimum asset base of USD100 million



### Value Added Tax (VAT)

- VAT liability can now be triggered even without the issuance of an invoice or receipt of payment
- Non VAT-registered persons, excluding banks carrying on business wholly and exclusively with non-residents and a licensee under the Financial Services Act to charge VAT on services sourced from abroad
- Introduction of a penalty of 20 percent on excessive claims of input tax capped at MUR100,000
- Voluntary deregistration or cancellation of VAT registration will neither trigger VAT on stock of goods held nor will MRA refund excess of input VAT
- VAT exemption on construction of a purpose-built building for a nursing home under the Private Health Institution Act and a residential care home under the Residential Care Homes Act
- Removal of VAT on several items including breakfast cereals, photovoltaic inverters/batteries, CCTV camera systems, burglar alarm systems, 3D printers
- Zero-rate VAT classification for production of films for export under the Film Rebate Scheme
- Zero-rate VAT classification of entrance fee to an aquarium of international standard for a defined period and subject to investment conditions
- Equipment under the VAT refund scheme for small planters extended to include fencing and poles, insect/bird proof nets, protective masks, PH meters and EC meters and bush cutters
- Ceiling of VAT refund limit to a Mauritian regarding the construction of a new dwelling or acquisition of a newly built apartment from property developers increased from MUR300,000 to MUR500,000. Maximum floor area eligibility criteria removed and scheme extended up to 2020

### Custom and Excise Duties

- **Custom duty**
  - Exemption of custom duty on materials used in the manufacturing of medical devices and importation of lighting equipment for use in film-making
  - Customs duty abolished on 368 tariff lines including the following items:
    - Clothing items such as suits, jackets, trousers, dresses, shirts and t-shirts
    - Baby diapers and wipes
    - Table, kitchen and household articles of aluminium and porcelain
    - Drinking glasses
    - Motor vehicle engines and parts thereof
    - Primary cells and batteries
    - Electric heating apparatus
  - Customs duty of 15 percent introduced on sugar
  - Increase in customs duty on spirituous products from 15 percent to 30 percent

- **Excise duty**

- Increase in excise duty by 5 percent on beer, 10 percent for all other alcoholic products and 25 percent for all tobacco products from 30 July 2016
- Excise duty of 3 cents per gram on sugar content extended to cover milk-based products and other sweetened beverages from 1 October 2016
- Coverage of the 25 percent levy on energy inefficient products extended to include washing machines, lamps of mercury vapour and metal halide
- Threshold for application of levy on energy inefficient products revised upwards as from 1 February 2017
- Levy of 15 percent being introduced on pesticides from 30 July 2016
- Suspension of CO2 levy/rebate scheme on motor vehicles
- Excise duty on motor cars between 1,001 to 1,600 cc reduced from 55 per cent to 50 percent
- Duty on hybrid motor cars reduced by 30 percentage points for all cylinder capacity
- Abolition of duty on electric cars of up to 180 KW

- **Land Transfer Tax and Registration Duty**

- Registration duty exemption on secured housing loan increased for loan amount from MUR1 million to MUR2 million
- Upper limit of the value of the residence qualifying for Land Transfer Tax exemption on sale of residence units by promoters to Mauritian up to 30 June 2020, increased from MUR4 million to MUR6 million. No Registration Duty and Land Transfer Tax payable on acquisition of land for such project
- Registration Duty exemption threshold for first time buyer of a residential bare land increased from MUR1.5 million to MUR2 million provided the acreage does not exceed 20 perches
- Land Transfer Tax exemption on free social housing provided by an employer to his employee on land not exceeding 7 perches
- Registration duty exemption for Mauritians acquiring a newly built house or apartment not exceeding MUR6 million during the period 1 September 2016 to 30 June 2020. Exemption also granted for dwelling purchase on plan or during construction with no age restriction

## Tax Administration

- **Income tax**
  - Individual with net income exceeding MUR15 million or having assets exceeding MUR50 million yearly to submit a Statement of Assets and Liabilities, if required by the MRA
  - Introduction of a two-year limit for submission of amended income tax returns both by individuals and corporates. Time limit not applicable to arrears of emoluments paid by employer
  - Employee's National Identity Number (NID) to be submitted in monthly PAYE return by employer
  - Payee's Business Registration Number or NID to be submitted along with return for TDS
  - Introduction of penalty on losses or refund over-claimed
  - Reduction of penalty provisions now extended to individuals not in business. Maximum amount of penalty to be reduced from MUR20,000 to MUR5,000 while late payment of taxes to be lowered from 5 percent to 2 percent
  - Taxpayer now able to express doubt regarding interpretation and application of the law on any item included in his income tax return
  - Tax residency certificate fee applicable to an individual fixed at MUR1,000
  - No return required for companies not in operation, only a declaration will suffice. Facility not applicable to a company holding a GBL1 licence or a trust
  
- **General**
  - Collection of Social Security Contributions now centralised at MRA level to allow employers to benefit from the wide-ranging e-services developed by the MRA
  - Recovery of Registrar-General's Department revenue arrears to be administered by MRA
  - Alternative Dispute Resolution mechanism set up at level of the MRA to expedite tax appeal cases exceeding MUR10 million with the exception of disputes relating to Customs and Excise
  - Definition of "Fraud" to include cases of non-submission of tax returns, thus allowing the MRA to raise assessments beyond the statutory limit of three years subject to authorisation
  - Non-remittance of VAT, PAYE and TDS collected to constitute criminal offence
  - Tax Clearance Certificate will be required for contractors from the MRA before allocating any Government contracts exceeding MUR5 million
  
- **Customs**
  - Exemption from excise duty and VAT on any vessel engaged in the delivery of bunker fuel within the port
  - Reduction of time limit from 21 to 14 days regarding the payment of duties and taxes in respect of a validated Bill of Entry
  - Late payment of unpaid duty to attract penalty of 5 percent and interest of 0.5 percent per month
  - Removal of the five-year time limit to initiate proceedings for the recovery of taxes and penalties under the custom tax laws
  - Electronic payment of customs duty, excise duty and VAT amounting to MUR50,000 or more will be mandatory

# Other Budgetary Measures

To embark on a new era of development the government is proposing 10 key strategies:

## Fostering a wave of modern entrepreneurs

The Government is giving an additional thrust to the SME sector by taking the following measures:

- Suspension of payment of trade fees for SMEs
- Provision of tax holidays for enterprises registered with SMEDA extended to individuals and cooperative societies
- Reintroduction of Leasing Equipment Modernisation Scheme (LEMS) to provide access to leasing finance
- Setting up of a line of credit of MUR100 million to provide factoring services to small businesses
- SME financing scheme extended to individual entrepreneurs

## Creating more job opportunities for all

A mismatch between demand and supply of qualifications and skills set has been identified as one of the major causes of unemployment. This issue is being addressed through:

- Enlistment of 4,000 persons under the National Skills Development Program for training in technical skills which are in high demand
- Training of 1,200 seafarers for cruise jobs and in shipping companies
- Authorisation for training levy to be used for meeting consultancy costs for training staff in new technologies
- Provision of 2,000 jobs to the unemployed under the Youth Employment Program
- Filling of 7,200 vacancies and new posts in the civil service

## Entering a new economic cycle focusing on innovation, boosting exports and private investments

The Government is taking game changing initiatives to consolidate the economic base by focusing on innovation, boosting exports and private investments in key sectors:

- **Manufacturing sector**
  - Introduction of gold business creating activities ranging from refinery of gold to trading of gold and bullions on a new commodity exchange
  - Setting up of several manufacturing projects for exports to African market
  - Setting up of a pharmaceutical village at Rose Belle for local and African market
  - Introduction of major air freight rebate scheme to counter challenges of BREXIT

- Boosting of activities in the Freeport by implementing new measures
- Provision of support to “Made in Moris” products by increasing the bid price preference from 10 percent to 20 per cent in procurement exercises
- **Financial Services**
  - Authorisation for investment in listed securities by GBC2 companies
  - Grant of an eight-year tax holiday to companies holding a “Global Headquarters Administration License”
  - Provision of five-year tax holiday to various licensees of FSC: treasury management center, asset and fund managers, international law firms, investment banking and corporate advisory and overseas family corporation
  - Provision of five-year tax holiday for ultra high net worth individuals investing a minimum of USD25 million
- **Tourism**
  - Boosting of tourism and duty free island by intensifying marketing in Africa
  - Provision of an additional MUR40 million to boost our air corridor
- **Blue Economy**
  - Introduction of new incentives for the development of aqua culture
  - Provision of eight-year tax holiday to attract industrial fishing companies operating from Mauritius
- **Green Economy**
  - Investment of MUR400 million by CEB to increase the grid absorption capacity for energy from renewable sources

#### Moving towards a fully fledged digital society

A number of measures are being announced to move Mauritius towards a fully fledged digital economy and society:

- Setting up of an Information Highway for sharing of information among public sector agencies
- Implementation of 50 new e-services to facilitate citizens’ interaction with the public sector agencies
- Development of a payment gateway, ‘National Payment Switch’, by the Bank of Mauritius
- Development of a national e-commerce platform to connect foreign consumers to our exporters
- Setting up of 250 additional free Wifi Hotspots across the island
- Development of digital literacy across all levels of education

#### Fundamentally reforming business facilitation and expanding our economic horizons

Business facilitation measures are being introduced to free the economy from the stifling bureaucracy and to adapt laws, regulations and procedures to new business exigencies by:

- Introduction of facilitation measures to reduce the time to deliver Building and Land Use Permits (BLPs)
- Review and amend the Property Development Scheme (PDS) through:
  - Removal of the maximum size limit of 50 arpents

- Removal of the requirement to sell at least 25 percent of residential units to Mauritian buyers
- Review of the current maximum permissible land size for a villa, from 0.5 arpent to 1.25 arpents
- Setting up of an e-licensing platform to provide a single point of entry for application of permits and licences
- Introduction of the silent agreement principle to empower BOI to issue the necessary approvals and clearances for business start-ups where statutory deadlines have lapsed
- Introduction of the concept of Regulatory Sandbox Licence (RSL) to allow companies to invest in innovative projects
- Amendments to the Non-Citizens (Property Restriction) Act to allow non-citizens to acquire apartments and business spaces

#### Building infrastructure that fits into the future

Significant infrastructural engineering will be undertaken to strengthen growth and raise productivity through the following:

- Introduction of a new mass transit system (Metro Express Project) with its network of urban terminals
- Construction of the Victoria Terminal under the BOT model
- Start Phase 1 of Heritage City: New Parliament, offices and other infrastructural facilities
- Investment in a new Integrated Government Clearance Centre in the Cargo Village and a modern Control Tower at the airport
- Setting up of a Regional Aviation Training Academy for the African and Indian Ocean Rim region
- Investment of MUR6 billion over the next 5 years to enhance the port infrastructure
- Development of a new petroleum port at Albion

#### Lifting the quality of life for one and all

The strategy is about dealing with an assortment of factors that weave together to makeup the quality of life:

- **Investment in “round the clock” water supply**  
Government will invest MUR3.4 billion in this financial year to alleviate the water shortage problem in the country through the following:
  - Replacement of old and defective water pipes across the country
  - Upgrade and increase in capacities of treatment plants
  - Construction of strategic service reservoirs and dams to increase the water storage capacity
- **Reforming the gambling sector**  
The Government is setting up a Responsible Gambling and Capacity Building Fund with the aim to:
  - Develop and implement responsible gambling programme
  - Address and curb ills associated with gambling industry
  - Build capacity

The following additional measures are being taken:

- Gradual divestment from gambling sector by the government
- Arrangement of regulated betting games by hotels for non-residents and foreigners

- Authorisation for on-line betting but restricted to non-residents and foreigners

### Dealing with the root causes of poverty

The following measures are being announced to address poverty and empower poor families:

- Introduction of a monthly subsistence allowance per adult with a minimum threshold of MUR2,720 and a maximum of MUR9,520
- Cash awards to encourage students from poor families to complete secondary level or equivalent vocational or technical education
- Provision of decent housing facilities for low income and poor families
- Increase in monthly income limit eligibility for NHDC social housing scheme from MUR10,000 to MUR20,000
- **Corporate Social Responsibility (CSR) Framework**  
The use of CSR funds is being revisited by incorporating a National CSR Foundation to be jointly managed by the public and private sectors. This shall also ensure transparency in the use of the CSR funds.

The measures proposed are:

- Contribution of minimum 50 percent of CSR funds by businesses to the National CSR Foundation. This contribution shall increase to a minimum of 75 percent by next financial year
- Usage of the remaining 50 percent of CSR funds for businesses' own programmes. Any unspent balance shall be contributed to National CSR Foundation
- The National CSR Foundation shall focus on these six priority areas
  - Poverty alleviation
  - Educational support
  - Social housing
  - Supporting persons with severe disabilities
  - Health problems related to substance abuse and poor sanitation
  - Family protection

### A major public sector reform programme

The Minister of Finance and Economic Development has taken bold initiatives in order to accelerate the public sector reform programme with a combination of merger and consolidation strategies such as:

- Merging of various parastatal bodies in sectors such as real estate, entrepreneurial, social housing and IT in order to create coherent, efficient and effective institutions
- Extension of MRA services as a collecting agent on behalf of NPF, NSF, HRDC and WPF
- Restructuring of SIC Group via disposal of matured assets to be reinvested in export oriented enterprises while enhancing economic development and promoting job creation
- DBM to act as a focal point for running SME parks and providing finance to micro enterprises

### Ensuring macroeconomic stability and sound public finances

To maintain stability in the challenging international conjuncture, the main strategies are centered around macro-economic stability, sound public finances and sustainable public debt. A major source of finance to achieve

the above emanates from a grant of MUR12.7 billion from the Government of India to be invested as follows:

- MUR7.2 billion into the Metro Express Project
- MUR500 million for digital tablets to be given to grades 1 and 2 in primary schools
- MUR1.1 billion into a new Supreme Court Tower in Port Louis
- MUR2.7 billion into new Parliament House and Government offices
- MUR500 million into new ENT hospital
- MUR700 million into the Marshall Plan
  
- **Pension Reform**  
As a result of an ageing population the pension system needs to be alleviated. A kickstart measure is the setting up of a high level committee.



# Contacts



**Twaleb Butonkee**  
**Partner**  
[tbutonkee@deloitte.com](mailto:tbutonkee@deloitte.com)  
+230 403 58 00

**Deloitte**  
**Mauritius**  
7th Floor  
Standard Chartered Tower  
19-21 Bank Street  
Cybercity, Ebène  
Mauritius



**Roopesh Dabeesingh**  
**Tax Director**  
[rdabeesingh@deloitte.com](mailto:rdabeesingh@deloitte.com)  
+230 403 58 00

**Deloitte**  
**Mauritius**  
7th Floor  
Standard Chartered Tower  
19-21 Bank Street  
Cybercity, Ebène  
Mauritius



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