



INTERCONTINENTAL TRUST NEWSLETTER

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INTERCONTINENTAL TRUST

Impeccable Service Intelligent Solutions

Mauritius Budget 2015-16

The first budget of the newly elected government was presented by the Honourable Minister of Finance and Economic Development, Mr. Seetannah Luchmeenaraidoo on 23rd March 2015.

The main objectives of the Budget 2015 - 2016 are to:

- Redirect the economy towards a path of high investment and high employment
- Secure long-term sustainable development for all
- Eradicate inequality and social injustice
- Promote transparency and good governance in the management of public affairs

The proposals put forward in this budget are in line with the government's electoral pledge and are expected to promote a more conducive and business-friendly environment as well as tackle social inequality and injustice. It is also expected to contribute towards job creation and help the economy achieve a growth rate of more than 5%.

The salient features of the Mauritius Budget 2015 - 2016 are depicted as follows:

Instilling a Sound, Stable and Inclusive Financial Services Sector

One of the objectives of the new government is to consolidate and diversify both our market base and products through the implementation of the following measures and policies:

- A special Financial Sector Incentive Scheme to attract international Asset and Fund Managers to relocate their front-office operations in Mauritius
- Reactivation of the Financial Services Promotion Agency for more effective promotion campaigns, especially to diversify our Global Business activities in Africa
- Set up of Financial Services Institute at Réduit to provide specialised training courses focused on the actual needs of the industry
- Bank of Mauritius will provide market makers with an exit mechanism to revitalise the secondary market for Government Securities
- Amendment of the Income Tax Act to exempt non-resident corporate bond holders from withholding tax
- Amendment of the Insurance Act to enable the issue of insurance policy documents in digital format
- Full cooperation with Indian authorities to bring to a fruitful conclusion the discussions on outstanding issues relating to the Double Taxation Avoidance Agreement

A few of the other measures that affect the Financial Services Sector include:

- Reduction of the maximum interest rate from 19% to 12%, and the penalty rate from 5% to 2% for hire purchase transactions
- Setting up an Office of Ombudsperson on Financial Institutions which will deal with complaints received and recommend appropriate remedial action
- The Special Levy on Banks, currently 10% of chargeable income for segment A banking business and 3.4% on book profit and 1% on operating income for segment B banking business, will be maintained to June 2018

Opening the Mauritius economy – reinforcing partnership with Africa and expanding trade

With a view of enhancing our economic partnership with Africa and expanding regional trade, the following measures have been proposed:

- Redefinition of the role of the Mauritius Africa Fund which will concentrate on the development of Special Economic Zones (SEZ) in various African countries in collaboration with Madagascar, Ghana and Senegal who have already expressed their intention to work with Mauritius on same
- Setting up of a regional shipping line to expand regional trade and the role of our port in the region.
- 8 Trade and Investment Managers to be posted by the Board of Investment in strategic cities around the world (Beijing, Geneva, Pretoria, London, Moscow, Mumbai, New York and Paris). They will be based in our embassies.

Developing the ICT sector as a Key Driver of Development

As part of the objective to achieve long term sustainable development, several measures affecting the ICT sector have been put forward as follows:

- A third international gateway through the installation of a new submarine fibre optic cable connecting Mauritius and Rodrigues to the rest of the world
- The whole island will have full broadband fibre connectivity within the next 3 years
- The ICT Skills Development Programme will be extended to cover training for unemployed youths even if they do not have a job placement
- Introduction of a scheme whereby ICT companies that recruit a minimum of 100 employees will be allowed to bring in a quota of foreign qualified employees. Big global ICT players will thus be encouraged to set up business in Mauritius
- The number of free WIFI hotspots across the island to be increased from 15 to 350
- Abolition of the 10 cents levy on SMS and MMS
- Rs 125 million to fund a National Innovation Programme with the objectives to foster a Research and Development culture that will stimulate the creation of new and innovative products and services



Investment in Mega Projects and creation of Employment

In a bid to create more jobs and improve our lifestyle, 13 mega-projects including eight projects under the 'Smart City' concept will be introduced. These projects will be ecofriendly, use state-of-the art technology, bring in modern transportation and reduce traffic congestion. The projects of which six are ready for implementation, include the following:

- The Omnicane airport city in the south-east
- St Félix Village projects in the south
- The Médine Integrated Park in the west
- Roches Noires in the north-east
- The Azuri Phase 2 project in the north
- The Terra project in the north
- The Highlands City in the centre
- The Richeterre Project in the vicinity of Port Louis and
- 5 'Technopoles' at Highlands, Rose- Belle, Flacq, Rivière du Rempart and Bambous

The above projects involve the optimization of some 7,000 arpents of land, Rs 120 billion rupees of private and foreign direct investments, the creation of thousands of jobs and be a catalyst in the construction industry

In addition, the Port-Louis harbour will be transformed from a destination port to a regional hub for bunkering, seafood, transshipment, cruise and petroleum. A full-fledge marina will also be developed there.

Business Facilitation and Investment Climate

Business Facilitation:

In order to achieve a growth rate of more than 5%, the government will have to encourage investment by gaining investors' confidence and improving the ease of doing business. The main measures that have been put forward are:

- Granting of greater powers to the Fast Track Committee to simplify procedures pertaining to the implementation of major investment projects
- Objective to abolish a total of 70 permits and licenses that have "become obsolete"
- Automatic renewal of some types of licenses upon payment of fees (including e-payment)
- Business operators will be granted the opportunity to renew their licenses for a period of up to 3 years
- Tourism operators will have the opportunity to apply for an omnibus license incorporating their various activities
- A study is being carried out by the government in connection with the labour market and the wage policy with a view to harness a conducive business environment to boost FDI
- Business Registration Act will be amended to facilitate sharing of information
- Companies Act will be amended to allow for electronic filing of documents and electronic payment of fees and correction of clerical errors in documents files to avoid multiple filings



Restructuring the IRS/RES

The government is proposing an in-depth analysis of the IRS/RES schemes so that society is cushioned from the negative impact of these scheme. The aim is to set up a single scheme that would be centered on inclusive development for both locals and foreigners. Also, the Investment Promotion Act will be reviewed to incorporate new regulations along with the introduction of New Planning Policy Guidelines that will be announced shortly.

Main Fiscal Measures

Personal Income Tax

Increase in the income exemption thresholds by Rs 10,000 for income year 1st July 2015 to 30th June 2016 as follows:

Income Exemption Thresholds:

	2014-2015 (Rs)	2015-2016 (Rs)
Individual with no dependent	275,000	285,000
Individual with one dependent	385,000	395,000
Individual with two dependents	445,000	455,000
Individual with three or more dependents	485,000	495,000
Retired/disabled person with no dependent	325,000	335,000
Retired/disabled person with dependents	435,000	445,000

Additional Deduction for Tertiary Education

	2014-2015 (Rs)	2015-2016 (Rs)
If abroad	125,000	135,000
If in Mauritius	80,000	135,000

The deduction can now be claimed for the first 6 years of study instead of 3 years.

Interest Relief

A first-time home-owner will be able to claim relief for the full amount of interest paid on his mortgage loan and for the full duration of that loan.

Donation of Basic Retirement Pension (BRP)

Any person who elects to donate his Basic Retirement Pension (BRP) in full to an approved charitable institution or an approved Foundation will be exempt from income tax thereon.



Change in fiscal year end

The fiscal year end has been changed from 31st December to 30th June.

Submission of Personal Income Tax Returns

Period	Submission Date
1 January to 31 December 2014	31 March 2015/15 April 2015
1 January to 30 June 2015	30 September 2015/15 October 2015
1 July 2015 to 30 June 2016	30 September 2016/15 October 2016

Corporate Income Tax Returns

Corporates will continue to submit their tax returns 6 months following the end of their accounting period.

Companies having year end as 30th June will be allowed, at their option, to pay the tax due in the last quarter based on an additional APS return. Any adjustment based on their audited financial statements will be effected before 31st January.

Taxes and Levies under Income Tax Act

Alternative Minimum Tax ("AMT")

AMT has been abolished for all sectors.

Small and Medium Enterprises (turnover of not more than Rs 10 million)

VAT Registration

The compulsory VAT registration threshold is being raised from a turnover amount of Rs 4 million to Rs 6 million.

Advance Payment System (APS) Returns

The turnover threshold for submission of APS is being raised from Rs 4 million to Rs 10 million.

Company Annual Fees

The annual fee payable to the Registrar of Companies by a small private company will be reduced from Rs 2,500 to Rs 500.

Annual Return to Registrar of Companies

There is no requirement for a small company to file annual returns to the Registrar of Companies except where there is a change in shareholding, board of directors or other particulars.



Simplified Financial Statements

The Companies Act will be amended to allow filing of financial statements prepared on a cash basis by small private companies. No balance sheet will be required to be submitted.

Simplified Income Tax System

A Simplified Tax System will be introduced to facilitate small enterprises to comply with their legal requirements as regards to keeping of records, filing of income tax and VAT returns. Small enterprises will be given the option to join the Simplified Income Tax system.

VAT Cash Accounting Scheme

A simplified VAT system for small enterprises will be introduced.

Miscellaneous Tax Measures

Interest Income

Interest received by a non-resident company from debentures quoted on the stock exchange will be exempted from income tax.

Tax Administration: General

Interest Rate for late payment of taxes

Interest rate for late payment of taxes to the Mauritius Revenue Authority (MRA) which is 1% per month over 12 months (i.e. 12%) will be reduced to 0.5% per month (i.e., 6% in a year).

Penalty Clauses for SMEs

Penalty clauses for a small business will be adjusted to their specific income profile and their capacity to pay:

- In case of late submission/non submission of Income Tax return, the maximum amount of penalty will be reduced from Rs 20,000 to Rs 5,000
- For late payment of taxes to MRA, the rate of penalty will be reduced from 5% of the amount due to 2%

Tax Administration: Income Tax

Tax Deduction at Source (TDS)

The requirement to operate Tax Deduction at Source (TDS) will not apply to a company whose annual turnover does not exceed Rs 6 million.



Large Company Statement

All companies with an annual turnover exceeding Rs 100 million will be required to submit every year to the MRA an electronic Statement giving the details on payments made during the year in excess of Rs 100,000 for purchase of goods and services as well as on their recipients.

Tax Administration: VAT

Other Amendments to VAT

- The time limit for repayment of VAT by the MRA will begin only on submission of the relevant receipts for the claim for repayment
- The VAT recovery, through instruments such as an attachment order and inscribed privilege, will be limited to VAT amount unpaid instead of the whole amount payable

Tax Administration: Customs

Inter-alia, the Customs Act will be amended to introduce a 5% penalty on late payment of customs duty and excise duty, as is the case in other revenue laws, to streamline and automate the warehousing process of goods with a view to facilitating trade, reducing cost and optimising the use of risk management in line with the Revised Kyoto Convention best practices.

Tax Administration: Registrar-General's Department

E-Registration

Amendments will be brought to relevant enactments in order to enable at the level of the Registrar-General's Department:

- online submission of documents
- e-registration
- e-payment



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