

BUDGET REVIEW 2019/2020



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Foreword

Paving the way for a brighter future

10th June 2019 was Annual Budget Day for Mauritius.

Mauritius' economy has remained resilient with Real GDP growth estimated at 3.9% in FY 2018/19 ahead of the IMF projections of 3.3% for the global economy for the same period, despite an economic ongoing war that that could have far reaching impacts on the world economy.

The Honourable Minister announced various measures geared toward setting the foundations for a stronger, innovation-driven and more inclusive economy.

The importance of the Mauritian Financial Services Sector was highlighted, specifically the good repute of Mauritius as an International Financial Centre. Mauritius is rated as fully compliant with the OECD standards on transparency and exchange of information for tax purposes.

Some ground breaking announcements for the Financial Services Sector include the following:

- Establishment of a new framework for fund administration and fund management
- Revamping the existing Special Purpose Fund regime
- The establishment of a regime for Robotics and AI enabled financial advisory services
- A new licence for Fintech Service Providers, the introduction of Head Quartering of e-commerce schemes
- The establishment of Crowd Funding as a new licensed activity
- The introduction of an "umbrella licence" for wealth management activities
- The introduction of new rules and attractive tax regime to promote the development of the Real Estate Investment Trusts (REITs)
- The use of e-signatures and e-licences and a new Business Facilitation Bill to promote a more business friendly environment

Various income tax holidays will also be introduced in respect of companies involved in:

- innovation-driven activities,
- e-commerce platform,
- peer-to-peer lending.

This was the last budget presented by the current regime before the general election, it is considered to be a balanced budget based on the economic realities facing the island nation.

Financial Services

Creating New Opportunities

With a view to further develop the Financial Services Sector and to strengthen the Mauritius International Financial Centre, the budget contained the following proposals:

(i) To expand accessibility of our financial products across the globe, including:

- The establishment of a new framework for fund administration and fund management
- The revamping of the existing Special Purpose Fund regime
- FSC entering into an agreement with the Gujarat International Finance Tec-City to recognize Mauritian licensed funds and management companies as qualified to operate in the Gujarat jurisdiction as well.

(ii) To diversify the product base of the Mauritian International Financial Centre with the introduction of:

- new rules and an attractive tax regime to promote the development of Real Estate Investment Trusts (REITs);
- an 'umbrella licence' for wealth management activities
- a scheme for headquartering of 'e-commerce' activities
- a framework for Green Finance in line with the 'Marrakech Pledge' - a continental coalition of African Capital Markets Regulators and Exchanges committed to foster green financing on the continent and
- a new trading platform at the Stock Exchange of Mauritius to allow medium sized profitable enterprises that do not qualify for listing on the official and DEM markets to raise capital and trade their shares.

(iii) To facilitate conduct of business in the sector by setting up a 'single-window system' at the FSC which will allow submission of documents for financial services and global business applications.

- The FSC will explore the convergence of Private Banking and Wealth Management licences.
- The Financial Services Act will be amended to introduce a scheme for the Head Quartering of E-Commerce activities in Mauritius.

Business Environment

(i) Increasing Protection to Minority Investors through the following measures:

- a) the Securities Act will be amended to ensure immediate disclosure to the public if the transaction has a value of at least 10% of the Company's assets
- b) the Companies Act will be amended such that individual compensation of directors are disclosed in the annual report
- c) the Companies Act will be amended such that dividend declared by the Board is paid within a maximum period of 15 months subject to solvency test;
- d) the Companies Act will also allow disqualification of a director upon a successful claim by shareholders; and
- e) the Listing Rules will be reviewed to provide for the requirement of obtaining shareholders' approval for Related Party Transactions, where the percentage ratios as specified in the Rules, represent 10% or more.

(ii) Resolving Insolvency

The Insolvency Act will be amended to allow an administrator to call separate meetings for different classes of creditors. The Creditors shall vote separately, and the Administrator shall ensure equal treatment for each class. The Administrator shall also ensure that creditors are not worse off than they would have been in a liquidation.

(iii) Expediting Dispute Resolutions

The Income Tax Act will be amended such that parties attempting a mediation or a conciliation or an arbitration be allowed a deduction from taxable income of an amount equivalent to 150% of the case filing fee.

Financial Services (cont)

Fintech

In a bid to position Mauritius as a Fintech, the following measures will be implemented by the FSC:

- Establishment of a regime for Robotics and AI-enabled Financial Advisory Services
- Introduction of a new licence for Fintech Service providers
- Encouraging self-regulation for Fintech activities
- Introduction of the use of e-signatures and e-licences on a pilot basis; and
- Creation of Crowd Funding as a new licensable activity.

To boost investors' confidence in our financial services sector, the regulatory framework will be reinforced along these lines:

- Financial Crime Commission will be set up to act as an apex body to ensure greater coordination and coherence among the relevant investigative bodies in dealing with financial crimes
- FSC will develop a financial data handling code of conduct to address cyber risks; and
- The Bank of Mauritius, FIU and FSC will introduce industry-wide Practice Notes with respect to handling clients' requests.

Sandbox Licence, Blockchain and Crypto Currency

In line with the intention to developing Mauritius as an online betting platform for foreigners, the Economic Development Board (EDB) will be issuing a "Sandbox Licence" to enable interested parties to develop a licensing programme that would include the elaboration of an appropriate legal framework, the choice of latest software solutions for real-time tax deduction at source for every online betting transaction and exploring risk-assessed Blockchain and Crypto Currency initiatives.

Global Business

Tax Residence

To ensure compliance with International Best Practices and international standards, the following measures were announced, and substantial amendments will be made to Section 71 of the Financial Services Act, where applicable:

(i) Tax Residency of Companies

The Income Tax Act will be amended to implement the recommendation of industry stakeholders regarding the determination of tax residency for companies. Thus, if a company is centrally managed and controlled outside Mauritius, it shall not be considered as tax resident in Mauritius.

(ii) Reforms to the Tax Regime of Global Business Companies

a. Partial Exemption Regime

The Income Tax Regulations 1996 will be amended to:

- define the detailed substance requirements that must be met in order for a taxpayer to enjoy the partial exemption benefit and
- lay down the conditions that must be satisfied where a company outsources its core income generating activities, namely:
 - i. the company must be able to demonstrate adequate monitoring of the outsourced activities;
 - ii. the outsourced activities must be conducted in Mauritius; and
 - iii. the economic substance of service providers must not be counted multiple times by multiple companies when evidencing their own substance in Mauritius.

The partial exemption regime will be extended to cover companies engaged in:

- i. leasing and provision of international fibre capacity;
- ii. reinsurance and reinsurance brokering;
- iii. sale, financing arrangement and asset management of aircraft and its spare parts, including aviation related advisory services.

b. Anti-abuse rule

The Income Tax Act will be amended to set out rules on controlled foreign company (CFC).



Taxation

Personal Tax

Income Exemption Thresholds

The existing income exemption thresholds are being increased as set out below:

Category	From	To
A. Individual with no dependent	Rs 305,000	Rs 310,000
B. Individual with one dependent	Rs 415,000	Rs 420,000
C. Individual with two dependents	Rs 480,000	Rs 500,000
D. Individual with three dependents	Rs 525,000	Rs 550,000
E. Individual with four or more dependents	Rs 555,000	Rs 600,000
F. Retired/disabled person with no dependent	Rs 355,000	Rs 360,000
G. Retired/disabled person with dependents	Rs 465,000	Rs 470,000

Other Exemptions and Reliefs

Additional Deduction for Tertiary Education

Deduction in respect of a dependent child who is pursuing tertiary studies now applies for a maximum of 4 dependents.

Relief for Medical or Health Insurance Premium

Claim for relief in respect of medical insurance premium will be allowed for a fourth dependent up to Rs 10,000.

Tax Band of 10%

The tax rate of an individual who derives annual net income of up to Rs. 700,000 is 10%.

PAYE will apply at the rate of 10% if the average cumulative emolument in a month is below Rs 53,845.

Solidarity Levy

The computation of the solidarity levy will exclude lump sum income received by way of commutation of pension, death gratuity or as compensation for death or injury and will take effect as from 1st July 2017.

Peer to Peer Lending

Individuals receiving interest income from Peer to Peer lending will be liable to income tax at the rate of 3% and they will be able to deduct bad debt and fees.

Negative Income Tax / Special Allowance

An additional quarterly return will have to be submitted to the MRA to provide information about household employees in respect of negative income tax or special allowance.

Employers will be required to submit NPF/NSF returns and quarterly statements as well as effect payments electronically.

Taxation (cont)

Corporate Tax

Tax Holidays

Innovation Box Regime

Companies engaged in innovation-driven activities will now benefit from a tax holiday of 8 years on income derived from their intellectual property assets developed in Mauritius subject to the fulfilment of pre-defined substantial activities conditions in line with BEPS requirements.

E-Commerce Platform

Companies incorporated in Mauritius before 30th June 2025 with a view to operate an e-commerce platform will be granted a 5 year tax holiday.

Peer-to-Peer Lending

Following the publication of the Peer-to-Peer Lending Rules by the FSC last year, it is now contemplated that Peer-to-Peer lending operators will benefit from a 5-year tax holiday subject to the former being operational before 31st December 2020.

Newly set up company developing a marina

An 8-year income tax holiday will be granted to a newly set-up company developing a marina.

Carry Forward of Unrelieved Tax Losses

A company will not be able to carry forward its accumulated losses if there is a change in the ownership of the company. However, it is contemplated that in the case of a manufacturing company, the latter may be allowed to carry forward its accumulated losses if the Minister deems it to be in the public interest to do so and subject to the fulfilment of conditions relating to safeguard of employment. This amendment will be deemed to be effective as from 1st July 2018.



Taxation (cont)

Taxation of Banks

Summary of Proposals

- Income derived by banks from Global Business Companies will not be subject to the levy under the Value Added Tax Act 1998;
- Banks having operating income exceeding 1.2 billion MUR per year will attract a levy of 4.5% on their operating income;
- The above mentioned levy will not fall to be a deductible expense under corporate tax and no foreign tax credit will be allowed.
- Banks which grant at least 5% of their new banking facilities to:
 - (i) SMEs in Mauritius
 - (ii) companies operating in agricultural, manufacturing or production of renewable energy in Mauritius or
 - (iii) operators in African or Asian countries will benefit from a tax rate of 5% on its chargeable income in excess of its chargeable income in the base year (Year of Assessment 2017 - 2018).

Others

Freeport Regime

Freeport operators will be liable to income tax at the rate of 3% on profits pertaining to the sale of goods on the local market.

Accelerated Depreciation

Capital expenditure incurred on plant and machinery may now be fully expensed up to an amount of Rs 60,000.

Property Tax

Registration duty, land transfer tax and tax on transfer of leasehold rights in State land will not be leviable on the transfer of immovable property between a statutory body, a company where Government holds directly at least 90% of its shareholding or a wholly owned subsidiary of that company.

A descendant returning back to an ascendant a property donated by the latter is exempted from payment of registration dues. This exemption will apply equally to the spouse of the descendant if the donated property was jointly owned by the spouses.



Taxation (cont)

Tax Administration

General

Voluntary Disclosure of Income Scheme-Foreign Assets

Taxpayers will be given the opportunity to voluntarily disclose previously undeclared income held in a bank account overseas or used to purchase foreign assets. If they do so before 31st March 2020, they will not have to pay any interest or penalty on same subject to certain conditions.

Voluntary Disclosure of Income Scheme-SMEs

SMEs will be allowed to regularise their tax affairs with the MRA without being subject to penalty and interest.

Assessment Review Committee-Filing of Statement of Case

The Mauritius Revenue Authority Act 2004 already catered for a statement of case to be provided alongside with representations to be lodged in the case of a review. It is now contemplated that an aggrieved taxpayer will be given sufficient time to file his statement of case and other relevant documents to the Assessment Review Committee ("ARC"). Moreover, the ARC may now proceed with the hearing of the case if the Chairperson/Vice Chairperson of the ARC is satisfied that failure to provide the statement of case is due to a reasonable cause.

Income Tax / Arm's length test

Section 75 of the Income Tax Act 1995, which currently deals with the application of the arm's length test, will be amended to provide for more clarity.

Value Added Tax

A number of clarifications to be brought to the provisions of the VAT Act 1998:

- "Where a domestic company supplies services to a foreign company who is outside Mauritius, the services will be zero-rated for VAT purposes provided the foreign company does not in turn supply these same services to another local company."
- "where there is a splitting of a business entity into entities to avoid registration for VAT purposes, each entity will be required to be compulsorily registered for VAT." Under the current provisions, the Director-General is able to issue a direction to that person directing the split businesses shall be treated as a single taxable person which shall then be liable for registration. Now, each entity will be required to be registered for VAT purposes.

VAT-registered persons will be able to claim repayment of input tax in respect of:

- (i) goodwill on acquisition of business and
- (ii) the acquisition of intangible assets.

Business Environment

Business Facilitation

In the latest publication of the World Bank's Ease of Doing Business report, Mauritius was ranked 20th globally and 1st in Africa.

These amendments are aimed to:

- expedite the start of businesses;
- eliminate unnecessary licences and permits;
- expedite clearances at the port and airport; and
- align with international best practices regarding protection of minority investors and sharing of information.

Listing: New Trading Platform

To facilitate business of medium sized profitable enterprises, a new trading platform at the Stock Exchange of Mauritius ("SEM") will be introduced for those who do not qualify for listing on the official and Development & Enterprise Market ("DEM") to raise capital and trade their shares.



Business Environment

(cont)

Occupation Permit & Residence Permit

- **Procedures, Criteria and Guidelines**

The Non-Citizens (Employment Restriction) Act will be amended to introduce strict timelines for assessment of completeness of application, obtaining clearances from other authorities and determination of an application.

The process for issuing Occupation Permit will be reviewed making provisions for clearly defined eligibility criteria and introduction of guidelines.

- **Significant Employers Scheme**

A Significant Employers Scheme will be introduced by the EDB to support businesses operating in fields where local talents are scarce.

A foreign worker, employed by the company under this scheme, will obtain an entry permit at arrival, valid for a period not exceeding 3 months, allowing the employee to work while the employer completes the Occupation Permit Procedure.

- **Retired non-citizen Residence Permit**

The monthly transfer required for retired non-citizens will be lowered from USD 2,500 to USD 1,500.

- **Investor: Innovator Occupation Permit**

The capital outlay requirement of USD 40,000 under the innovator Occupation Permit for Start-ups, who will be mentored by an accredited incubator will be waived.

Others

Gender Equality

The Government wishes to address the issue of gender gaps in our society and amongst others, the following measures will be taken to promote gender equality:

- Public Companies and Statutory Bodies will be required to have at least one woman on their board of directors and
- Enhance women's empowerment centres.

Changes to Legislation

Companies Act

The Companies Act will be amended to:

- a) provide that a small private company is a company which, amongst others, is not qualified as a 'Public Interest Entity' under the Financial Reporting Act
- b) align the definition of beneficial owner with the requirements of the OECD
- c) require the applicant bear the publication cost of the notice for the vesting of the property of a company and
- d) provide that the board of a public company shall consist of at least one woman director.

The limit on the number of shareholders permitted for private companies incorporated under the Companies Act, currently no more than 25 shareholders, will be reviewed.

Insolvency Act

The Insolvency Act will be amended to:

- a) provide that an insolvency practitioner shall ordinarily be a Mauritian resident
- b) provide that a body corporate shall not be appointed or act as a liquidator
- c) provide for remuneration of the liquidator to be prescribed
- d) allow the administrator to call separate meetings for each class of creditors who shall vote separately
- e) provide that the administrator shall determine and state whether any creditors interests' would be prejudiced before calling a watershed meeting rather than proceeding with a liquidation
- f) require leave from the Court, the Court of Civil Appeal or the Appellate Jurisdiction of the Supreme Court prior in order to appeal against an order by the Court under the Act and
- g) clarify the rules governing the insolvency of global business companies incorporated in Mauritius.



Changes to Legislation

(cont)

Limited Liability Partnerships Act and Limited Partnerships Act

The Limited Liability Partnerships Act and the Limited Partnerships Act will be amended to align the definition of beneficial owner with the OECD's requirements.

Securities Act

The Securities Act will be amended to:

- a) clarify that an acquisition is significant when the value of the asset is at least 10% of the net assets of the reporting issuer
- b) allow for an investigation to be conducted under Section 44A of the Financial Services Act with respect to Special Investigations
- c) provide for the authorisation of agents of investment dealers and
- d) provide for the authorisation and supervision of Real Estate Investment Trusts.

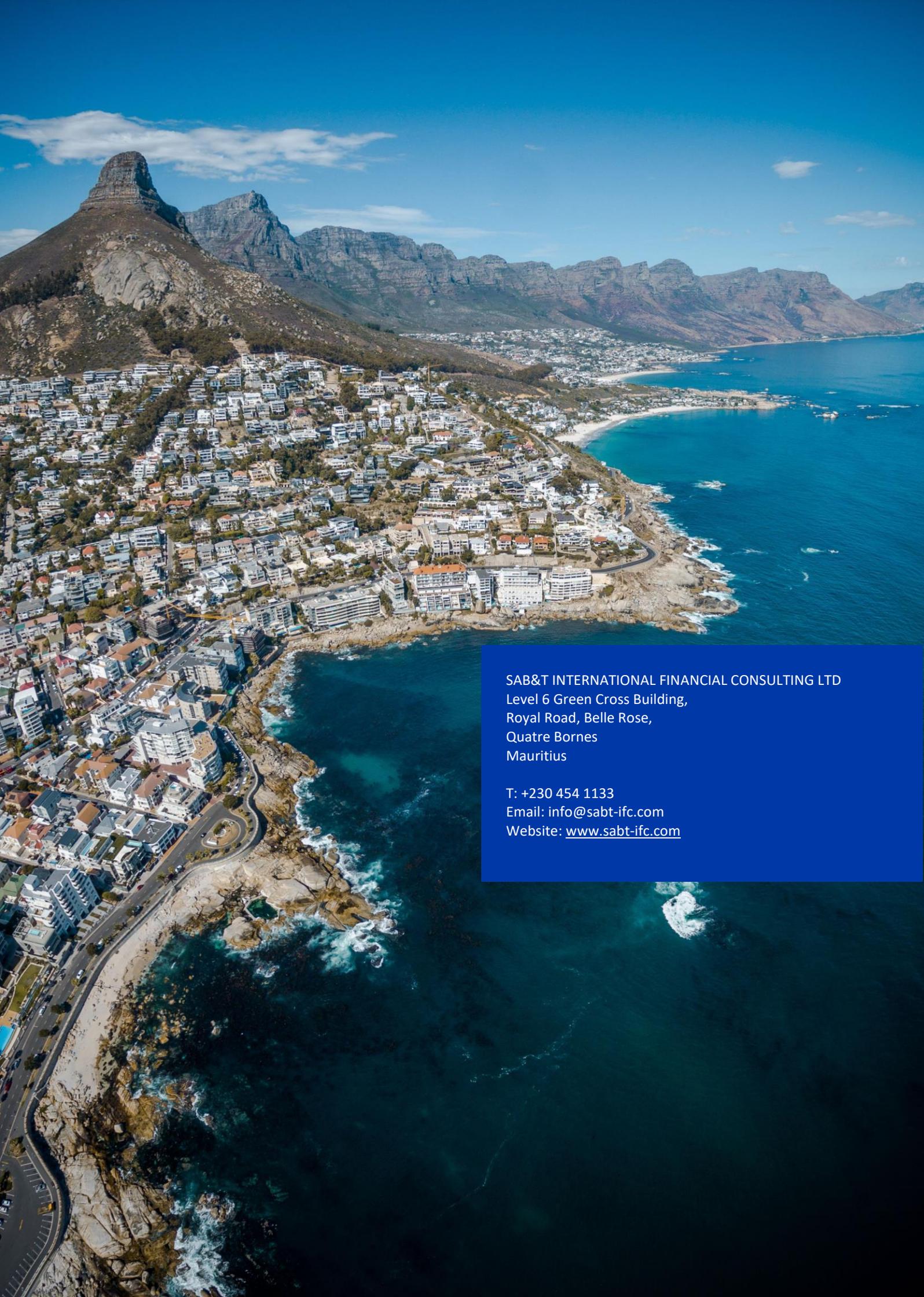
Financial Services Act

The Financial Services Act will be amended to, inter alia, provide for the following:

- a) allow the FSC to carry out investigations and take measures to suppress financial crime
- b) enable the FSC to appoint an administrator where it considers that the conditions of a licence are no longer met and
- c) cater for the independence of the Financial Services Review Panel such that an application for review no longer has to be in a form and manner approved by the FSC.

Disclaimer

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