Budget Analysis
Embracing a brighter future together as a nation
10 June 2019
Foreword
Economic snapshots
Detailed tax measures
Glossary
Contact
Foreword

Embracing a brighter future
Mauritius Budget 2019–2020
10 June 2019

Meeting social aspirations in a challenging economic environment
The Finance Minister, Honourable Pravind Kumar JUGNAUTH has delivered the fifth and last Budget Speech of the present Government, with the overall objective of continuing the development and transformation of Mauritius. He has pursued the approach of improving economic and social justice in the country, whilst simultaneously laying out measures aiming at further modernisation of physical and regulatory infrastructures. This particular budget speech is under scrutiny by all segments of the economy and society, given forthcoming general elections in Mauritius.

This budget is taking place in a global environment characterised by geopolitical tensions and by trade wars between leading economies, notably US and China, with potential rounds of retaliatory measures ahead. G-20 Finance Chiefs and the IMF already acknowledge that the prevailing deepening trade tensions pose a threat to the world economy. Leading Central Bankers have over the past week, been announcing a possible need to reverse the recent policy orientation through re-implementation of interest rate reduction and of Quantitative Easing. The ongoing trade wars may even lead to currency wars marked by competitive depreciations. Unless skilfully and diligently managed, these disruptions have potentially damaging implications for the economic and financial stability of countries, especially for small open economies like Mauritius, which are heavily reliant on international trade for boosting growth and living standards.
Foreword

While inflation rate and unemployment rate have been lately falling, the domestic economic environment continues to be challenging and characterised by sub-par growth of below 4 percent per annum over the last decade, requiring structural solutions. The manufacturing export sector has been dwindling while the global business sector can no longer rely on tax treaties. Technological disruption implies that “Business as Usual” is no more an option for the financial sector. The number of Old Age Dependents per Thousand of Working Age workers has increased, from 160 in 2010 to 240 in 2018, and is projected to rise further – this has implications for pension management and sustainability. Aggregate Expenditure has been tilting towards Consumption, away from Investment and Exports. Total Investment to GDP ratio has fallen from 23 percent (2009 – 2013) to 18 percent (2014 – 2019), while Total Consumption to GDP has risen from 80 percent in 2006 to 90 percent in 2018.

Public Sector Debt to GDP has increased, from 52 percent in 2008 to 57 percent in 2013 and 63 percent in 2018, and Government plans to reduce the debt to 60 percent before 2021 by using part of the undistributed surplus of the Bank of Mauritius. The budget deficit, which has evolved in a stable range of 3 percent – 3.5 percent of GDP since 2013, is estimated to maintain course at 3.2 percent for financial year 2019/2020.

The budget aims to address the above challenges through ten avenues, including strengthening pillars of economic growth, expanding the economic space, building infrastructure, sound public finance and sustainable debt. Innovation, Business Facilitation and Democratisation are being encouraged across the entire economic spectrum, from agriculture to financial sector through education, health, energy, ocean economy and SME sectors. Airport and seaport infrastructure, road and water infrastructure, market access for Mauritian exports, paperless administration, licensing of innovative financial services and public fund management are enhanced in order to promote overall economic efficiency and inclusive development. Multilateral African banks will provide funding for viable projects on the continent by Mauritian enterprises.
Foreword

Some of the fiscal measures include new five-year tax holiday for E-commerce platforms and Peer-to-Peer Lending operators, and an option for SMEs to pay a final income tax of 1 percent of their turnover. Taxation of banks is being fine-tuned, and banks will also be eligible to reduced tax rate of 5 percent, provided they grant at least 5 percent of new facilities to SMEs, targeted sectors or operators in Africa or Asia. The tax legislation will be amended to introduce rules on controlled foreign companies (CFC).

This budget places considerable emphasis on social aspects, including alleviation of poverty, promoting the health of Mauritians, raising the purchasing power of the population, widening opportunities for SMEs, enhancing gender equality in corporate decision-making and assistance to senior citizens. However, these aspirations as well as the ambitions to graduate to a high-income economy are dependent on the achievement of strong economic growth in a challenging world.
Economic snapshots
Economic snapshots

2019 highlights

Economic Growth Rate (%)

Headline Inflation Rate (%)

*Forecast

Sources: Statistics Mauritius, Bank of Mauritius, MoFED, and Budget Speech 2019/2020
Economic snapshots

2019 highlights

*Forecast
Sources: Statistics Mauritius, Bank of Mauritius, MoFED, and Budget Speech 2019/2020
### Economic snapshots

#### 2019 highlights

<table>
<thead>
<tr>
<th>Sector</th>
<th>Contribution to Growth Rate (%)</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial and insurance activities</td>
<td>0.6</td>
<td>5.4</td>
</tr>
<tr>
<td>Construction</td>
<td>0.4</td>
<td>5.4</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>0.4</td>
<td>3.6</td>
</tr>
<tr>
<td>Accommodation and food service activities</td>
<td>0.3</td>
<td>4.1</td>
</tr>
<tr>
<td>ICT</td>
<td>0.2</td>
<td>5.5</td>
</tr>
<tr>
<td>Human health and social work activities</td>
<td>0.2</td>
<td>4.1</td>
</tr>
<tr>
<td>Professional, scientific, and technical activities</td>
<td>0.2</td>
<td>5.1</td>
</tr>
<tr>
<td>Real estate activities</td>
<td>0.2</td>
<td>3.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Education</td>
<td>0.1</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Sources: Statistics Mauritius, Bank of Mauritius, MoFED, and Budget Speech 2019/2020
Economic snapshots

2019 highlights

Current account balance as % of GDP

Sources: Statistics Mauritius, Bank of Mauritius, MoFED, and Budget Speech 2019/2020
Economic snapshots

2019 highlights

Aggregate expenditure as % of GDP

Sources: Statistics Mauritius, Bank of Mauritius, MoFED, and Budget Speech 2019/2020
2019 highlights

Public sector debt as % of GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>General government total debt</th>
<th>Public enterprises debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>50%</td>
<td>6%</td>
</tr>
<tr>
<td>2013</td>
<td>50%</td>
<td>6%</td>
</tr>
<tr>
<td>2018</td>
<td>50%</td>
<td>6%</td>
</tr>
</tbody>
</table>

* Financial year ending in June

Sources: Statistics Mauritius, Bank of Mauritius, MoFED, and Budget Speech 2019/2020
Economic snapshots

2019 highlights

- Monthly average number of mobile transactions per subscriber (March 2019): 0.99
- Budget deficit (% of GDP) 2018: 3.2%
- Number of old age dependents per thousand of working population who are in employment: 239 (2018), 160 (2010)
- FDI (MUR B) 2018: 17.37

* Financial year ending in June
Sources: Statistics Mauritius, Bank of Mauritius, MoFED, and Budget Speech 2019/2020

©2019 Deloitte Mauritius
Detailed tax measures

- Corporate tax
- VAT
- Personal tax
- Other taxes
- Tax administration
Corporate tax
Corporate tax

Key measures

Real estate investment trusts
• Attractive tax regime to promote development of REITs to be introduced

Income tax holiday
• Eight-year tax holiday on income derived from IP assets developed in Mauritius by:
  – New companies involved in innovation-driven activities
  – Existing companies (income derived from IP assets developed after 10 June 2019)
  • Eight-year income tax holiday for new companies developing a marina

Banks
• Reduced tax rate of 5% on the excess of base year’s chargeable income (YOA 2017/2018) provided at least 5% of the new banking facilities granted to:
  – SMEs in Mauritius
  – Enterprises engaged in agriculture, manufacturing or production of renewable energy in Mauritius
  – Operators in African or Asian countries
• Special levy non-deductible for corporate tax purpose
• No relief for foreign tax credit available
Corporate tax

Key measures

Income tax holiday (continued)

- Five-year tax holiday for peer-to-peer lending operators starting activity before 31 December 2020

- Five-year tax holiday on setting up an e-commerce platform by companies incorporated before 30 June 2025

- Four-year tax holiday on income derived from bunkering of low sulphur heavy fuel oil

Other reliefs

- 200% deduction on investment on fast chargers for electric cars

- 150% deduction on expenditure incurred by hotels on cleaning, renovation and embellishment work in the public realm

- 150% deduction on case filing fee for parties attempting mediation, conciliation or arbitration

- Threshold for 100% annual allowance on plant or machinery increased to MUR 60,000

- Possibility to carry forward unrelieved tax losses for companies in financial difficulty upon takeover by another shareholder subject to conditions, effective from 1 July 2018

Freeport

- Reduced tax rate of 3% on profits derived from local sale of goods by freeport operators or private freeport operators engaged in the manufacture of goods

- Freeport operators no longer exempt from CSR on sale of goods in the local market
Partial exemption

- Regime extended to cover companies engaged in the following activities:
  - Leasing and provision of international fibre capacity
  - Reinsurance and reinsurance brokering
  - Sale, financing arrangement and asset management of aircraft and its spare parts, including aviation-related advisory services

- Income tax regulations to be amended to include:
  - Definition of detailed substance requirements

Partial exemption (continued)

- Conditions for outsourcing Core Income Generating Activities (CIGA) namely:
  1. Ability to monitor outsourced CIGA
  2. Conduct of CIGA in Mauritius
  3. Economic substance of service providers not to be counted multiple times by multiple companies when evidencing own substance in Mauritius
Corporate tax

Key measures

SMEs
• Option to pay 1% of turnover as final income tax for companies that are engaged in activities including manufacturing or trading of goods and have annual turnover not exceeding MUR 10 million

Other
• ITA to be updated so that companies centrally managed and controlled outside Mauritius shall not be considered as tax resident

• Arm’s length test provision expected to be clarified to remove any doubt or uncertainty about its application

• CFC rules to be introduced

TDS
• No TDS applicable on peer-to-peer interest income
Special levy for banks

- Income derived by banks from GBC exempted from levy
- Increase in levy rate from 4% to 4.5% for banks with annual operating income exceeding MUR 1.2 billion; the resulting increase in levy subject to a cap
VAT

Key VAT measures and exemption

Compulsory VAT registration
• Compulsory registration for each entity of a business enterprise, which was purposely split to avoid being registered

Repayment of input tax
• Claim for repayment of input tax extended to VAT paid on:
  – Goodwill on acquisition of a business
  – Acquisition of intangible assets, such as software, patents, or franchise agreements

VAT exemption on:
• Management of insurance schemes
• Construction of marinas
• Subscription fees to prescribed professional bodies
VAT

Zero-rated

**Zero-rating extended to:**

- Light rail transport fares of passengers
- Cooking gas for domestic use by households in cylinders of up to 12kg
- Specialised compression garments used for medical purposes
- Bread (with retrospective effect from 1 March 2019)
Scheme for planters/breeders
- The list of equipment qualifying for VAT refund extended to include the following:

<table>
<thead>
<tr>
<th>Equipment</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenhouse cooling pads</td>
<td>Machinery for preparing animal feed</td>
</tr>
<tr>
<td>Greenhouse grow lights</td>
<td>Agricultural dehumidifiers</td>
</tr>
<tr>
<td>Hydroponic trough systems</td>
<td>Dutch buckets/pots system</td>
</tr>
<tr>
<td>Netcups and pots</td>
<td>Vertical grow towers</td>
</tr>
<tr>
<td>Mesh bags</td>
<td>Plant support clips</td>
</tr>
<tr>
<td>Insect traps</td>
<td>Aquaponics test kits</td>
</tr>
<tr>
<td>Generators</td>
<td>Greenhouse fans</td>
</tr>
</tbody>
</table>

Scheme on accommodation costs
- Scheme introduced on accommodation costs for events (such as business meetings, conferences and weddings) with a minimum of 100 foreign attendees staying for at least three nights

Scheme on residential building, house or apartment
- Conditions for eligibility to VAT refund scheme updated as follows:
  - Maximum cost of construction of residence or purchase of apartment increased to MUR 5 million
  - Aggregate annual income of applicant, including spouse, increased to MUR 3.5 million
  - Construction or purchase completed by 30 June 2025
Personal tax
Personal tax

Key measures

**Tax band of 10%**
- Introduction of tax credit of 5% of chargeable income to allow individuals with net income not exceeding MUR 700,000 to benefit from the reduced income tax of 10%
- PAYE at the rate of 10% to apply if average cumulative emolument is below MUR 53,845

**Solidarity levy**
- No solidarity levy on lump sum income by way of commutation of pension, death gratuity and compensation for death/injury; effective retrospectively as from 1 July 2017
- Individuals’ share of income from société/succession to be included in computation of solidarity levy

**Peer-to-Peer lending**
- Reduced income tax rate of 3% to apply on interest income received by individuals from peer-to-peer lending
- Bad debts and fees payable to peer-to-peer operators deductible from taxable interest income
**Personal tax**

**Key measures**

**Exemptions and reliefs**

- Additional deduction in respect of dependent child pursuing tertiary education extended to four dependents

- Additional claim of up to MUR 10,000 in respect of medical insurance premium extended to a fourth dependent

- Acquisition cost of fast charger for electric cars now allowed as deduction from taxable income

- Additional tax exemption of MUR 50,000 granted to retired/disabled person with more than one dependent
### Personal Tax

#### Income Exemption Threshold

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individual with NO dependent</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>310,000</td>
<td>305,000</td>
<td>300,000</td>
<td></td>
</tr>
<tr>
<td><strong>Individual with ONE dependent</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>420,000</td>
<td>415,000</td>
<td>410,000</td>
<td></td>
</tr>
<tr>
<td><strong>Individual with TWO dependents</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>500,000</td>
<td>480,000</td>
<td>475,000</td>
<td></td>
</tr>
<tr>
<td><strong>Retired/disabled individual with NO dependent</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>360,000</td>
<td>355,000</td>
<td>350,000</td>
<td></td>
</tr>
<tr>
<td><strong>Retired/disabled individual with ONE dependent</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>470,000</td>
<td>465,000</td>
<td>460,000</td>
<td></td>
</tr>
<tr>
<td><strong>Individual with THREE dependents</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>550,000</td>
<td>525,000</td>
<td>520,000</td>
<td></td>
</tr>
<tr>
<td><strong>Individual with FOUR or MORE dependents</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>600,000</td>
<td>555,000</td>
<td>550,000</td>
<td></td>
</tr>
</tbody>
</table>

©2019 Deloitte Mauritius
Other taxes
Other taxes

Property tax

Exemption from registration duty on:
• Transfer of movable property between spouses

• Property returned by a descendant, or spouse if jointly owned, to an ascendant

Exemption threshold for registration duty increased to:
• MUR 2.5 million for first-time buyer of bare land

• MUR 5 million for first-time buyer of existing house/apartment

• MUR 2.5 million for housing loan
Tax administration
**Tax administration**

**General**

**Voluntary disclosure scheme**
- Introduction of voluntary disclosure scheme to allow for 15% tax on undeclared income held in overseas bank accounts or used to purchase foreign assets; exemption of penalties and interests provided on disclosures of foreign assets done on or before 31 March 2020
- Waiver of penalties and interests on voluntary disclosure of undeclared or under-declared income by enterprises with a turnover not exceeding MUR 50 million

**EDRTS and ATDR**
- EDRTS and ATDR extended to assessments raised in connection with the environment protection fee and duties and taxes under customs laws

**Arrears payment scheme**
- Re-introduction of arrears payment scheme for an additional year to provide for full waiver of penalties and interests if tax arrears due as at 10 June 2019 are settled on or before 31 March 2020

**Duty exemption**
- No additional duty or tax payable on re-assessment of the value of immovable property for claims less than MUR 5,000

**Cases settled at OADR**
- No representation with ARC allowed for cases settled at objection unit level
Registration duty and land transfer tax
• Person eligible for exemption can apply for refund of registration duty or land transfer tax paid on registration of deeds within the past three years; time limit for application is one year

VAT
• Compulsory disclosure of name, business address and BRN on VAT invoices issued to non VAT-registered person

• Mandatory electronic filing and payment of VAT from 1 March 2020
<table>
<thead>
<tr>
<th>ARC</th>
<th>Assessment Review Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATDR</td>
<td>Alternative Tax Dispute Resolution</td>
</tr>
<tr>
<td>BRN</td>
<td>Business Registration Number</td>
</tr>
<tr>
<td>CFC</td>
<td>Controlled Foreign Company</td>
</tr>
<tr>
<td>CIGA</td>
<td>Core Income Generating Activities</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>EDRTS</td>
<td>Expeditious Dispute Resolution Tax Scheme</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>GBC</td>
<td>Global Business Companies</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communications Technology</td>
</tr>
<tr>
<td>IET</td>
<td>Income Exemption Thresholds</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IP</td>
<td>Intellectual Property</td>
</tr>
<tr>
<td>MoFED</td>
<td>Ministry of Finance and Economic Development</td>
</tr>
<tr>
<td>MUR</td>
<td>Mauritian Rupees</td>
</tr>
<tr>
<td>OADR D</td>
<td>Objection, Appeal, Dispute and Resolutions Department</td>
</tr>
<tr>
<td>PAYE</td>
<td>Pay As You Earn</td>
</tr>
<tr>
<td>REITs</td>
<td>Real Estate Investment Trusts</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
<tr>
<td>TDS</td>
<td>Tax Deducted at Source</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
<tr>
<td>YOA</td>
<td>Year of Assessment</td>
</tr>
</tbody>
</table>
Contact

Twaleb Butonkee
Senior Partner
Deloitte
tbultonkee@deloitte.com
+ 230 403 58 70

Roopesh Dabeesingh
Tax Partner
Deloitte
rdabeesingh@deloitte.com
+230 403 58 19