Budget Highlights

2021 – 2022

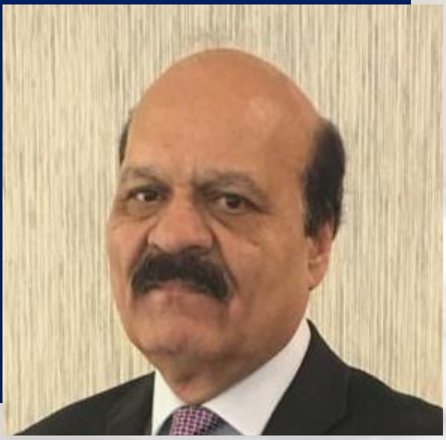
Gearing up for recovery…

June 12, 2021

CONTENTS

01 | EXECUTIVE SUMMARY

EXECUTIVE SUMMARY



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The COVID-19 pandemic struck the Mauritian economy hard in 2020. With a contraction rate of 14.7% in 2020, Mauritius was one of the most affected economies in Africa due to its relatively high degree of openness and its reliance on Euro-centric tourism. And the sequels have not yet withered away as of yet. The hospitality industry is suffering from the worst meltdown in its history. Outside the hospitality sector, businesses have curtailed their operations and have furloughed their employees. Unemployment peaked up in 2020 to 9.2%. Without the panoply of bold measures taken by the authorities, the economic calamity would have been much more pronounced. And most of our macroeconomic indicators, including public finances, have been flashing red lights in 2020.

Against a backdrop of such a challenging environment, the Honorable Minister of Finance was confronted to a very delicate balancing act: to help our economy embark on a new boulevard of economic recovery, and maintain our economic resilience through recession-proof socio-economic mechanisms, while continuing to channel support measures into the most affected sectors.

Meeting daily exigencies has become difficult for many households, especially the vulnerable ones. The budget 2021-2022 contained schemes designed to ensure that the vulnerable population is financially endowed to meet the everyday challenges posed by the COVID-19 environment.

As such, the financial breathing space that has been provided to first-time home buyers through the reimbursement of 5 % of loan taken will provide a welcome fillip to the construction sector. New social housing units will also add to that momentum. Emphasis on welfare of the younger segments of the population cannot go unnoticed. Rising unemployment remains a source of concern. In addition to strong growth-enhancing projects (to be enunciated later), the Minister proposed to introduce a national training scheme to address the mismatch problem that currently plagues the labour market. The Digital Industries Academy to be set up by the EDB is a step in that direction.

Mindful of the need to engage in social re-engineering, the Honorable Minister made sure that he extended his purse to stakeholders in key sectors of the economy. As such, sugar planters are set to receive enhanced grants. This measure will help maintain the integrity of the social fabric of the rural regions. In a similar spirit, fishermen are to receive enhanced allocations, amnesties over their past overdue debt and incentives to migrate from artisanal to semi-industrial fishing. Finally, the extension of the Wage Assistance Schemes for those working in tourism sector up to September 2021 is very much needed to preserve real purchasing power. The re-opening of our borders in mid-July will offer a welcome respite to tourism activity.

EXECUTIVE SUMMARY (cont'd)

While social re-engineering is crucial, we believe that this cannot be implemented unless the size of the national cake is increased. To do so calls for a paradigm shift in the status quo and beckons growth-enhancing reforms. The 2021-22 budget paves the way for such reforms by creating space for manifold infrastructure projects worth a staggering Rs 65 billion, including construction of new schools, specialized hospitals, light railway system for enhanced regional network coverage, drainage systems in flood-prone areas, as well as sports complex facilities. We believe that these measures will indirectly boost productivity and competitiveness and eventually contribute to upgrading our global position in the Ease of Doing Business, going forward. With the growing concern of climate change, we believe that better equipping our rural areas with adequate infrastructure to help weather the storm offers an affirmative antidote to those episodes of flash floods that we experienced during the heavy rainfall season earlier this year.

Two growth-catalyzing measures that have been announced are, in our opinion, the creation of pharmaceuticals industry to produce accredited-COVID-19 vaccines locally and the decision to attract vaccinated tourists on a long-term basis. If successfully designed, the former measure will go a long way towards adding another layer of buffer to our existing macroeconomic structure. In a pandemic-stricken world, one of the few industries that has shown resilience to the global economic fallout is unsurprisingly the pharmaceutical industry. Rolling out a plan to produce accredited vaccines locally would reduce our own reliance on imports and offer a platform for stimulate exports to the region and globally.

Hopefully, our economic resilience will further be consolidated through enhanced reserves which should also benefit from another announced measure in the 2021-22 budget: that of reducing our reliance on imported products and of encouraging production of locally-made products.

We welcome measures to expedite payments mechanisms and to effect payments along the digital highway. The establishment of the Financial Crime Commission is a good measure and reinforces the authorities' commitment to addressing the deficiencies identified by the FATF when we were placed on the so-called 'grey list' calling for enhanced monitoring. Finally, embarking upon a pathway that reiterates our commitment to sustainable and green credentials is always refreshing.

It is the hope of the Government to achieve a growth rate of 9 % in 2021. The budget deficit as a percentage of GDP will hover around 5 % for FY 2021-22 and the public debt will stand at 95 % of GDP. The Minister announced a levy of MUR 2 rupees on every litre of petrol purchased at gas stations which will be earmarked towards funding the ongoing vaccination programs and PCR tests. In parallel, excise taxes will be hiked up on alcoholic, tobacco and sugar-sweetened products. With growth back in positive territory and interest rates stuck at much lower levels, this goal is mathematically possible if the future budget exercises create space for gradual fiscal consolidation. But much depends on the successful implementation of announced budget measures. To this end, the Honorable Minister showcased this commitment by announcing the creation of a project implementation unit - chaired by the Honorable Prime Minister - which will be tasked with overseeing the successful timely implementation of announced measures. The multiplier-accelerator magic will then work to chart our pathway towards sustained, resilient and inclusive growth. The positive goodwill has been demonstrated in the 2021-22 budget.

02 | ECONOMIC PULSE

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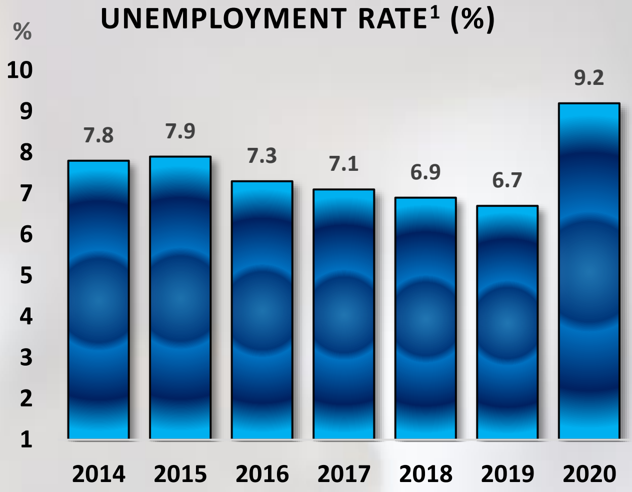
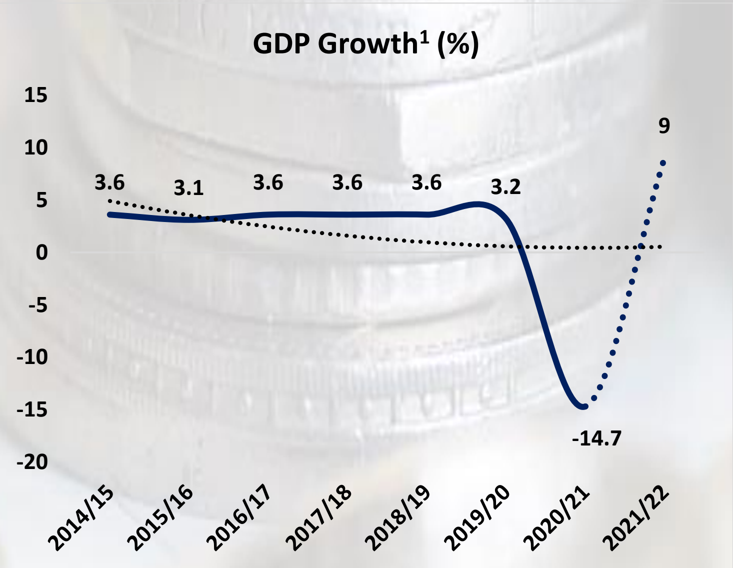
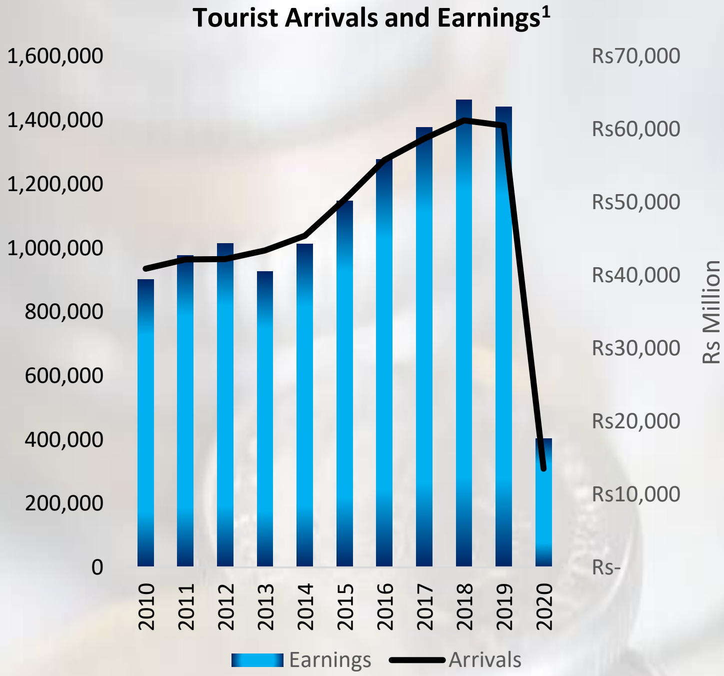


Never in recent memory has so much uncertainty hung over our economy. The contraction of activity in 2020 (-14.7% growth) was unprecedented in its depth and synchronized nature. Unemployment rose from 6% pre-pandemic to reach 9.2% in December 2020 and may soon become an economic scourge as more firms go to the wall. The unconventional emergency government intervention to shore up companies in the hardest-hit sectors and support workers through the Government Wage Assistance Scheme (GWAS) has helped obscure the full impact of the pandemic-induced downturn. Only when the funds provided by fiscal relief packages dry up will the veil be lifted...

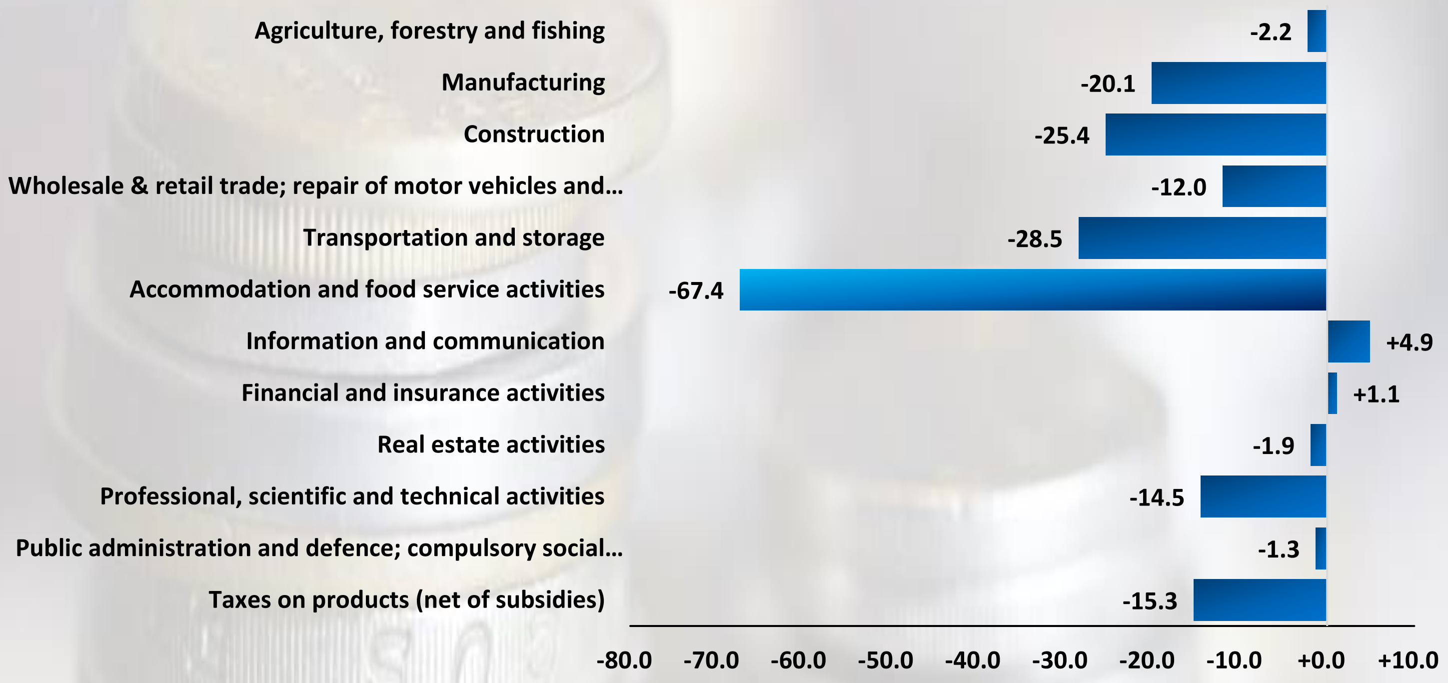
With a better understanding of the shock's transmission channel, we have noted a divergent impact across the different sectors of our economy. Contact-intensive industries, such as food, accommodation and transport were the hardest hit due to lockdown restrictions and disruption to global travel. Tourism is in the doldrums as tourist arrivals have plummeted in 2020.





¹ *Data extrapolated from Bank of Mauritius*

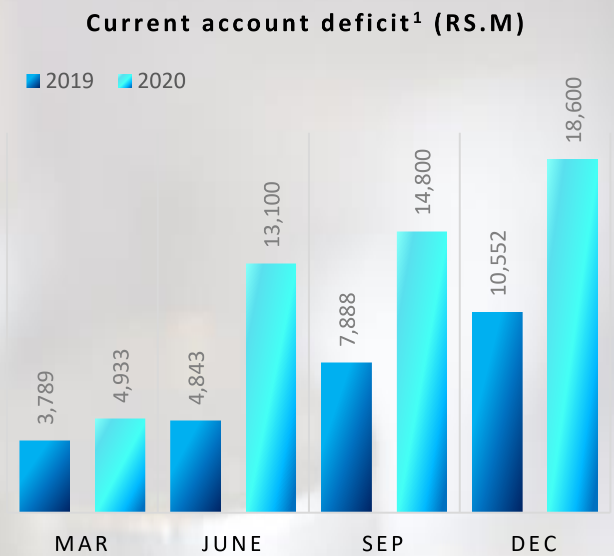
Sectoral real growth rates*
(% over previous year)

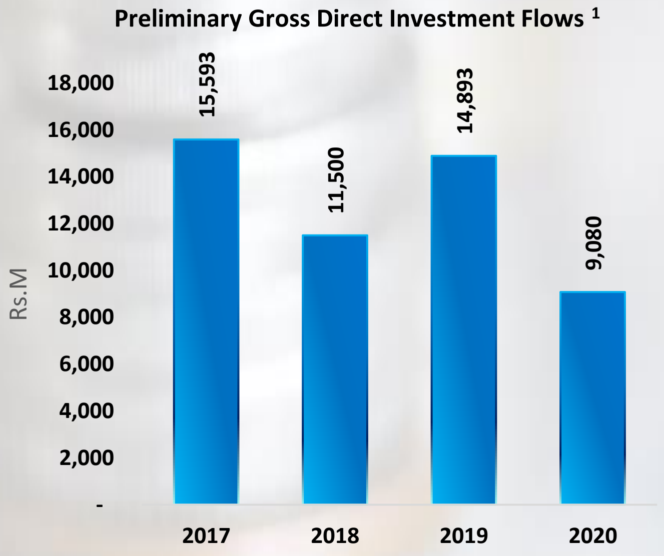


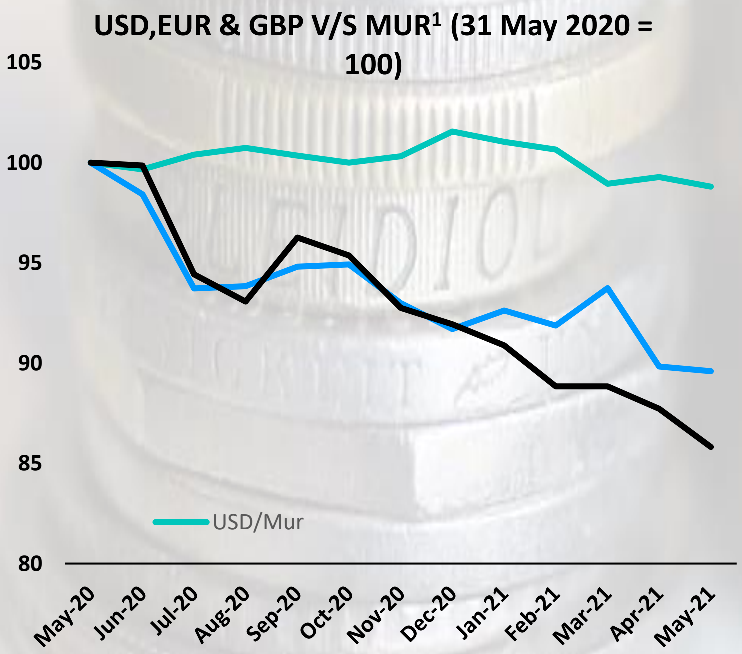
Based on estimates from Statistics Mauritius

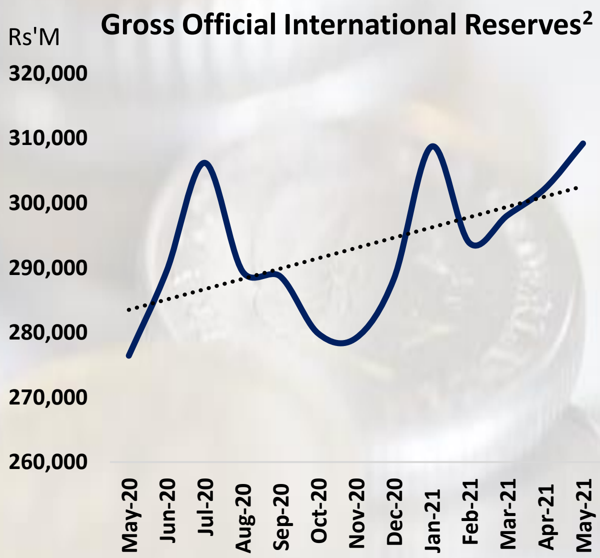
ECONOMIC PULSE (cont'd)

On the trade front, the current account deficit is set to widen, at least in the short term, in part due to a rise in imports of heavy machinery and transport equipment for major infrastructure projects, rallying oil prices and less juicier returns on Mauritians' overseas investments. Meanwhile, MUR has continued to depreciate relative to both EUR and USD due to the triple whammy of falling tourists' arrivals, tumbling gross direct investment flows and deep contraction of the GBC sector (-10.7% in 2020) as we remain enmeshed in the FATF ''grey list''. The MUR slide however can potentially make some inroads in the current account deficit in the medium term. Exports volume for both goods and services will pick up in 2022 to match the release of pent-up demand from a cyclical upswing in the global economy. Our gross official international reserves are improving gradually, thanks in part to grants from foreign governments recently.







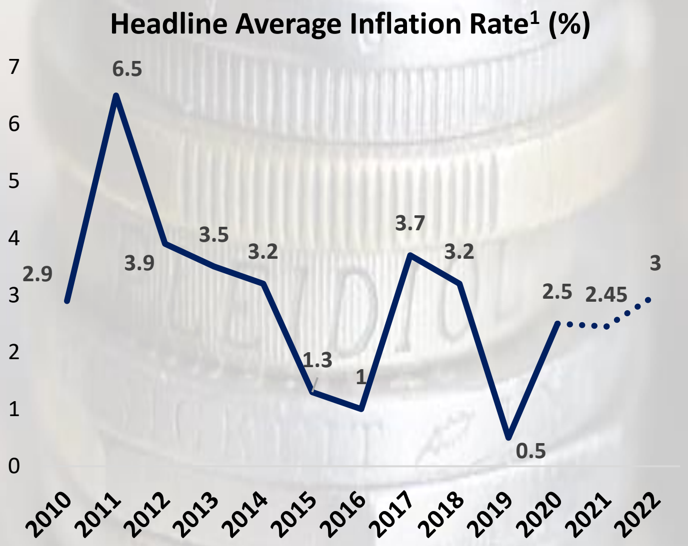


[1] *Data extrapolated from Bank of Mauritius*

[2] *Data extrapolated from Statistics Mauritius*

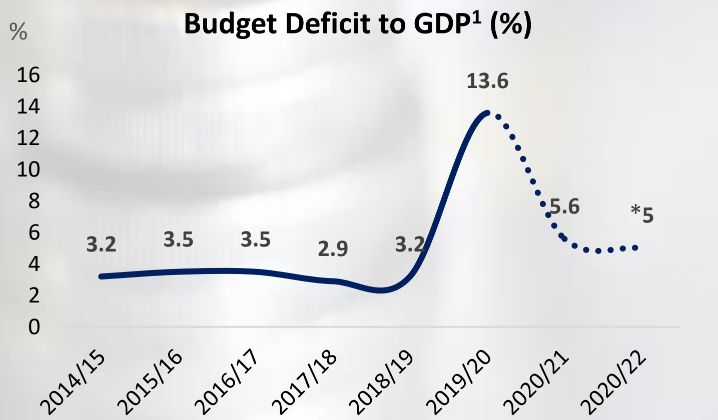
ECONOMIC PULSE (cont'd)

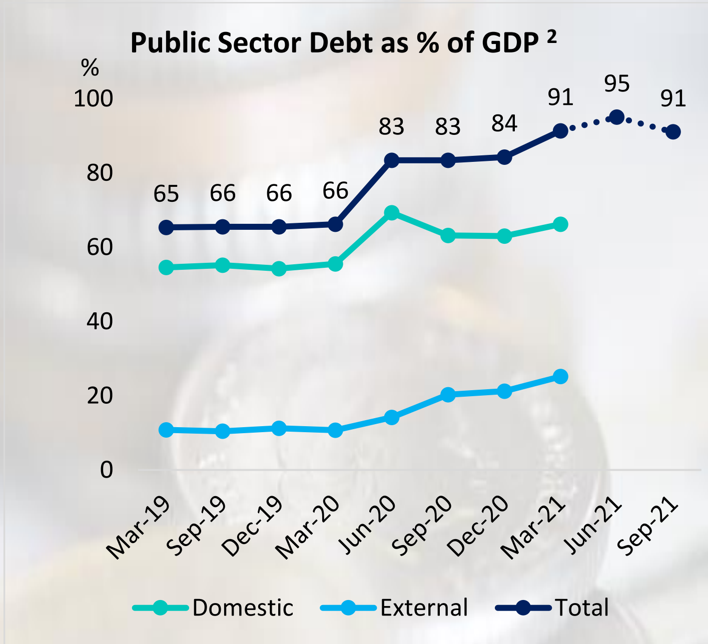
We believe concerns about inflation are red herrings at this stage of our recovery as aggregate demand is mired in uncertainty. Far from signaling the return of significant inflation, transitory price increases due to supply-side bottlenecks are exactly what one would expect in a recovery following an economic shutdown. The rise in food and beverage prices and freight costs are fitting examples of potential hiccups. But there is no reason to believe that these movements will spark inflation expectations and thus generate inflationary momentum, especially given the negative output gap of our economy. Inflation stayed in low territory in 2020 at 2.5% and our conjecture is that it will hover around the 2.45 percent mark in 2021 and 3% in 2022. Inflation expectations are well anchored at least for the time being.



Public finance has considerably been undermined by the large fiscal splurge last year. The downgrade of Mauritius' ratings to Baa2 in part reflects our weakening fiscal strength. The deficit/GDP ratio has burgeoned from 3.2% to 13.6% in 2019/20 while public debt/GDP stood at a staggering 91% in March 2021. As the IMF and the World Bank clamour for fiscal consolidation, there will come a time for rules-based budgeting and fiscal rectitude.

An overhaul of the tax and welfare system should be on the agenda. We do however concede there is a delicate balancing act between risking slowing the recovery with premature austerity and doing too much to leave a debt overhang. Even though the cost of any policy mistakes will be all greater today, we believe the government can wait a little longer before tightening the purse strings. In an era of secular stagnation, an economic impulse to nudge the economy onto a higher growth trajectory would lead to falling debt/GDP over the years.





[1] *Data extrapolated from Bank of Mauritius*

[2] *For quarter June and September 2021, public sector debt is projected to increase to 95% and then reduce to 4%.*

**The Budget deficit will be contained at 5 percent of GDP for 2021/22 (forecast)*

ECONOMIC PULSE (cont'd)

What policy response then to spur economic recovery? Against the backdrop of a K-shaped recovery, a switch from broad-based support to a more targeted fiscal policy towards hard-hit sectors is imperative. We advocate for a clampdown on any infrastructural spending that will not add to our productive capacity.

In the short term, the government should first channel public spending into healthcare accompanied with calibrated fiscal support to affected households and firms. The accelerating rollout of COVID-19 vaccines will set the stage for rapid recovery in the second half of this year and into 2022 due to the resumption of in-person activities. Sectors that were partly or completely shut down will revive. Our imminent recovery hinges heavily on a rebound in tourism activity with the concomitant multiplier effect on transport, accommodation and food service.

In the medium term, more emphasis should be placed on retraining and reskilling workers who have lost jobs to preclude "search-and-matching" frictions as emerging sectors, such as ICT open up vacancies. More incentives towards job creation through hiring subsidies should be encouraged as furlough schemes are gradually scaled back. Our education system is in shambles following school closures and disruption to the school calendar. This hurts all pupils, but it hits the poor and vulnerable ones harder, especially because of a lack of required IT logistics.

The pandemic creates a window for school reform in Mauritius. More spending on the use of technology in learning would help limit the mounting educational divergence within our society and between our competitors.

At the corporate level, we note that cash-strapped MIC has approved approximately MUR 17.0bn worth of applications from companies in dire straits, a significant proportion of which were from the food service and hospitality sectors (85.4%).

Only MUR 2.0bn has been disbursed as at March 2021. We believe the government should rethink the purpose of the MIC and pay heed to the IMF's recommendation of disentangling the organization from the Bank of Mauritius' operations. In the same vein we recommend heightened regulatory oversight of MIC's future lending activities by rolling back blanket loans and credit guarantees to inefficient corporate juggernauts. Adverse spillover effects to the financial sector should be avoided at all costs.

Once the health crisis is over, policy efforts can focus more on structural reforms to bolster the recovery by further:

- Liberalising labour, product and service markets to boost competition;
- Improving revenue administration through a crackdown on the mounting underground economy;
- Enforcing contracts;
- Ensuring innovation benefits the many and not the few through antitrust legislations; and
- Encouraging a business environment for tech firms from abroad to set up their operations in Mauritius amongst others.

03 | SECTORAL HIGHLIGHTS

3.1 FINANCIAL SERVICES

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Key takeaways

- Amendment of relevant legislations to meet requirements of the FATF recommendations on AML-CFT.
- Setting up of the Financial Crimes Divisions at the Supreme and Intermediate Courts to ensure financial crimes are dealt with.
- Granting of legal force to the AML/CFT Core Group under the FIAMLA.
- Tax holiday for Family Offices and Fund Asset managers extended from 5 to 10 years.
- Roll-out of a Central Bank Currency- The Digital Rupee.

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The Financial services sector has proved to be one of the main drivers of growth over the past years. In the face of inherent business uncertainty caused by the COVID-19 pandemic, the sector grew by a meagre 1.1% in 2020 (Source: Statistics Mauritius), with growth of 0.9% in Q4 2020 (Q4 2019: 5.1%). Financial and Insurance, and Monetary intermediation activities contributed 13% and 8.1% respectively to GDP in 2020 according to the FSC.

Banking, a major cluster within the financial services sector, performed relatively well. Banks' total assets witnessed a growth from Rs 1,415 billion at June 2019 to Rs 1,686 billion at June 2020 according to the Bank of Mauritius Report 2020 while total profits decreased from Rs 20.1 billion for FY2018-19 to Rs 19.2 billion for FY2019-20, in part due to higher expected credit losses on loans and advances.

Unfortunately, our jurisdiction remains on the EU "black list" and the FATF "grey list". To compound matters, Mauritius now features on UK's Third High Risk Countries so far as Anti Money Laundering (AML) control deficiencies are concerned. These have undoubtedly dented our reputation as a credible International Financial Centre (IFC) as evidenced by the contraction of GBC activities of 10.7% in 2020 (Source: FSC Mauritius).

We welcome these measures and the proposed amendments to make our regulatory frameworks more robust, move the country out of the FATF grey list and set the trajectory for further financial liberalization.

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3.1 FINANCIAL SERVICES (cont'd)

BUDGETARY MEASURES

Banks

- Introduction of new Bank of Mauritius (BOM) Bill and Banking Bill to strengthen current legislative frameworks and develop best international practices.
- Revamping of BOM guidelines allowing the setting up of regional offices by international banks. Setting up of an Open-Lab by the BOM and the FSC for banking and payment Solutions and a FinTech Innovation Lab.
- Rolling out of The Digital Rupee on a pilot basis by the Bank of Mauritius.
- BOM empowered to prescribe the framework for the issue of such currency.
- Introduction of a dedicated QR Code at national level by the BOM to facilitate digital payments.
- Setting up of an Open-Lab by the BOM and the FSC for banking and payment Solutions and a FinTech Innovation Lab.
- BOM is authorised to set up fintech innovation hubs and digital labs for the banking sector.
- Setting up of a centralised bank account holders registry, to facilitate serious financial crime investigations.

Global Business

- Commitment from the Government to complete the Financial Action Task Force (FATF) Action Plan for an early exit from the FATF list of jurisdictions under increased monitoring.
- Measures taken include:
  - Enhancement of the Anti-Money Laundering (AML) and Combatting Financing of Terrorism (CFT) legislative framework.
  - Amendment to relevant legislations to meet the requirements of the FATF recommendations on AML-CFT and recruitment of new personnel to strengthen the compliance capacity.
  - Legal power being granted under the Financial Intelligence and Anti-Money Laundering Act (FIAMLA) to the AML/CFT Core Group.
  - Setting up of financial crimes divisions at the supreme court and intermediate court and the establishment of a Financial Crime Commission.
- Launching of a one-year training programme on AML with recruitment of at least 100 graduates with monthly stipend of Rs15,000
- Family office will not require Global Business Licence when setting up.
- Extension from 5 to 10 years of the tax holiday for Family Offices and Fund and Asset Managers.
- Introduction of a new regulatory framework to facilitate the setting up of centres for shared services including asset management and treasury management

Regulatory Framework

- Empowerment of the FIU to impose administrative sanctions on law practitioners failing to comply with AML/CFT requirements.
- Establishment of an Interagency Coordination Committee to promote effective cooperation and coordination among its members in the implementation of international standards on AML/CFT.
- Establishment of a dedicated commission for financial services to devise and monitor an effective and timely promotional and reputation management strategy for Mauritius as an International Financial Centre.
- Allowing the disclosure of information with the Central KYC and Accounts Registry and reporting alleged or suspected offences.
- Inclusion of private pension schemes under the purview of the FIAMLA.
- Introduction of a Securitisation Bill and a new Securities Bill.
- Enactment of a new legislation for virtual assets.
- Establishing the Financial Crime Commission in the fight against financial crime.
- Introduction of rules by the Stock Exchange of Mauritius (SEM) FOR THE SETTING UP OF Special Purpose Acquisition Companies.
- Launch of the FSC One platform as an online licensing portal from 01 July 2021.

3.2 HOSPITALITY

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Key takeaways

- As from the 15th of July 2021, Mauritius will be open to all vaccinated visitors for resort tourism (quarantine of 14 days mandatory and subject to negative PCR after 14 days);
- As from the 1st of October 2021, subject to preconditions being met, all vaccinated tourists with a negative PCR test will be allowed on the Mauritian territory without any restrictions;
- A total amount of Rs 420 million is being allocated to the MTPA for the promotion of our tourism industry;
- Deferral of payment of lease on state lands to June 2022 coupled with waiving of the rental fee of counters by hotels and operators at the airport up to September 2021.
- Reduction of the registration tax on transfer of lease of state lands from 20% to 10% for hotels for a two-year period.

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With our closed international borders, tourists' arrivals have dipped from 1,383,488 in 2019 to 308,980 in 2020 *(Source: Statistics Mauritius)*. For FY 2020, revenue impact on the large hotel groups has been dire. Accommodation and food services experienced a steep decline of 74.7 % in Q4 2020 (Q4 2019: -3.3%). Resorts' gearing ratios have skyrocketed and several hotels and associated operators may face serious going concern issues.

Even though the hotel industry had to switch its focus towards the domestic market, occupancy rate barely exceeded the 25 percent mark. Several hotels were turned into alternative purpose-Quarantine centres to meet their immediate cash flow needs.

Our economic recovery relies on a rebound in tourism activity. With the accelerating rollout of vaccines, the Government hopes to achieve herd immunity around September 2021. This should help reboot both hospitality and international travel.

Unlike in 2020, the Government Wage Assistance Scheme (GWAS) was only extended to enterprises in operating in specific sectors in 2021, including the hospitality sector. The Mauritius Investment Corporation (MIC) will play a pivotal role in propping up resorts with urgent liquidity needs after approving Rs. 17 billion worth of applications as at 08 March 2021, 85% of which stemmed from the "Accommodation & Food Service Activities" sector *(Source: MIC website)*.

While an amount of Rs 420 million has been earmarked for the promotion of the tourism industry in this year's budget, we remain sceptical about the efficacy of this measure for the coming months as tourists continue to endure quarantine rules until September 2021. It is more a medium-term measure and promotion should be geared towards the Asian market. The cash flow burden of many hotel operators will be alleviated following the deferral to June 2022 of lease payment on state lands, which make up a large part of their fixed costs. We note that GWAS will cease by end of September 2021. Will the tourism industry rebound by then? It still looks uncertain at this stage. Support to indebted households may need to be extended as they continue to bear the brunt of loss earnings.

Finally, the Invest Hotel Scheme amended incentives will help hotels raise funding not only to stay afloat but to also look out for potential mergers and acquisitions now that registration tax on transfer of lease of state lands has reduced from 20% to 10% over a two-year period.

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3.2 HOSPITALITY (cont'd)

BUDGETARY MEASURES

- As from the 15th of July 2021, Mauritius will be open to all vaccinated visitors for resort tourism. A tourist will be allowed to leave the hotel after 14 days with a negative PCR test;

- As from the 1st of October 2021, subject to preconditions being met, all vaccinated tourists with a negative PCR test will be allowed on the Mauritian territory without any restrictions.

- A total amount of Rs 420 million is being allocated to the Mauritius Tourism Promotion Authority (MTPA) for the promotion and destination marketing in several targeted countries

- The EDB will set up a special desk aiming to attract at least 50,000 foreign retirees in Mauritius during the next financial year, through a targeted marketing campaign in collaboration with MTPA.

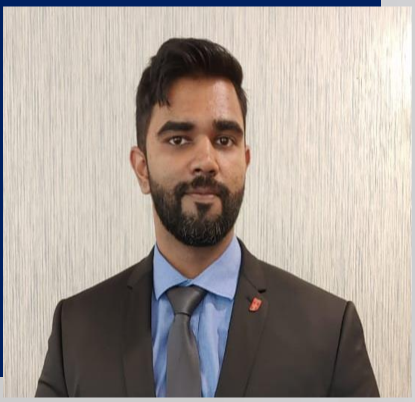
- The Invest Hotel Scheme will be amended to:
  (a) Allow the sale of up to 80% of the units with the possibility for the owner of a room to stay for a maximum of 6 months annually; and
  (b) Reduce the minimum selling price of a standalone villa from USD 500,000 to USD 375,000.

- There will be an upgrading of leisure facilities on a phased basis in major public beaches.

- To sustain car operators in the tourism sector, the Public Service Vehicle Licence fee for buses, minivans and contract cars will be waived and the licence will be extended for a further one year until 30 June 2022 to provide financial relief to Destination Management Companies and Car Rental companies.

- The replacement of executive cars by operators in the tourist sector is currently 12 years. The replacement of the vehicles will now be 12 years or 40,000 kilometres, whichever higher.

3.3 MANUFACTURING



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Key takeaways

- Extension of the Freight Rebate Scheme until June 2022.
- The eligibility criteria for the Export Credit Insurance Scheme will be extended to Freeport Operators heavily impacted by COVID-19. This proposal shall be effective up to June 2022.
- Minimum shelf space for locally manufactured products will be increased from 10% to 40% within a period of one year
- Adopting a Mauritius First policy for the procurement of sanitisers, masks, PPEs, medical devices and medical gas, amongst others.

“The Manufacturing sector contracted by a whopping 20.1% in 2020 (Source: Statistics Mauritius). The negative growth of 11.3% for the last quarter of 2020 is starkly different to the comparable figure in 2019 (-0.5%). The industry was severely hampered by emergence of manufacturing tycoons from East Asian Countries. With rising cost of production, lack of capital-intensive investment and cheap labour, it became even more strenuous to remain competitive on an international scale.

The surge of the Covid-19 pandemic has caused a significant decline in world trade volume due to supply bottlenecks and global disruptions to value chains of manufacturing firms. Either we adapt or we perish.

Thankfully, the measures announced in the budget should help stimulate production of ‘Made in Moris’ products, especially for the procurement of sanitisers, masks, PPEs and other medical devices. The extension of the Freight Rebate Scheme until June 2022 should help curb freight costs and strengthen our competitiveness. The government has surely set the tone to build a resilient industrial base. It is now up to our local manufacturers to reinvent themselves.”

3.3 MANUFACTURING (cont'd)

BUDGETARY MEASURES

Building A Resilient Industrial Base

- Rs 5bn allocated for the creation of a Modernisation and Transformation Fund to boost industrial development
- Establishment of a Trade Development and Intelligence Cell at the EDB as a one-stop desk for all trade related matters.
- Instigation of an Export Development Programme to boost export readiness of enterprises at the EDB.
- Extension of Freight Rebate Scheme up to June 2022;
- Upward adjustment of the maximum refund from 0.2 to 0.5 percent under the Export Credit Guarantee Scheme up to June 2022.;
- The eligibility criteria for the Export Credit Insurance Scheme will be extended to Freeport Operators heavily impacted by COVID-19. This proposal shall be effective up to June 2022.
- Extension of the 50 percent reduction in port dues and terminal handling charges for export for 2 more years.
- 75 percent reduction in anchorage dues for the first 24 hours and 50 percent reduction for the next 48 hours for bunker vessels.
- Reduction of the cap on Gross Tonnage for computing vessel fees calling at anchorage from 100,000 tonnes to 35,000 tonnes.
- 110% tax deduction to large manufacturers on products purchased from local SMEs;
- 5% tax credit to manufacturing companies on new plant and machinery over three years until 30 June 2023;
- 5% tax credit over 3 years in respect of capital expenditure incurred on new plant and machinery until 30 June 2023 under the Investment Certificate
- Launch of an e-export Directory to display to the world products manufactured by Mauritian entrepreneurs;
- Extension of the R&D tax incentive scheme (double deduction) to local companies expiring in June 2022, by 5 years to June 2027.
- Minimum shelf space for locally manufactured products will be increased from 10% to 40% within a period of one year
- Rs 5 bn allocated for the creation of a Modernisation and Transformation Fund to boost industrial development
- An exemption for new companies from the payment of Registration Duty and Land Transfer Tax for the purchase of immovable property for business purposes under the Investment Certificate
- Increase of the bid preference of 20 percent to 30 percent for products such as tea, fruit juices, margarine, and medical gas produced locally

Freeport

- Third party freeport developers will be authorised to rent space to an enterprise outside the Freeport zone for manufacturing and storage of goods.
- Display showrooms will be added to the list of authorised Freeport activities.
- Increase in the minimum shelf space for locally manufactured products from 10% to 40% within a period of one year.
- MRA in consultation with EDB, will be empowered to extend the warehousing period of 24 months for goods imported into the freeport zone for a further maximum period of 36 months.

Favouring local procurement

- Increase in the bid price preference of 20% to 30% for products such as tea, fruit juices, margarine and medical gas produced locally.
- Adopting a Mauritius First policy for the procurement of sanitisers, masks, PPEs, medical devices and medical gas, amongst others.

3.4 PUBLIC INFRASTRUCTURE, CONSTRUCTION AND REAL ESTATE

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Key takeaways

- Refund of 5 percent of the cost of acquisition for a house, apartment, or land to construct a residence up to a maximum of Rs 500,000 in financial year 2021/2022;
- Refund of 5 percent of a Home Loan up to a maximum of Rs 500,000;
- Promoters under Smart City Scheme will be allowed to sell one plot of serviced land not exceeding 2,100 m2 to a non-citizen holder of Occupation permits, Permanent Residence Permit or a Residence Permit for another period of two years, that is, up to 30 June 2024 instead 30 June 2022;
- Registration duty on the sale of an IRS or RES residential property will be levied at the rate of 5% or USD 70,000 whichever is the lower; and
- Massive fiscal boost worth a whopping Rs 65 billion to National Flood Management Programme, projects under the Economic Recovery Programme, water supply, Metro Express and Urban Terminals.

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The construction sector was heavily impacted and culminated with a decline of 25.4% in 2020 the while the real estate sector recorded a contraction of 1.3%.

The construction sector will however remain one of the main drivers of our recovery in part due to the refund in the acquisition of housing or taking a home loan. The exemption on registration duty on the first Rs 5 million of the cost of residential property should give a welcome fillip to that sector. The government prepares to give a massive fiscal boost to the economy through its massive public infrastructure programme of Rs 65 billion across the country. While the primary focus is to preserve jobs and invigorate aggregate demand, the measures announced are equally aimed at improving our quality of life with an enhanced social housing plan, new hospitals and the modernisation of bus and metro terminals. The government is also pinning his hopes on the construction and development of smart cities under the smart city scheme.

Several significant property development projects have been implemented and are in the pipeline. According to the EDB, a total of 400 applications were approved for the acquisition of residential property by non-citizens under IRS/RES/PDS and Apartment. We welcome the government’s initiatives to support this sector through the incentives provided on registration duty on sale of IRS or RES residential properties and removal of red tape.

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3.4 PUBLIC INFRASTRUCTURE, CONSTRUCTION AND REAL ESTATE (cont'd)

BUDGETARY MEASURES

Construction and real estate

- Refund of 5 percent of the cost of acquisition for a house, apartment, or land to construct a residence up to a maximum of Rs 500,000 in financial year 2021/2022;
- Refund of 5 percent of a Home Loan up to a maximum of Rs 500,000;
- Exemption of registration duty on the first Rs 5 million of the cost residential property (previously restricted to properties whose value is below Rs 5 million);
- Government to work alongside commercial banks to introduce a mortgage scheme that covers 80% housing loans for self-employed and contractual employees and 100% housing loan for other individuals;
- Promoters under Smart City Scheme will be allowed to sell one plot of serviced land not exceeding 2,100 m2 to a non-citizen holder of Occupation permits, Permanent Residence Permit or a Residence Permit for another period of two years, that is, up to 30 June 2024 instead 30 June 2022;
- Registration duty on the sale of an IRS or RES residential property will be levied at the rate of 5% or USD 70,000 whichever is the lower; and
- No approval, only notification to the Prime Minister's Office, will be required for disposal of property under the EDB Schemes (e.g., Property Development Scheme, Integrated Resort Scheme, Business Purpose, Smart City and G+2).

Public Infrastructure:

- Rs 11.7 billion for a National Flood Management Programme including the construction and upgrading of some 1,500 drain projects across the island over the next three years;
- Rs 12 billion for the Construction of 12,000 Social Housing Units;
- Rs 4 billion for projects under the Economic Recovery Programme;
- Rs 9.4 billion to improve water supply by the construction of Rivière des Anguilles Dam and its Treatment Plant;
- Rs 5.7 billion for Community Development Projects such as Market Fairs, Sports Centres, Sports Amenities, Multipurpose Complexes and Sub Halls;
- Rs 22 billion for transport projects including Rs 4.5 billion to connect Reduit and Ebene to the Metro Express rail network;
- Rs 27 billion in additional private sector investment is expected to be generated by the increased public sector expenditure; and
- Rs 8 billion for the development of Urban Terminals at Vacoas, Rose Hill, Quatre Bornes and Curepipe.

3.5 AGRI-BUSINESS

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Key takeaways

Sugar:

- **Guaranteed Price of Rs 25k per tonne for production up to 60 tons of sugar for crop year 2021;**
- **50% subsidy on fertilizer for Crop 2021 for planters producing up to 60 tons of sugar; and**
- **1,000 arpents of land to private growers with a view to boosting agricultural production.**

Non-sugar:

- **Increase from Rs 20,000 to Rs 100,000 of maximum loan under the DBM Backyard Gardening Loan;**
- **Planters and fishermen will be eligible to the following loan schemes from the DBM:**
  - **Rs 100,000 interest free loan for cashflow issues; and**
  - **0.5 percent COVID-19 Special Support Scheme of up to Rs 1 million.**
- **IFI will provide leasing facilities at an annual interest rate of 2.5 percent for acquisition of Semi-Industrial Fishing Vessels up to a maximum of Rs 10 million.**

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Once the main backbone of our economy, the sugar industry has taken a backseat over time in part due to the phasing out of preferential trade agreements with the EU, soaring cost of production causing a lack of competitiveness on the international market and exchange rate volatility. Agriculture, forestry and fishing grew timidly from 2019 before entering into a period of mild contraction of 2.2% in 2020. The continuous depreciation of MUR against EUR and USD has largely contributed to the resilience of the sugar industry even though sugar cane yield tumbled (20.7% in 2020 according to Statistics Mauritius) amidst the COVID-19 pandemic era.

We forecast an increase in local consumption as pent-up demand gets released following a period of subdued spending from lockdown and red zones. With rising imported prices and heightened risk of disruption to global supply, there is a compelling case for agricultural self-efficiency and stimulating local agricultural production.

The 1,000 arpents of land to private growers through Landscope’s Centralised Digital Land Bank should increase supply capacity to ramp up agricultural production as demand picks up. We also note that planters and fishermen alike will benefit from preferential loan schemes from the DBM to meet their immediate cash flow needs. We welcome planters’ eligibility to leasing facilities under the newly created Transformation Fund from IFI. Such incentives can only encourage more efficiency as more automated techniques are used. However, these loan schemes are high risk and lending should be supported by a robust credit risk framework to minimise the risk of default.

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3.5 AGRI-BUSINESS (cont'd)

BUDGETARY MEASURES

Sugar Sector

- Introduction of the biomass framework enabling sugar cane planters to benefit from Rs 3.50 per kWh of electricity.
- Remuneration of Rs 3,300 per tonne of sugar for bagasse for all planters and producers.
- A guaranteed price of Rs 25,000 per ton for planters producing up to 60 tons of sugar for Crop 2021
- Exemption of insurance premium payable to Sugar Insurance Fund Board for Planters producing up to 60 tons of sugar for crop 2021
- A 50% subsidy on fertilizer for Crop 2021 for planters producing up to 60 tons of sugar
- 50% refund on the costs related to certification, testing and accreditation with a view to achieving standards such as Bonsucro;
- A Cane Replantation Scheme for small planters; and
- A modern sugar storage facility of 150,000 tons at Riche Terre

Non-Sugar Sector

- Availability of some 1,000 arpents of land to private growers with a view to boosting agricultural production Via Landscope through the Centralized Digital Land Bank;
- Rs 36 million will be provided to renew the fleet of tractors of the Agricultural Management Unit under the MCIA.
- Grant of Rs 10,000 to Tea Cooperatives on the purchase of tea harvesters
- Tea growers will continue to benefit from the winter allowance
- 50% subsidy on prices of potato and onion seeds will be maintained
- 50% subsidy extended to seeds for the production of garlic and pulses
- Guaranteed price mechanism for onion, garlic and potatoes for producers via the AMB
- Extension of the Sheltered Farming Scheme to charitable institutions, primary schools and colleges.
- Increase from Rs 20,000 to Rs 100,000 of maximum loan under the DBM Backyard Gardening Loan
- Planters will be eligible to the following loan schemes from the DBM:
- Rs 100,000 interest free loan for cashflow issues; and
- A 0.5 percent COVID-19 Special Support Scheme of up to Rs 1 million
- leasing facilities under the Transformation Fund from IFI for the acquisition of Single/Double Space Cabin Vehicles for planters.
- Set-up an Agro-Processing Zone at Wooton with the help of African Bank for processing, food testing, and warehousing. These facilities will be put at the disposal of SMEs, cooperatives and businesses.
- The subsidy on animal feed will be doubled from Rs 4 per Kg to Rs 8 per Kg.
- Increase from Rs 5,000 to Rs 7,500 per calf under the Calf Productivity Scheme.
- Promotion of Venison to reduce dependence on the import of meat
- Mobile slaughterhouse facilities will be authorised for deer breeders.
- Amnesty programme by the DBM for breeders facing difficulties in repaying long-overdue loans,

3.6 ICT

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Key takeaways

- A Digital Industries Academy will be set up by the EDB, whereby trainees will benefit from a total stipend of up to Rs 15,000;
- Digital transformation initiatives and business advisory services will be eligible activities under the training fund of the Human Resources Development Council;
- Government will introduce mobile and contactless payment systems, starting with the Registrar-General, NLTA and the Companies Division; and
- Incentives for the acquisition of Specialised Software and systems, allowing for a 200% tax deduction.

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The ICT industry, with a GDP contribution of 5.8% for 2020, was the highest growing economic pillar at 4.9%. It is the sector of the future and one which will set our country on a higher growth trajectory by 2030.

Mauritius has the potential to position itself as a regional ICT hub in the coming years, thanks in part due to its privileged bilateral relations with India. Tapping into Digital services, technical support, applications development, virtual augmented reality, software development and data science should become the new economic order if we want significant value-added to economic output.

This budget introduced broad measures on digitisation in the public sector and on levelling up our education system through the introduction of an e-learning management system in universities as well as the setting up of a digital business academy. More could still have been done but one has to realise that an economic impetus to boost aggregate demand was perhaps the best immediate policy response.

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3.6 ICT (cont'd)

BUDGETARY MEASURES

Levelling up digital education

- A Digital Industries Academy will be set up by the EDB, whereby trainees will benefit from a total stipend of up to Rs 15,000 equally shared between HRDC and the private sector;
- Investment of Rs33m in an e-Learning management system for the to support online learning at the tertiary level
- Digital transformation initiatives and business advisory services will be eligible activities under the HRDC training fund

Fintech

- Government will introduce mobile and contactless payment systems, starting with the Registrar-General, NLTA and the Companies Division
- The Bank of Mauritius will introduce a dedicated QR Code at national level to facilitate digital payments;
- The Bank of Mauritius will roll-out a Central Bank Digital Currency – The Digital Rupee - on a pilot basis
- The FSC will also implement a digital centralised information exchange system to facilitate motor insurance claim recoveries;
- The FSC One platform online licensing portal will be launched as from 1 July 2021
- BOM and the FSC will set up an Open-Lab and a FinTech innovation Lab for banking and payment solutions to shape a culture of entrepreneurship

Legislation and tax

- Incentives for the acquisition of Specialised Software and systems, allowing for a 200% tax deduction
- Public service delivery will be automated through:

  i) Development of a new Companies and Businesses Registration Integrated System;
  ii) Development of a Notice-Based registry under the Mauritius E-Registry system;
  iii) Upgrading of the e-Judiciary system.

- The Information and Communication Technologies Act will be amended:

  i) to improve the regulatory framework that has been deployed since the ICT sector was liberalized in 2004 in relation to the promotion of competition within the sector and to improve compatibility in the local legislation vis a vis the international commitments taken at the level of World Trade Organisation; and

  ii) for the reconstitution of the ICT Advisory Council

3.7 SMEs AND EASE OF DOING BUSINESS

BUDGETARY MEASURES

Supporting SMEs:

- Payment of monthly salary compensation of Rs 375 for fiscal year 2021/22.
- Exemption for payment of trade fees not exceeding Rs 5,000 for an additional 5 years.
- Amnesty on trade fees and related penalties and interests that were due before 1 January 2020.
- Extension of the Tax Arrears Settlement Scheme for SMEs up to December 2021.
- Increase in the total maximum grant across all schemes implemented by SME Mauritius Ltd from Rs 150,000 to Rs 200,000.
- A 110% deduction will be allowed on the taxable income for the direct expenditure incurred on the purchase of products manufactured locally by SMEs.
- Training and re-skilling of 1,000 students through the SME Graduate Scheme which will also cover vocational training

Infrastructure and schemes for SMEs by DBM Ltd:

- Rebate of up to 30 % on the annual rental of industrial space to manufacturing SMEs over the next 3 years.
- Construction of an SME Industrial Park of 5,000 square metres at Solferino (in addition to Plaine Magnien and Vuillemin).
- Allocation of 20 % of spaces in parks rent-free to start-ups for the first three years of operation.
- Rs 100,000 interest free loan for cashflow issues.
- 0.5 % COVID-19 Special Support Scheme of up to Rs 1 million.
- Credit Guarantee Scheme (CGS) to be extended for SMEs to cover 5 percent of the default amount on leases contracted from private leasing companies
- Extension of the Tax Arrears Settlement Scheme for SMEs up to December 2021
- Reduced annual interest rate for existing Leasing Equipment Modernisation Scheme (LEMS), based on turnover of companies
- Provision of loan facilities of up to Rs 5 million to retailers with turnover of up to Rs 250 million at a concessional rate of 3.5 % per annum if the business has been affected by COVID.
- Online platforms will be launched for start-ups SMEs to showcase their products to the world.

Boosting Private Sector Investment

- Setting up of a Rs 5 billion Modernisation and Transformation Fund which will be managed by a new Industrial Financial Institution (IFI).
- IFI will take over the activities of the ISP Ltd and SME Equity.
- Eligible sectors: manufacturing, agriculture and fisheries amongst others.
- Leasing facilities at a preferential rate of 2.5 % per annum over an extended period of up to 9 years.
- Reduction on the annual interest rate for the existing Leasing Equipment Modernisation Scheme (LEMS):
- LEMS I: from 3.9 % to 2.9 % for companies with turnover up to Rs 50 million.
- LEMS II: from 4.25 % to 3.25 % for companies with turnover between Rs 50 million and Rs 250 million.
- LEMS III: from 4.75 % to 3.75 % for companies with turnover above Rs 250 million.
- Implementation of the in-collaboration with the Fonds de Solidarité Africain.
- Increase in the maximum investment through licensed crowd lending platforms by the IFI from Rs 200,000 to Rs 1million per project.
- 200 % deduction from taxable income will be allowed on the acquisition of specialised software and systems

Ease Of Doing Business

1. New Incentives Framework

- Introduction of a ‘Premium Investor Certificate’ which will allow companies investing at least MUR 500 million to benefit from negotiable incentives, upon recommendation of a Technical Committee and approval by the Minister.
- Investment Certificate (8-year tax holiday, VAT exemptions/zero-rated, exemptions from registration duty for emerging sectors).
- Export Development Certificate (eligibility to 3% corporate tax, Freight Rebate Scheme, Trade Promotion and Marketing Scheme).

3.7 SMEs AND EASE OF DOING BUSINESS (cont'd)

- Establishment of the Economic Development Board ("EDB") of a dedicated commission for financial services to devise and monitor an effective and timely promotional and reputational management strategy for Mauritius as an International Financial Centre.
- The Business Registration Act will be amended to cater for an electronic Business Registration Card
- The Companies Act shall be amended to provide that a public company having not more than 50 members may be converted into a private company

2. The Occupation Permit (OP):

- Extension of the validity period of the OP for Professionals from 3 years to 10 years.
- Exemption from the application of an OP or work permit for Spouses of OP holders investing or working in Mauritius.
- The maximum age limit of 24 years for dependent children will be waived.
- A 10-year Family Occupation Permit will be granted to those contributing USD 250,000 to the COVID-19 Projects Development Fund.
- Non– citizens holding an Occupation Permit as a Professional will be given the flexibility to switch job without having to submit a new application provided the minimum criteria are met.
- Non-citizens holding an OP as self-employed will be allowed to incorporate a one-man company and employ administrative staff.
- The monthly salary applicable for an OP for professionals in financial services will be brought down to Rs 30,000 for those employed in fund accounting and compliance services by a company holding a license from the FSC. The professional will need to have at least 3 years' relevant work experience.
- A 10-year Family Occupation permit will be granted to those contributing USD250k to the COVID-19 Projects Development Fund
- A non-citizen who purchases or otherwise acquires an apartment used, or available for use, as residence, in a building of at least 2 floors above ground floor, provided the purchase price is not less than USD 375,000 will be issued with a residence permit, including for his dependents, and exempted from the requirement of a work or occupation permit.
- Under the Non-Citizens (Property Restriction) Act, approval will no longer be required from the Prime Ministers' Office ("PMO") for disposal of property under the EDB Schemes (e.g., Property Development Scheme, Integrated Resort Scheme).
- A notification from EDB to the PMO will suffice. No authorisation of the PMO shall be required for the initial 20-year lease of an immovable property in Mauritius

3. Permanent Residence Permit

- Permanent Residence Permit Holders of a 10-year Permanent Residence Permit will have the validity automatically extended to cover a 20-year period.
- Holders of a Permanent Residence Permit will be able to renew their permits and they will be given the flexibility to switch category between investor, professional and retired.

3.8 PHARMACEUTICAL AND BIOTECHNOLOGY

BUDGETARY MEASURES

- **A new major manufacturing industry will be set up to manufacture vaccines and pharmaceutical products**
- **Encourage private companies to construct purpose-built factories for manufacturing of pharmaceutical products and medical devices as well as for clinical and pre-clinical trials. Developers will be able to benefit from exemption on:**
  - **Registration duty and land transfer tax;**
  - **Land conversion tax; and**
  - **VAT on construction.**
- **All companies engaged in the manufacture of pharmaceuticals and medical devices will be eligible to a premium investor certificate.**
- **Biotechnology and pharmaceutical companies will be allowed a full tax credit on the costs of acquisition of patents.**
- **Companies engaged in the medical, biotechnology and pharmaceutical sector will be taxed at 3% instead of 15%.**
- **Government will provide a seed capital of Rs 1 billion to the Mauritius Institute of Biotechnology for the setting up of a manufacturing plant for the local production of COVID-19 vaccines and other pharmaceutical products.**
- **The Pharmacy Act will be amended to -**
  - **empower the Education Committee to advise the Pharmacy Board on the qualifications, examinations, training and registration of Pharmacy Technicians.**
  - **provide for the keeping of a prescription book in view to record all prescriptions which are dispensed; and**
  - **provide for the definition of "Antibiotic Drug".**
- **The Mauritius Oceanography Institute will launch an expression of interest in collaboration with the EDB for strategic alliance in the field of marine exploration, characterisation and commercialisation. A partnership framework will be devised to ensure protection of Intellectual Property and genetic assets in Mauritius.**

3.9 PUBLIC SECTOR

BUDGETARY MEASURES

Renewable Energy and Sustainable Economy

- By 2030, 60% of our country's energy needs by 2030 should be coming from green sources with coal as a main source of fuel gradually phased out by then.
- The CEB will invest some Rs 5.3 billion over the next 3 years to raise tenfold the absorption capacity of intermittent renewable energy. A set-up a solar farm at Tamarind Falls, Henrietta is also planned.
- The CEB will also launch a Request for Proposal to set up a 40 MW wind farm that will require some Rs 2.4 billion of investment.
- The DBM will provide a concessionary loan of 2% up to an amount of Rs 100,000 to enable households to purchase solar kits for domestic use.
- Removal of the 5 % excise duty on Electric Vans of up to 180 kW used for the transport of goods.
- Electric vehicles owners will be allowed to install a Photo Voltaic system not exceeding 10 kW to charge their vehicles and export any surplus to the grid.
- Subsidies and incentives for the importation of diesel buses are being phased out.
- The subsidy for the purchase of electric buses is being increased:
- From Rs 1 million to Rs 1.2 million for 9-meter buses.
- From Rs 1.3 million to Rs 1.5 million for buses above 9 meters.
- Operators acquiring electric buses will be eligible to a lease under the Transformation Fund.
- The Government will purchase some 25 electric buses for the National Transport Corporation.
- Setting up of a National Biomass Framework to make use of biomass that will account for 11% of the country's electricity.

Education

- Investment of Rs 17 billion for the education sector.
- Rs 850 million is being provided for the construction of a new school at Rivière du Rempart and the extension of 15 schools over the next three years.
- Training and re-skilling to some 10,000 individuals over the next financial year.
- Promoting Mauritius as a study destination for international students.
- Construction and expansion of student campuses will be exempted from land transfer tax and registration duty.
- Government Grants will increase from Rs 151 million for Special Needs School and students.
- Rs 490 million earmarked for the construction of multipurpose halls and playfields in select schools.
- Rs 170 million to deploy wireless local area network in 155 secondary schools in Mauritius and Rodrigues.
- Rs 33 million granted to Tertiary education institutions to invest in e-learning Management System.
- Allow some 20,000 to benefit from attending private pre-primary schools through an increase in the monthly per-capita grant to MUR400
- Grants to NGOs running SEN schools will be increased from MUR138m to MUR151m to cater for social aid and meal allowances
- The construction, and expansion of student campuses will be exempted from land transfer tax and registration duty, and private companies also benefit from a concessional 3% corporate tax rate

3.9 PUBLIC SECTOR (cont'd)

- Activity books of grades 1 to 6 will be adapted for learners with visual, hearing, Intellectual impairment, as well as for autism
- Modernise our Technical and vocational education and training (TVET) sector and support online learning for the tertiary education universities
- Exemption for dependent pursuing tertiary education increased to Rs225,000irrespective of place of study and total income of household

Healthcare

- Increasing the public health budget to Rs 14.5 billion.
- Encouraging private companies to construct purpose-built factories for manufacturing of pharmaceutical products and medical devices.
- The income eligibility criteria for households under the Overseas Treatment Scheme will be increased from Rs 50,000 to Rs 100,000.
- A zero-interest loan will be provided to patients undergoing treatment in private hospitals.
- The government has allocated an amount of Rs. 2.3billion for the construction of:
  - A Cancer Centre at Solferino
  - A new hospital at Flacq
  - An Eye Hospital at Reduit; 6 mediclinicsat Quartier Militaire, Stanley, Coromandel, Bel Air, Grand Boisand Chemin Grenier
  - 5 Community Health Centres at St Francois Xavier, Roche Bois, Grand Baie, Pointe aux Sables, and Troud'EauDouce
  - 4 Area Health Centres at Henrietta, Cap Malheureux, New Grove, and Plaine Magnien

04 | TAX AND REGULATORY MEASURES

4.1 | PERSONAL INCOME TAX

4.2 | CORPORATION TAX

4.3 | VALUE ADDED TAX

4.4 | OTHER TAXES

4.5 | TAX ADMINISTRATION

4.1 PERSONAL INCOME TAX

Additional exemption in respect of dependent child pursuing undergraduate course

- Increasing the maximum exemption in respect of a child pursuing tertiary education to Rs 225,000, irrespective of the place of study of the child and total income of the household.
- Increasing the maximum allowable deduction for medical insurance premiums from:
  - Rs 15,000 to Rs 20,000 for an individual and his first dependent; and
  - Rs 10,000 to Rs 15,000 for every other dependent.
- Allowing for an exemption in respect of donations made to an approved charitable NGO or religious bodies up to an amount of Rs 30,000.
- Allowing for an exemption of an amount of up to Rs 30,000 in respect of an individual pension scheme.

Self-Employed Assistance Scheme (SEAS)

- As from 1 July 2021, a self-employed individual will benefit from SEAS only if he pays Contribution Sociale Généralisée (CSG). A self-employed individual whose income does not exceed the income exemption threshold will be required to file a simplified return based on an estimate of income derived.
- SEAS extended to tourism-related businesses for the 3 months period ended September 2021.

Deduction for Dependent who is a Bedridden Next of Kin

- Since last year, a taxpayer is allowed to claim as dependent a bedridden next of kin who is in his care.
- It will be clarified that any financial assistance provided to the bedridden person under the National Pensions Act such as basic retirement pension, basic invalidity pension, carer's allowance and contributory invalidity pension will not be taken into account in determining his eligibility as a dependent.

Contributions to COVID-19 Vaccination Programme Fund

- Individuals and enterprises contributing to the COVID-19 Vaccination Programme Fund will be allowed to deduct the amount contributed from their taxable income at the time of submission of their income tax return.
- An individual may carry forward any unrelieved deduction in an income year for a maximum period of two successive income years.

A holder of a Premium Visa, spending 183 days or more in the Republic of Mauritius, will be subject to income tax as follows:

- the Mauritian-sourced income of a Premium Visa Holder (e.g., emoluments for work performed remotely in Mauritius) will be taxed on a remittance basis, that is in the same manner as foreign-sourced income;
- money spent in Mauritius through the use of foreign credit or debit cards by the holder of a Premium Visa will not be deemed to have been remitted to Mauritius; and
- income brought and deposited in a bank account in Mauritius will be liable to tax except if a declaration is made by the holder of a Premium Visa that the required tax has been paid thereon in his country of origin or residence.
- These amendments will be backdated to take effect as from 1 November 2020.

Tax Holiday

- Tax incentive to employees of licensees issued with an Asset Manager Certificate, Fund Manager Certificate or Asset and Fund Manager Certificate available to those managing an asset base of USD 50 million or more.
- Emoluments of asset manager, fund manager or asset and fund manager who have been issued with a certificate on or after 1 September 2016 will be granted an additional 5-year tax holiday.
- New certificate holders will be granted a 10-year tax holiday.

4.2 CORPORATE TAX

Small and Medium Enterprises

- The Income Tax Act will be amended to cater for the decision of Government to refund to an SME the salary compensation paid to its employees, that is a maximum of Rs 375 per employee monthly, for the period January to June 2021. The amendment will be effective as from 1 January 2021.
- An SME which is an export-oriented enterprise will be refunded a maximum of Rs 235 per employee monthly. The maximum salary compensation of Rs 375 will be extended for the period 1 July 2021 to 30 June 2022.
- This assistance is not payable to an SME for a particular month if it has benefitted from the Wage Assistance Scheme in that month.
- A small enterprise is eligible, at its option, to pay a presumptive tax of 1% of its turnover and is not required to declare its chargeable income. It will, therefore, be clarified that such an enterprise is exempted from Corporate Social Responsibility (CSR) obligation.
- As from 1 July 2021 and for period of 2 years, SMEs will be allowed to use their unutilised contribution of training levy with the Human Resource Development Council ("HRDC") to finance external business advisory services up to a maximum amount of Rs 50,000

Double Deduction of expenditure Incurred on Research & Development (R&D)

- In order to encourage our local companies to export on the African market, a manufacturing company will be entitled to a double tax deduction in respect of expenditure incurred for market research and product development targeting the African market.

Tax payment under Advance Payment System

- The method for computing tax liability of companies under the Advance Payment System will be amended to cater for companies which are subject to corporate tax at a lower rate than the 15% standard tax rate.

Tax Credit

- It will be clarified that any unrelieved investment tax credit of a manufacturing company may be carried forward for 10 years.
- Biotechnology and pharmaceutical companies allowed a full tax credit on the costs of acquisition of patents
- Research & Development ("R&D") tax incentive scheme extended by 5 years up to June 2027

Tax Holiday – Asset/Fund Manager

- A 5-year tax holiday is granted on emoluments of an asset manager, a fund manager or asset and fund manager who manages an asset base of not less than USD 100 million and who has been issued with a certificate on or after 1 September 2016.
- Holders of a certificate issued on or after 1 September 2016 will be exempted from tax on their emoluments for an additional 5 years while new certificate holders will be eligible to a tax holiday of 10 years.
- In addition, the threshold of USD 100 million in respect of asset base being managed by an Asset/Fund Manager will be reduced to USD 50 million.

Corporate Social Responsibility

A company is allowed to use 25% of its CSR Funds to implement a CSR Programme or finance a non-governmental organisation implementing a CSR Programme in the specified priority areas of intervention. The list of priority areas of intervention will be extended to include the restoration of a building designated as a national heritage under the National Heritage Fund Act 2003.

Partial Exemption Regime

80% exemption extended to include:

- Licensed investment dealers
- Leasing of locomotives and trains including rail leasing

Taxation for non-residents

- Dividends paid by a non-resident to another non-resident is not taxable in Mauritius
- Non-resident foreign limited partnerships are not required to submit return of dividend

Reduction of corporate tax rate

- Companies engaged in the medical, biotechnology and pharmaceutical will be taxed at 3% instead of 15%
- 3% corporate tax applicable to private universities set up in Mauritius

4.2 CORPORATE TAX (cont'd)

Tax deductions

- Companies contributing to the COVID-19 Vaccination Programme Fund allowed to claim the amount contributed as a tax deduction from their taxable income
- Large manufacturers entitled to 110% deduction on purchase of products manufactured locally by SMEs
- Double deduction available:
  - to manufacturing companies on expenditure incurred on market research and product development targeting the African market
  - on the acquisition of specialised software and systems
  - to private health institutions for expenses related to international accreditation

New incentives

Companies registered with the Economic Development Board (“EDB”) as a holder of an Investment Certificate are eligible to:

- a 5% tax credit over 3 years on capital expenditure incurred on new plant and machinery (manufacturing company only) until 30 June 2023
- an 8-year tax holiday in the case of new companies

The above new incentives are applicable to companies operating in the following sectors:

- Aquaculture
- Industrial Fishing
- Seafood processing
- High Tech manufacturing
- Pharmaceutical research and manufacturing
- Agro Processing
- Food Processing
- Healthcare, Biotechnology and Life Sciences
- Nursing and residential care
- Digital technology and innovation
- Marina
- Tertiary Education
- Seeds Production
- Other activities as approved by the EDB

4.3 VALUE ADDED TAX

VAT refund on new construction or purchase of house or residential apartment.

VAT refund on new construction or purchase of house or residential apartment will be subject to the following conditions:

- the cost of construction or purchase of the residence should not exceed Rs3m;
- the aggregate limit on the refund will be Rs300,000;
- the household income eligibility threshold for the refund will be Rs1m per annum; and
- the refund will be applicable on the construction or purchase of a first residence

VAT exempt bodies

The National Empowerment Foundation and the New Social Living Development Ltd will become exempt bodies for VAT purposes in respect of construction of social housing

Zero rated items

- Preparation and supply of dumplings made up of meat, fish, squid, crab, chicken, vegetables or milk, whether cooked or uncooked, to final consumers
- Animals for the purpose of training, breeding and re-export

Biotechnology and Pharmaceutical Industry

VAT exemption on construction of purpose-built factories for manufacturing of pharmaceutical products and medical devices as well as for clinical and pre-clinical trials

Film Promotion Fund

The remittance of 0.4% of net VAT collection credited by MRA on a quarterly basis into the Film Promotion Fund will be discontinued

VAT incentives to companies holding Investment Certificates

- Companies operating in specific sectors and registered with the EDB as a holder of an Investment Certificate will benefit from VAT exemption on plant, machinery and equipment and construction of purpose-built building and plant and equipment (excluding vehicles) for research and development
- Companies providing healthcare, nursing and residential care services will benefit from VAT at 0% on the item listed above

4.4 OTHER TAXES

Registration duty and land transfer tax

- Rate of tax on transfer of leasehold rights in state lands for hotel will be reduced to 5% for the buyer and 5% for the seller, for a period of 2 years starting from 1 July 2021
- Exemption from payment of tax on sale of a residential unit in a project developed on state land relating to senior living under the Property Development Scheme
- VAT is payable on the transfer of a commercial or industrial buildings. Land and duties will be levied on the value of the immovable property excluding VAT and this amendment will take effect from 1 January 2021
- Waiver of 50% of registration duty on the first registration of an electric autocycle/motorcycle purchased before 31 March 2021. Deed of sale should be registered on or before 31 December 2021.
- To enable hotels built on State lands and in financial distress to restructure and attract equity financing, the rate of tax on transfer of leasehold rights will be halved. Land transfer tax of 20% payable equally by the buyer (10%) and the seller (10%) will be reduced to 5% each
- The sale of a residential unit in a project developed on State land relating to senior living under the Property Development Scheme will be exempted from the payment of tax on transfer of leasehold rights in State lands.

Levy on Mogas and diesel

- Application of MUR 2 per litre of Mogas and diesel to finance the cost of Covid-19 vaccines

Customs Duty

- Reduction of customs tariff to be done in two phases for specific agreements
- Extension of 30% customs duty rebate on buses up to 30 June 2022

Duty Free shops

- An extension up to 30 June 2022 will be grated to Duty Free shops and Deferred Duty and Tax Scheme Shops to sell goods on the local market of limitless quantity, subject to payment of duties and taxes

Excise Duty

- Increase in excise duty on specified alcoholic and tobacco products by 10 percent.
- Tax of 6 cents per gram of sugar on locally manufactured and imported non-staple sweetened products
- Exemption of tax of certain sugar-sweetened products and fruit puree for infants
- Sugar-sweetened products with total sugar content of up to 4 grammes per 100 grammes or 4 grammes per 100 millilitres, exempted from tax
- Abolition of 5% excise duty on electric vans of up to 180 kW used for the transport of goods
- A beneficiary of a duty exempted motor vehicle will be allowed to benefit from another duty exempted motor vehicle within a period of 4 years provided that the full amount of duties and taxes exempted on the current motor vehicle is reimbursed
- Excise duty rebate scheme on motor vehicles extended up to 30 June 2022:
  - Up to 1,000 cc – 40%
  - Above 1,000 cc, including double/single space cabin vehicle and van – 30%

Tax on Winnings

- Licensed operators shall submit a statement of the amount of winnings exceeding Rs 20,000 paid to any person instead of Rs 50,000.
- 10% tax imposed on winnings will also cover winners of Lotterie Vert.
- Levy paid by gambling operators will not be allowed as a deduction for tax purposes.

Others

- Reduction of registration tax on transfer of lease of state lands from 20% to 10% for hotels for 2 years
- Exemption from registration duty, land conversion tax and VAT on construction of purpose-built factories for manufacturing of pharmaceutical products and medical devices as well as for clinical and pre-clinical tests
- Refund of 5% on the cost of property, up to a maximum of MUR 500,000 would be available to an individual buying a house, apartment, or land to construct his residence in the financial year 2021/22
- Refund of 5% of home loan, up to a maximum of MUR 500,000 is available to those contracting a Home Loan to construct their residence

4.5 TAX ADMINISTRATION

Tax Arrears Settlement Scheme (TASS)

- The Tax Arrears Payment Scheme has been reintroduced.
- The Scheme provides for full waiver of penalties and interest where tax arrears, outstanding as at 31 October 2020 under the Income Tax Act, the VAT Act and the Gambling Regulatory Authority Act, are paid in full by 31 December 2021 and provided the taxpayer registers under the Scheme by 30 June 2021.
- Taxpayers having assessments pending before the Assessment Review Committee, the Supreme Court or Judicial Committee of the Privy Council, and who wish to take advantage of the scheme, may do so by withdrawing the case before these institutions.
- As regard SMEs, the scheme will remain open to them up to December 2021.
- The Income Tax Act will be amended to ensure that foundations and trusts benefitting from a preferential tax regime comply with the OECD standards, including substantial activity requirements

Statement of Financial Transactions

- The monetary thresholds for submission of information by banks, non-bank deposit taking institutions, insurance companies and money changers to the MRA through a statement of financial transactions will be reduced by half.
- A bank or a non-bank deposit taking institution shall report to the MRA a deposit made by an individual, a société or succession exceeding Rs 250,000 or deposits exceeding in the aggregate Rs 2 million in a year. As regards a corporate, the threshold will be Rs 500,000 and Rs 4 million respectively.
- A money changer or an exchange dealer shall report any foreign currency transaction equivalent to Rs 100,000 or more. An insurance company, on its part, shall disclose to the MRA, insurance premium exceeding Rs 250,000 paid in respect of a person.

Arm's Length Test

- The Arm's Length Test as provided for in the Income Tax Act for domestic companies shall equally apply to Global Business Companies.

Submission of Return by Self-Employed Individuals

- All self-employed individuals will be required to submit an income tax return.

Request for Information

- It will be possible for MRA to request information from taxpayers to be provided electronically.
- MRA will also be allowed to conduct virtual meetings with taxpayers through a teleconferencing device.

Tax Ruling

- The time limit of 30 days for MRA to issue a tax ruling shall run as from the date additional information sought by the MRA is received from the applicant.

Record Keeping

- The types of records that a person in business should keep at its premises and make available for audit purposes to the MRA shall be stipulated in regulations.

Exchange of Information with Treaty Partners

- In order to improve exchange of information with Treaty partners, penalties will be introduced for companies which fail to comply with MRA requests relating to exchange of information.

Value Added Tax Act

- The time limit of 30 days for MRA to give ruling on VAT issues will run as from the date of submission of all documents and information requested by MRA.
- Provision will be made to allow a taxpayer to submit electronically any information requested by MRA.

Securing presence of a Retired Government Valuer or any other person at the Assessment Review Committee (ARC)

- The law will be amended to compel the attendance and production of documents before the ARC by any person including a retired Government officer.

Lodging of Representations

- A taxpayer will be allowed to make representation to the Assessment Review Committee without any payment where an objection was lapsed by the MRA because the taxpayer has failed to provide requested information.

Money Laundering

- Money laundering in the MRA Act will be given the same definition as in the Financial Intelligence and Anti-Money Laundering Act.

4.5 TAX ADMINISTRATION (cont'd)

Independent Tax Panel

- The Director-General of the MRA will not be required to seek the authorisation of the Independent Tax Panel under the Assessment Review Committee (ARC) to issue assessments under Revenue laws in cases of fraud or non-submission of tax return by a taxpayer.
- Any aggrieved taxpayer will still be entitled to the normal objection and appeal process.

Amendments of the method for computing tax liability

- Mandatory attendance and production of documents before the ARC by any person including a retired Government officer. Under Current Payment System (CPS):
- Amendment to be made to cater for persons subject to tax at the rate of 10%
- Under Advance Payment System (APS):
- Amendment to be made to cater for companies which are subject to corporate tax at a lower rate than 15%

Deferral of income tax payment due

- Under CPS: Income tax liability due in the income year 2020/2021 to be deferred up to October 2021
- Under APS: Income tax liability due in November 2020 up to May 2021, to be deferred until 30 June 2021

Customs

- Present fee of Rs300 will not be applicable for amendments made to the aircraft/ship cargo manifest due to causes beyond the control of the master or agent of the aircraft
- MRA Customs may issue clearance to any departing aircraft/ship electronically
- Economic operators may submit a consolidated Bill of Entry for goods of minimal value imported/exported by air during a month
- Electronic submission of bill of lading and other documents required for clearance of goods will be allowed
- An administrator, executor, receiver or liquidator appointed to manage or wind up the business of a person transacting business, has to inform the MRA Customs of his appointment within 15 days
- Penalty and interest will be applicable in case of non-payment of duties and taxes by the due date under the Deferred Payment Scheme
- A penalty Rs500 per day of non-compliance up to a maximum of Rs5,000 will be imposed on master, agent of an aircraft or ship failing to amend his cargo manifest to account for any discrepancy between the manifested cargo and landed cargo within 5 working days after the vessel has been berthed or the aircraft has landed
- Definitions for jewellery, precious metal and precious stone will be introduced in line with those in the Financial Intelligence and Anti-Money Laundering Act
- The MRA Customs has the power to enforce customs laws where there is suspected money laundering involving precious stones and metals or any goods of high value
- Goods may be imported for a maximum period of twelve months under the Temporary Admission Scheme and for a maximum period of three years for goods imported in connection with the implementation of a project

Excise duties

- A manufacturer engaging in different types of economic activities is now required to make a single application for all excise licences and the fee for each excise licence will remain payable
- Manufacturers of sugar sweetened products will be allowed to submit a consolidated Bill of Entry for goods warehoused and cleared during a month and taxes should be paid within 5 working days from the end of that month
- Penalty and interest payable on late payment of excise duty will be harmonised with those under the Customs Act
- MRA Customs will be empowered to recover erroneous payments made to exporters/recyclers in respect of waste PET bottles exported/recycled
- The validity period of excise licences granted to importers/manufacturers of single use plastic products, which was due to expire on 31 December 2020 is extended until 14 January 2021 with retrospective effect.

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