



Intercontinental Trust Ltd

# BUDGET HIGHLIGHTS 2019/2020

[www.intercontinentaltrust.com](http://www.intercontinentaltrust.com)

# CONTENTS

- 02 Editorial
- 04 Budget Financials  
Economic Outlook
- 08 Financial Services
- 11 Global Business
- 12 Taxation
- 16 Business Environment
- 18 Legislative Changes

# Editorial

## A transformative journey towards a brighter future

10th June 2019 was marked by the presentation of the annual budget by the Honourable Mr. Pravind Kumar Jugnauth, Prime Minister, Minister of Home Affairs, External Communications and National Development Unit, Minister of Finance and Economic Development of the Republic of Mauritius for the 4th consecutive year.

Against a backdrop of global economic warfare and challenging trade conditions, Mauritius' economy has defied the odds with its 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. In a bid to usher in a new era of development, the Minister announced multiple measures geared at laying the foundations for a stronger, innovation-driven and more inclusive economy. Several proposed measures are aimed at the lower middle class and vulnerable sections of the community thereby boosting their purchasing power by substantially reducing taxes on a number of household items. Other measures announced include massive investments in infrastructure such as extension of the airport, new roads and dams, improvements in drainage system - thereby creating employment and injecting new impetus into the economy. In addition, a Renewable Energy Roadmap will be devised to steer towards a greener and more sustainable economy.



# Editorial (cont.)

The Minister flagged the importance of the financial services sector and highlighted the good repute of Mauritius as an International Financial Centre. He was comforted by the fact that the jurisdiction was shown not to have any harmful features in its tax regime and is rated as fully compliant with the OECD standards on transparency and exchange of information for tax purposes. In view of ensuring compliance with international best practices, the Tax Residency definition will be revisited, reforms will be made to the Partial Exemption Regime (introduced in last year's budget) and Controlled Foreign Company rules will be introduced. To instill further confidence from international investors, the AML and financial crime combating framework is being strengthened through the setting up of a Financial Crime Commission that will ensure greater co-ordination and coherence among the various investigative agencies (FIU, ICAC, FSC). For one of the fastest growing sectors of the economy, he announced the following trailblazing measures:

- Establishment of a new framework for fund administration and fund management
- Revamping the existing Special Purpose Fund regime to ease access to new markets
- FSC entering into an agreement with the Gujarat International Finance Tec-City to recognise Mauritian licensed funds and management companies as qualified to operate in the Gujarat jurisdiction
- 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 licensable activity
- The introduction of an “umbrella licence” for wealth management activities
- The introduction of new rules an attractive tax regime to promote the development of the Real Estate Investment Trusts (REITs)
- Launch of a new trading platform at the Stock Exchange of Mauritius to enable medium sized profitable enterprise, currently not qualify for listing on the official and DEM markets, to raise capital
- The use of e-signatures and e-licences and a new Business Facilitation Bill to promote an even more business friendly environment

Furthermore, various income tax holidays will be introduced in respect of companies involved in innovation-driven activities, e-commerce platform, peer-to-peer lending, marina development and certain bunkering activities.

By and large, the Honorable Minister delivered a budget that touches the several facets of the economy based on the realities and challenges being faced by the island nation. Considering that this budget was the last budget exercise before the next general elections, it was commended as a balancing act between fiscal prudence and capital expenditure steering clear from excessive populist measures.

# Budget Financials

## PUBLIC SECTOR DEBT



**MUR 322.6BN**

As at June, 2019



Projected to rise to

**MUR 324.5BN**

As at June, 2020

## REVENUE



**MUR 121.7BN**

10% increase



Main drivers of revenue  
**Taxes on income, profit, goods & services**

**MUR 104.7BN**

86% of total revenue

Grants

**MUR 6.3BN**

5% of total revenue

## EXPENDITURE



**MUR 138.6BN**

10% increase



Main application of expenditure

**General Public Services**

**MUR 35.9BN**

26% of total expenditure

Social Protection

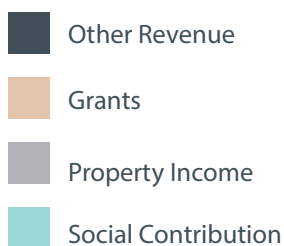
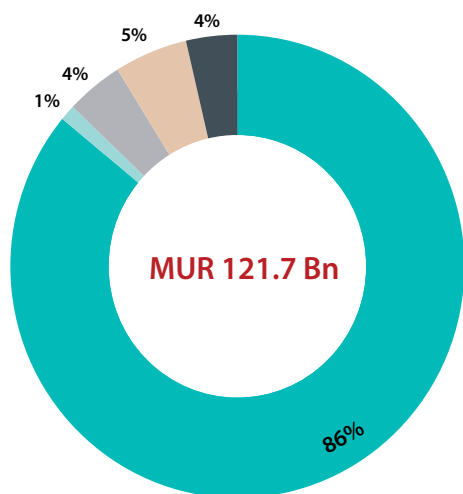
**MUR 38BN**

27% of total revenue

# Economic Outlook

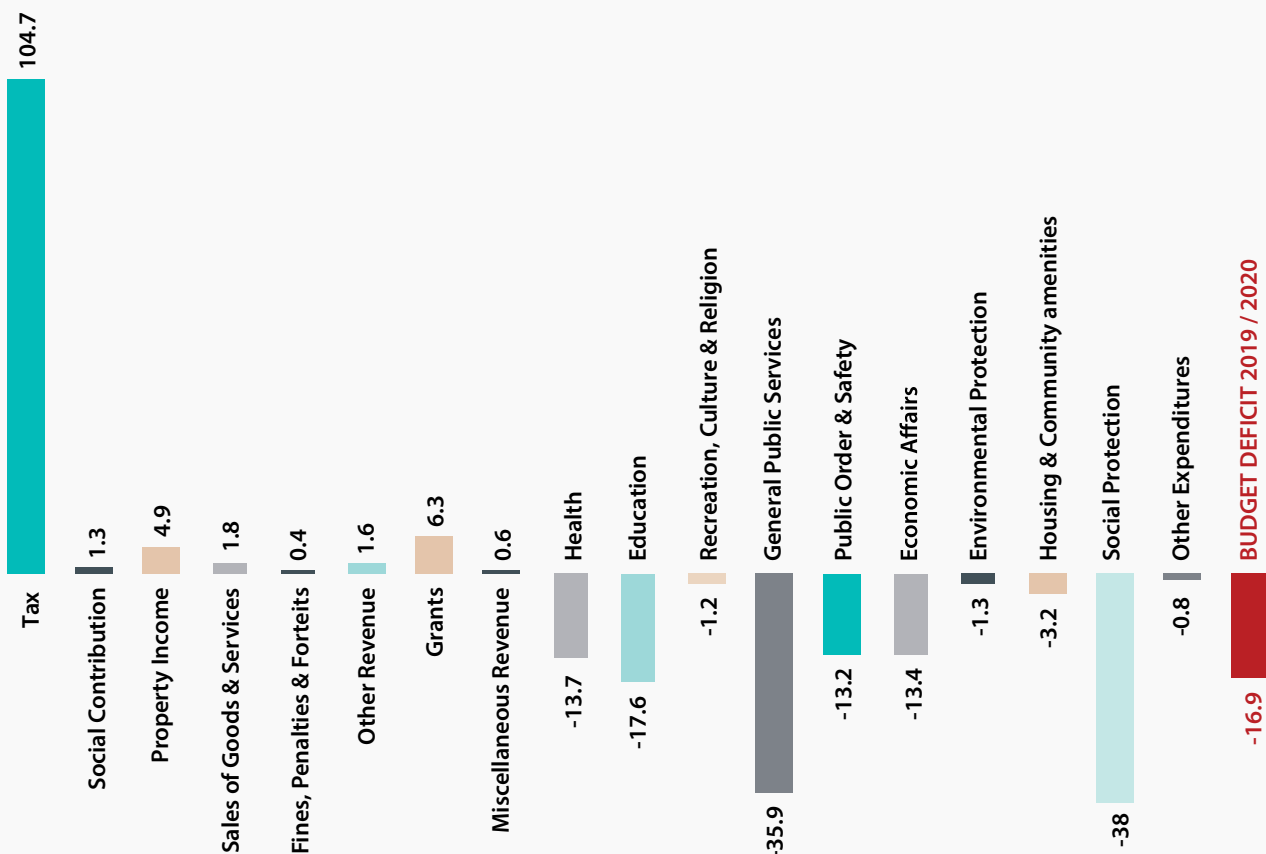
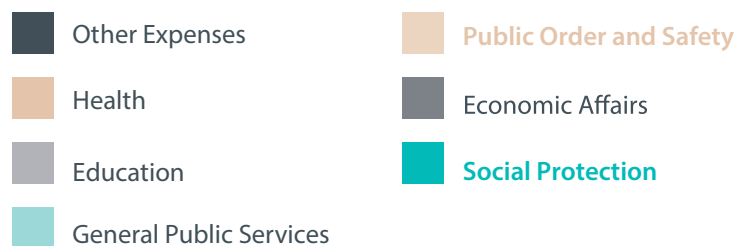
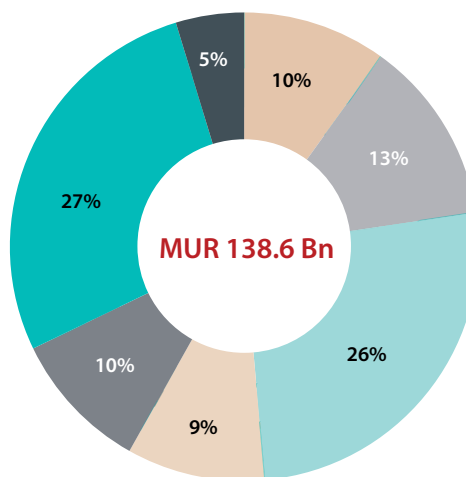
## GOVERNMENT REVENUE

JULY 2019 - JUNE 2020

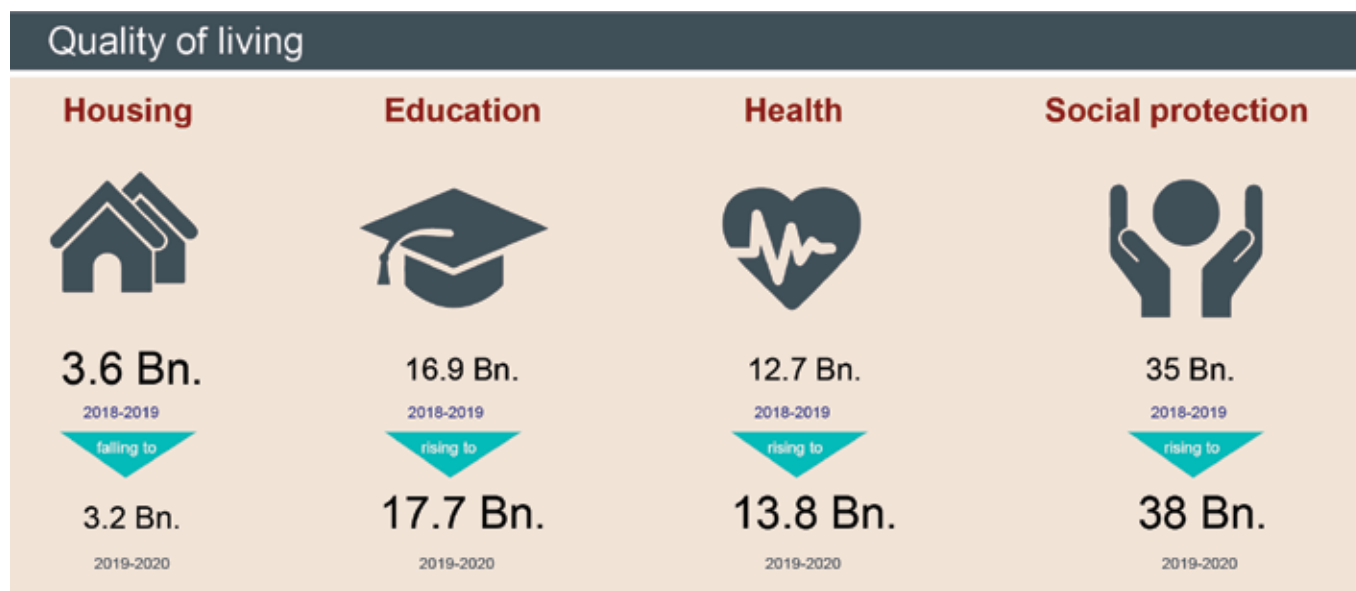


## GOVERNMENT SPENDING

JULY 2019 - JUNE 2020



# Economic Outlook



BUDGET ESTIMATES	UNIT	2016/17	2017/18	2018/19	2019/20
Real GDP growth	%	3.9	3.9	3.9	4
Investment rate	%	17.6	17.6	18.8	19.4
Inflation rate	%	2.2	4.3	1	2
Budget Deficit	% GDP	-3.5	-3.2	-3.2	-3.2
Public Sector Debt	% OF GDP	66.1	63.4	65	61.6
Unemployment rate	%	7.3	7.1	6.9	6.7



# Economic Outlook

## Mauritius - Africa Strategy

With regards to creating new assets in Africa, the following initiatives are proposed:

- Set-up of a regional value chain for Liquefied Natural Gas (LNG) with Mozambique.
- Development of a Textile City on 80 hectares of land in Moramanga, Madagascar.
- Development of projects to leverage on the Industrial and Technological Park in Naivasha, Kenya.
- Consolidation of ongoing initiatives in the Special Economic Zones in Senegal, Cote d'Ivoire and Ghana.

The Mauritius-Africa Fund will further expand its strategic partnerships with Pan-African and international multilateral development financial institutions, such as the Trade and Development Bank, AFREXIM Bank and 29 Fonds de Solidarité Africain to mobilize project finance for the benefit of Mauritian enterprises willing to expand in





# FINANCIAL SERVICES

## Creating New Opportunities

With a view to further develop the financial services sector and to strengthen the Mauritius International Financial Centre, the Honourable Prime Minister proposed a series of measures in his budget:

(i) To expand accessibility of our financial products across the globe.

To this end, he emphasised on the following:

- The establishment of a new framework for fund administration and fund management;
- The revamping of the existing Special Purpose Fund regime to ease access to new markets; and
- 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 our IFC 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.



# FINANCIAL SERVICES

The Prime Minister also proclaimed the following in order to develop the Financial Services Sector:

- 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

To improve the safety net for minority investors, as recommended by the World Bank, the following measures will be undertaken:

- 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) Sharing of Information to Expedite Doing Business

The Electronic Transactions Act will be amended to:

- a) include the possibility of sharing information electronically between public sector agencies and between public agencies and authorised institutions listed in the schedule to the Act; and
- b) use InfoHighway for the sharing of company information with all licensed commercial banks to facilitate due diligence requirements.

The Civil Status Act will be amended to expand the nature of information which can be shared.

# FINANCIAL SERVICES

## (iv) Introducing RIA for Business-Related Rule Making

A Regulatory Impact Assessment (RIA) framework for evidenced-based business-related rule making will be established in collaboration with the Organisation for Economic Co-operation and Development (OECD) for a cost of Euro 500,000 funded by the European Union (EU). The project is scheduled to start in September 2019.

## (v) 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.

## Fintech

In a bid to position Mauritius as a Fintech hub in the region, 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 in consultation with the United Nations Office on Drugs and Crime;
- 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) would 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.

Moreover, the EDB will consult the United Nations Office on Drugs and Crime (UNODC) and relevant stakeholders with a view to propose appropriate amendments to the Economic Development Board Act to upgrade the Regulatory Sandbox Licensing Framework for Fintech Activities.

# 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 threshold are being increased as shown 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 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

## 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.

#### Bunkering of low Sulphur Heavy Fuel Oil

A four year tax holiday will be granted on income derived from bunkering of low Sulphur Heavy Fuel Oil.

### **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

## Taxation of Banks

### Summary of Proposed Measures

- 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.

Free registration for transfer of a movable property between spouses.

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

## 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 local 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.

Now 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. A new Business Facilitation Bill which will amend 26 legislations, will be implemented to further improve the business environment.

These amendments will, amongst others:

- 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

## 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.

### Expansion and Modernisation of Mauritius Air and Sea Connectivity

The Honourable Prime Minister has set out the Government's plan to further connect Mauritius with the rest of the region and the world, through the expansion and modernisation of our air and sea connectivity.

The main aim of the completed master plan of Airports of Mauritius is to develop a new growth pole with the airport as the linchpin. The new growth pole will include the development of an airport city.

### Transforming our Port - Expanding its Role and Boosting its Competitiveness

New investments are being made to expand the port's capacity, boost productivity and competitiveness.

# LEGISLATIVE CHANGES

## 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.



# LEGISLATIVE CHANGES

## 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

The information in this Budget Brief was prepared by Intercontinental Trust Limited to provide clients and potential clients with a broad overview of the opportunities available in Mauritius. While all reasonable care has been taken in the preparation of this Budget Brief, Intercontinental Trust Limited accepts no responsibility for any errors it may contain, whether caused by negligence or otherwise, or for any loss, however caused, sustained by any person that relies on it. Readers are advised to consult with appropriate, qualified professional advisors before taking action. Intercontinental Trust Limited will be pleased to discuss any specific issues.

## **INTERCONTINENTAL TRUST LTD**

Level 3, Alexander House 35 Cybercity  
Ebene Mauritius

Tel: (230) 403 0800

Fax: (230) 403 0801

Email: [info@intercontinentaltrust.com](mailto:info@intercontinentaltrust.com)

Website: [www.intercontinentaltrust.com](http://www.intercontinentaltrust.com)



Intercontinental Trust Ltd