

Key Tax Amendments

July 2017

Foreword

Finance Act 2017

The Finance (Miscellaneous Provisions) Act 2017 (“FA 2017”) received the President’s assent on 24 July 2017 and was published on the Government portal on 26 July 2017. This alert covers the key tax changes brought by FA 2017 and their effective dates as announced. For certain amendments such as negative income tax and registration of tax agents amongst others, the commencement dates will be fixed by proclamation.

The key fiscal amendments relate to income tax reduction from 15 percent to 3 percent on profits derived from export of goods for domestic companies and introduction of a Solidarity Levy of 5 percent applicable to high income earners on excess of chargeable income plus exempt dividend income. FA 2017 also brings a significant number of tax administrative changes and provides for waiver of penalties and interests under several schemes.

We trust you will find our alert informative and feel free to contact us for any clarifications on Finance Act 2017.

Best regards

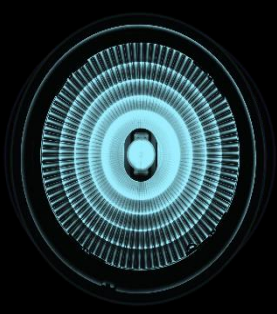
Roopesh Dabeesingh
Tax Partner






Roopesh Dabeesingh

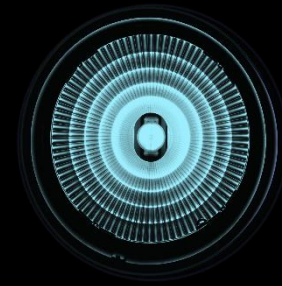
Tax Partner
Deloitte Mauritius

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Corporate Tax



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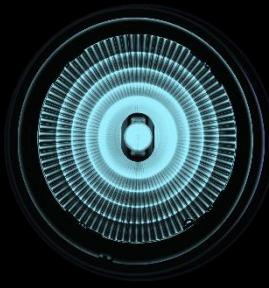
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Amendments

Effective Date

Reduced Tax Rate on profit from export

Reduced corporate tax rate of three percent on chargeable income attributable to export of goods by domestic companies. The chargeable income is based on the below formula:

$$A/B \times C$$

Where:

A is the gross income derived from the export of goods in that income year

B is the gross income derived from all activities of the company for that income year

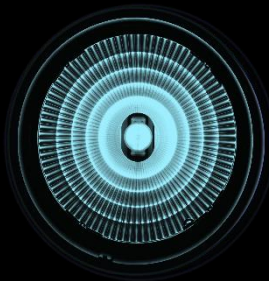
C is the chargeable income of the company for that income year

1 July 2017

Investment Tax Credit

Claim of investment tax credit for manufacturing companies engaged in export to be prescribed, in view of reduced tax rate of three percent introduced for exports of goods





Amendments

Effective Date

Deep Ocean Water Air Conditioning

- Double deduction in respect of expenditure incurred on deep ocean water air conditioning
- The above deduction allowed for five consecutive years

} **1 July 2017**

- No time limit to carry forward tax losses attributable to the above deduction

**YOA commencing on
1 July 2017**

Water Desalination Plant

- Double deduction in respect of expenditure incurred on acquisition and set up of water desalination plant. However, capital allowance not available when claiming aforementioned double deduction

} **1 July 2017**

- No time limit to carry forward tax losses attributable to the above deduction

**YOA commencing on
1 July 2017**

Research and Development

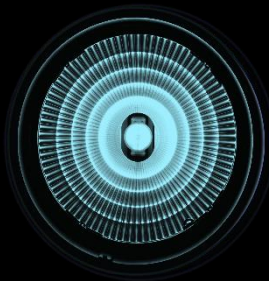
- Double deduction in respect of qualifying research and development expenditures directly related to the existing trade or business incurred during the period 1 July 2017 to 30 June 2022, provided no capital allowance is claimed
- Deduction may also be allowed by MRA, for non-business or non-trade related qualifying expenditures incurred during the period 1 July 2017 to 30 June 2022

} **1 July 2017**

- No time limit to carry forward tax losses attributable to the aforementioned deductions

**YOA commencing on
1 July 2017**





Amendments

Effective Date

Tax Exemptions

- Eight-year income tax holiday to:
 - Companies set up on or after 1 July 2017 involved in innovation-driven activities, in respect of their income derived from intellectual property assets developed in Mauritius
 - Companies incorporated after 8 June 2017 engaged in the manufacture of medical devices, pharmaceutical and high tech products
 - Companies engaged in exploitation and use of deep ocean water for providing air conditioning installations, facilities and services**24 July 2017**
- Income tax exemption on interest income on approved debentures or bonds for financing of renewable energy projects
1 July 2017

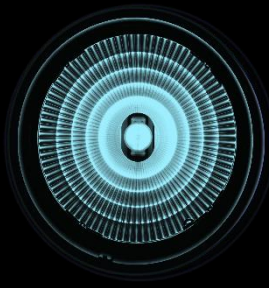
Contribution to Superannuation Fund

No deduction will be allowed in respect of contribution made by employers where fund is set up for the principal purpose of providing tax benefits to selected employees and their dependents
24 July 2017

Annual Allowance

- Capital allowance extended to capital expenditures on:
- Solar energy unit
 - Research and development, including innovation, improvement or development of a process, product or service
- 1 July 2017**





Amendments

Effective Date

Tax losses on takeover or merger

Accumulated losses can be carried forward even if there is a change of more than 50 percent in the shareholding of a manufacturing company provided change is deemed to be in public interest and caters for safeguard of employment

Corporate Social Responsibility (CSR)

- Obligation to remit at least 50 percent of CSR contribution to the MRA for CSR Funds set up on or after 1 January 2017 up to 31 December 2018
- For CSR Funds set up on or after 1 January 2019, contribution to MRA to be at least 75 percent

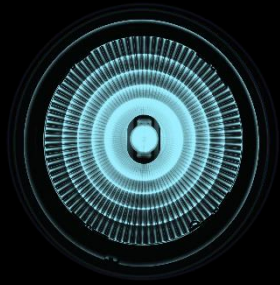
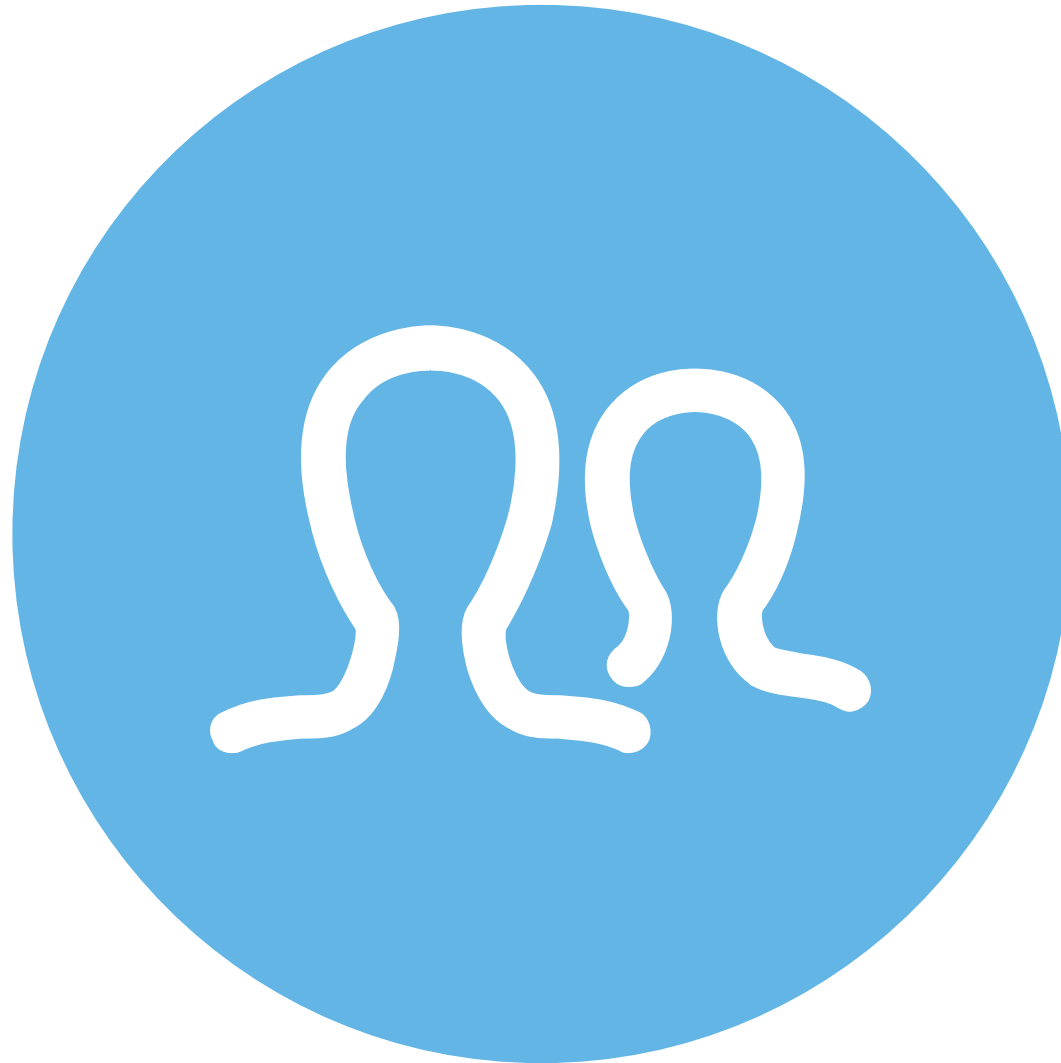
24 July 2017

Tax Deducted at Source (TDS)

- TDS now applicable on fees, in lieu of director's fees, payable by any company to a person
- Exemption to operate TDS now extended to sociétés or successions with annual turnover not exceeding MUR6M. However, this exemption does not apply to companies, sociétés and successions which award contracts for construction works
- No TDS applicable on royalty income derived by a Mauritian from artistic or literary work



Personal Tax



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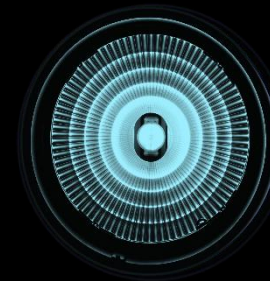
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Amendments

Effective Date

Solidarity levy

- New solidarity levy of five percent on leviable income (i.e. chargeable income plus dividends from resident companies) in excess of MUR3.5M
- Not applicable for non-resident individual

Incoming year commencing on 1 July 2017

Mauritian Diaspora

The 10-year tax holiday given to a member of Mauritian Diaspora will be limited to income derived from specific employment, business, trade, profession, or investment

Incoming year commencing on 1 July 2017

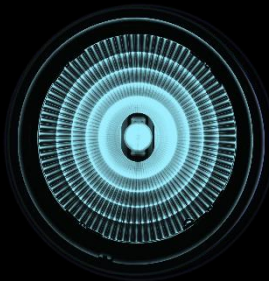
Negative income tax

Government support in the form of negative income tax ranging from MUR100 to MUR1,000 introduced for Mauritian citizens deriving monthly employment income not exceeding MUR9,900. Entitlement to the allowance shall be subject to satisfying all of the following conditions:

1. The individual is a citizen of Mauritius
2. The individual is in full-time employment, working for a minimum of 30 hours in a week over at least five days
3. The individual has been in continuous employment for a period of six months prior to the month in respect of which the allowance is payable
4. The aggregate net income of the individual and that of his spouse, including any dividend and interest, in the current year did not exceed MUR390,000
5. The individual and the employer, are both fully compliant with their contributions to the National Pension Fund and the National Savings Fund

To be fixed by proclamation





Amendments

Effective Date

Statement of Assets and Liabilities (SOAL)

- SOAL to include assets of spouse and dependent children
- Assets less than MUR200,000 excluded for disclosure requirements
- No obligation to submit SOAL by:
 - Non-citizen
 - Citizen who is not resident for tax purposes in Mauritius
 - Person who has submitted a SOAL in the preceding year and whose aggregate cost of assets, including assets of his spouse and dependent children, has increased by less than 15 percent

24 July 2017

Requirement to file return

No requirement for persons acquiring high value immovable property, motor vehicle or pleasure craft to file income tax return provided the person has no chargeable income

**YOA commencing
1 July 2017**

Income Exemption Threshold (IET)

Increase in IET and introduction of new category ([Refer to Table 1 on Page 12](#))

Relief for Medical/Health Insurance Premium

Increase in deductions in respect of medical/health insurance premiums ([Refer to Table 2 on Page 13](#))

**Income year
commencing
1 July 2017**

Deduction for household employees

Individuals to be allowed to claim as deduction from their net income, wages paid to household employees. Deduction capped at MUR30,000



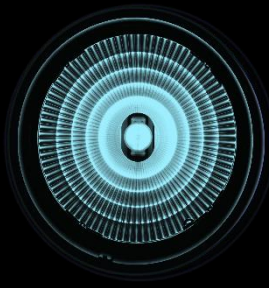


Table 1 - Income Exemption Threshold

Category	Applicable to	From (MUR)	To (MUR)	Increase (MUR)
A	Individual with no dependent	295,000	300,000	5,000
B	Individual with one dependent	405,000	410,000	5,000
C	Individual with two dependents	465,000	475,000	10,000
D	Individual with three dependents	505,000	520,000	15,000
E	Individual with four or more dependents	505,000	550,000	45,000
F	Retired/disabled person with no dependent	345,000	350,000	5,000
G	Retired/disabled person with one dependent	455,000	460,000	5,000

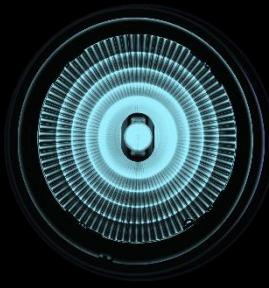


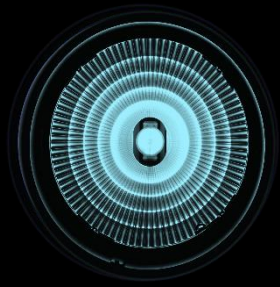
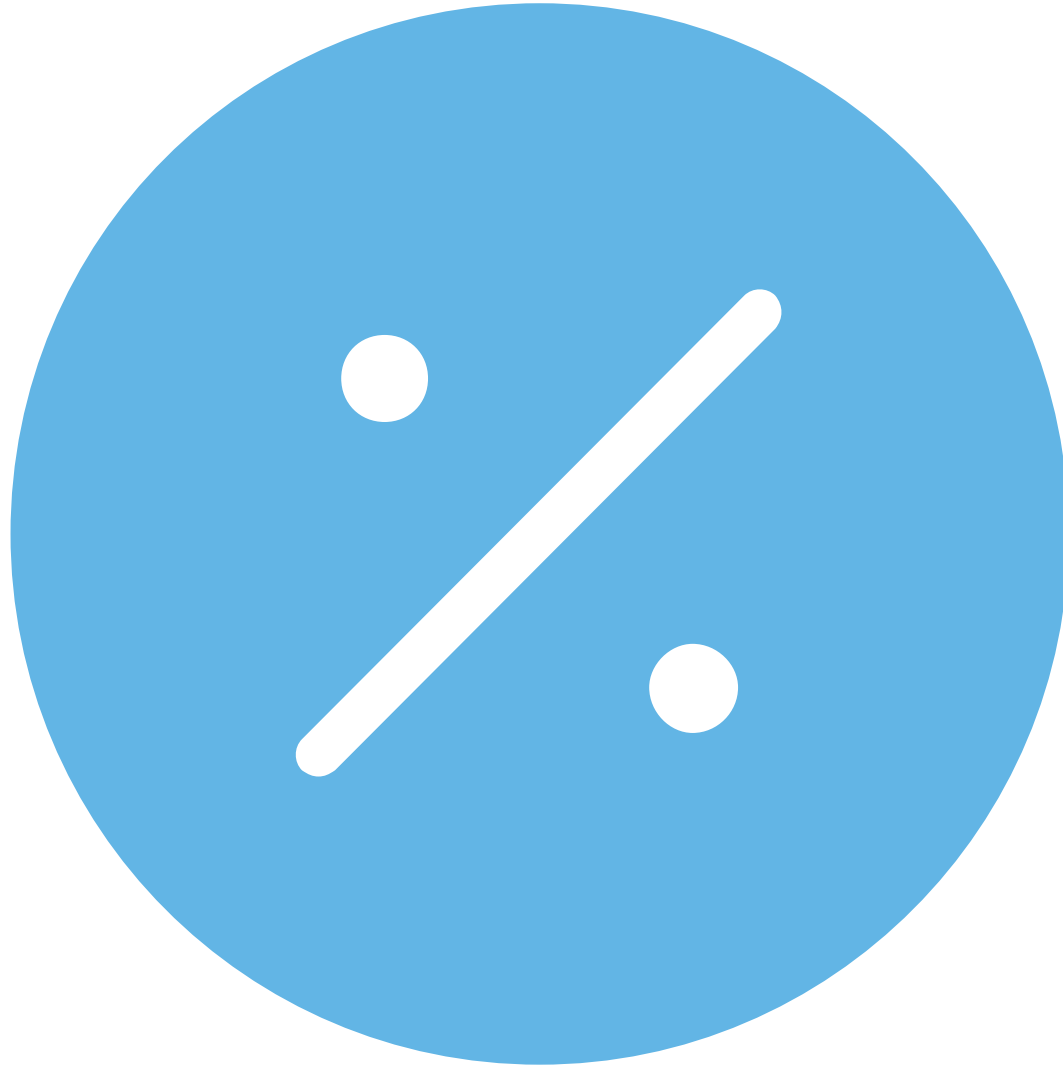
Table 2 – Relief for Medical/Health Insurance Premium

Category	From (MUR)	To (MUR)
Self	12,000	15,000
First dependent	12,000	15,000
Second and third dependents	6,000	10,000



“Relief for self and dependents for insurance premium has increased.”

Value Added Tax



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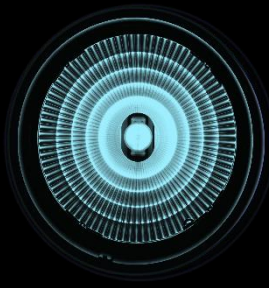
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Amendments

Effective Date

Adjustment for Bad Debts

Adjustment to output VAT for bad debts only authorised where debts are proved to have become bad and to have been actually written off as a bad debt

Penalty for failure to join electronic system

Maximum penalty for failure to join electronic system in respect of VAT filing, increased from MUR50,000 to MUR100,000

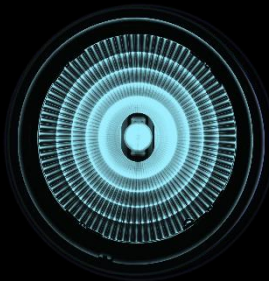
24 July 2017

Time Limit

- MRA now only permitted to go back four years when determining pre-registration tax liability of a VAT registered person
- MRA will have a maximum of four years to request information and make assessment or claim



Value Added Tax



Amendments

Effective Date

VAT refund

- Tea cultivator registered with National Agricultural Product Regulatory Office now eligible to claim VAT refund
- VAT refund now available for additional qualifying equipment acquired by eligible non-VAT registered persons

24 July 2017

Compulsory VAT Registration

Compulsory VAT registration extended to cover wholesale dealers of liquor and alcoholic produce

1 October 2017

List of exempt goods and services

Newly added items:

- Goods imported by post whose value for duty purposes does not exceed MUR3,000
- Sterile water used before, during and after operation

Zero Rated Goods or Services

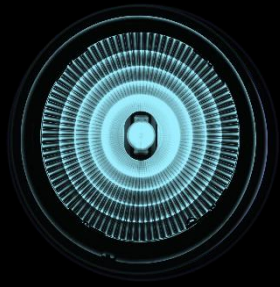
9 June 2017

Newly added items:

- Fees payable for examination of vehicles up to 30 June 2018
- Burglar alarm systems and sensors including patrol and monitoring equipment



Tax Administration



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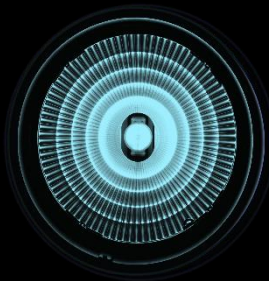
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Amendments

Effective Date

Electronic Filing of Returns and Payment of Tax

Obligation for all companies to submit return and make payments for corporate tax and PAYE electronically

1 January 2018

Statement of Dividend Payment

Companies paying dividend in excess MUR100,000 to individuals, sociétés or successions now required to submit return electronically by 15 August providing details of recipients

Income year commencing on 1 July 2017

Registration of Tax Agent

No person shall prepare and sign the annual tax return of a tax payer or represent the latter before the MRA, ATDR Panel or the ARC unless he is a registered tax agent or a registered nominee of a tax agent

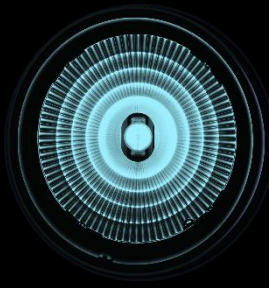
To be fixed by proclamation

Annual Statement of Financial Transactions

- Obligation for banks and non-bank deposit taking institutions to submit Annual Statement of Financial Transactions to the MRA by 15 August, every year, in respect of financial transactions effected by:
 1. Individual, société or succession making:
 - A Deposit in excess of MUR500,000; or
 - Deposits exceeding MUR4M in the preceding two years
 2. Any other persons, other than an individual, sociétés or succession (e.g. companies, individual trusts) making:
 - A Deposit exceeding MUR1M; or
 - Deposits exceeding MUR8M in the preceding two years
- Statement not applicable for non-residents, GBC1, GBC2, public-listed companies, its subsidiaries and associates
- Obligation for banks, person holding a money changer or exchange dealer license to submit Statement of financial transactions in respect of persons having bought, sold or transferred (other than local intra-account transfers) foreign currency equivalent to MUR200,000 or more in a single transaction during the preceding year

Income year commencing on 1 July 2017





Amendments

Effective Date

Tax Arrears Settlement Scheme (TASS)

- Re-introduction of TASS providing full waiver of interests and penalties in respect of tax due under an assessment issued or return submitted on or before 30 June 2015, subject to:
 - Application being made by 31 March 2018
 - Settlement of tax due by 31 May 2018
- Not applicable for tax due under an assessment in respect of which representations are pending before ARC or appeal is pending before Supreme Court or Judicial Committee of the Privy Council

VAT Arrears

Full waiver of penalties and interests in respect of VAT arrears outstanding as at 8 June 2017, subject to:

- Application made by 31 March 2018; and
- Settlement of VAT due by 31 May 2018

24 July 2017

Expeditious Dispute Resolution Tax Scheme (EDRTS)

Re-introduction of EDRTS providing up to 100 percent waiver of penalties and interests for assessments on or before 1 July 2015 under the Income Tax Act, Value Added tax Act or Gambling Regulatory Authority Act, subject to:

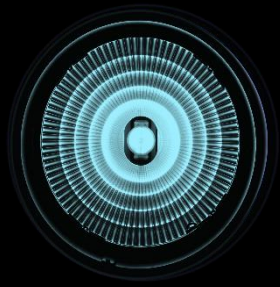
- Application being made on or before 30 June 2020
- Tax amount assessed not exceeding MUR10M

Tax Rulings

Director-General of the MRA will not issue income tax or VAT ruling on any issue which is still under objection or appeal



Other Taxes



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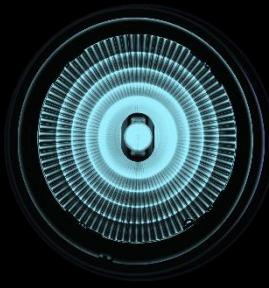
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Amendments

Effective Date

Land Transfer Tax and Registration Duty

- Remission or refund of registration duty, land transfer tax and tax on transfer of leasehold rights in state land available where:
 - No effective change in ownership of the property
 - Application for exemption made within one year
 - Completion of a transaction depends on registration of several documents leading to multiplicity of taxation
 - Registration of a document makes reference to documents in respect of which duty is leviable, leading to multiplicity of taxation
- Waiver of any penalties unpaid as at 8 June 2017 provided that:
 - The duty and taxes are paid by 31 May 2018
 - Any appeal or objection is withdrawn at the time of the payment

24 July 2017

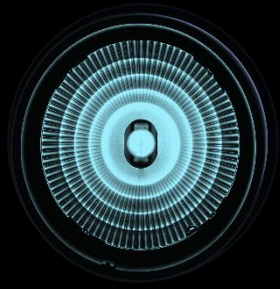
Excise Duty

Excise duty exemption extended to cover:

- Motor vehicle aged 40 years or more from the date of its original registration in or outside Mauritius
- Double-space cabin vehicle or single-space cabin vehicle extended to a tea grower
- Double-space cabin vehicle bought by a Trade Union Confederation. However this exemption is granted once every seven years



Glossary



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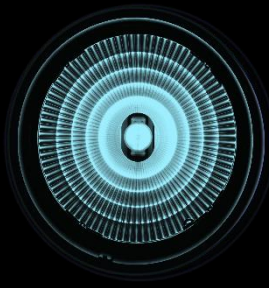
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Abbreviations	Description
ARC	Assessment Review Committee
ATDR	Alternative Tax Dispute Resolution
CSR	Corporate Social Responsibility
EDRTS	Expeditious Dispute Resolution Tax Scheme
GBC1	Category 1 Global Business Company
GBC2	Category 2 Global Business Company
IET	Income Exemption Threshold
MRA	Mauritius Revenue Authority
MUR	Mauritian Rupee
PAYE	Pay As You Earn
SOAL	Statement Of Assets and Liabilities
TASS	Tax Arrears Settlement Scheme
TDS	Tax Deducted at Source
VAT	Value Added Tax
YOA	Year of Assessment

Contact us



Twaleb Butonkee
Senior Partner

Email: tbutonkee@deloitte.com
Tel: +230 403 5870



Roopesh Dabeesingh
Tax Partner

Email: rdabeesingh@deloitte.com
Tel: +230 403 5819



Kavi Udhin
Tax Manager

Email: kudhin@deloitte.com
Tel: +230 403 5817



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