Intercontinental Trust Ltd

BUDGET **HIGHLIGHTS** 2020/2021

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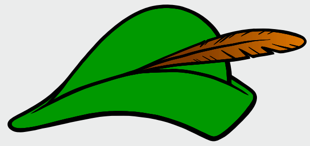
Editorial



Budget 2020/2021: A Robin Hood-esque Act

The Covid-19 pandemic crisis is not in our rearview mirror yet and has left the world in tatters, leaving sharp dents in the global economy. As countries around the world are preparing to exit the Great Lockdown and bring back a sense of normalcy among its people, policy makers have been called to the drawing board in a bid to find strategies to counter the worst recession since the Great Depression.

The Minister of Finance, Economic Planning and Development, Dr. the Honourable Renganaden Padayachy presented the National Budget 2020/2021 on 4 June 2020 - a budget dubbed by many as historic for it aims at tackling the systemic issues that emanated from the Covid-19 crisis whilst maintaining the social fabric. The maiden budget speech delivered by the minister was certainly marked by his advocacy of a fairer wealth distribution and his sheer determination to close the income gap inequality among the Mauritian population.

Editorial

Financial Sector and Global Business

"When the flood cometh it sweepeth away grain as well as chaff", Robin Hood

Mauritius has not been spared – the Covid-19 flood has indeed swept away growth and has activated the "rewind" button to our economy. While the International Monetary Fund has predicted a contraction of 3% in global output, the latest forecast for Mauritius points to a contraction of up to 11% for 2020 following a stall in its economic activity caused by the crisis. In addition, the announcement of Mauritius' possible inclusion in the European Union (EU) List of High Risk Third Countries (the "List") on 7 May 2020 sent shock waves through the country. Troubled times lay further ahead.

In his budget speech titled *"Our New Normal: The Economy of Life"*, Dr. the Honourable Renganaden Padayachy, has reaffirmed the Government's ambitions to convince the EU to remove Mauritius from the List by proposing the implementation of the following measures in a bid to complete the five remaining recommendations flagged by the Financial Action Task Force (FATF):

(a) Risk-based supervisions in accordance with the recommendations of the FATF;
(b) Targeted outreach programmes to promote clear understanding of money-laundering and terrorist financing risks;
(c) Increased reporting of suspicious transactions;
(d) Targeted financial sanctions in cases of terrorist financing; and
(e) Timely access to beneficial ownership information.

Moreover, a new AML/CFT (Miscellaneous Provisions) Bill will be introduced to complement existing legislative framework and a dedicated and specialised Financial Offences Court will also be set up.

To further enhance the attractiveness and competitiveness of the Financial Services Sector, the following products will also be introduced:

(a) The Central Bank digital currency
(b) An Insurance Wrapper
(c) Variable Capital Companies
(d) An inaugural Sukuk issuance by the Bank of Mauritius
(e) Green and Blue Bond frameworks by the Bank of Mauritius

Opening to the World

As part of its economic recovery plan, the Government has recognized the need for attracting investors and professionals to the island. To further incentivise foreigners, the Work Permit and Residence Permit will be combined into 1 single permit i.e. the Occupation Permit (OP). The OP validity will also be increased from 3 years to 10 years and will be renewable thereafter if all conditions are met. Similarly, the validity of the Permanent Residence will be reviewed from 10 years to 20 years. Moreover, minimum turnover and investment will be reviewed downwards and will be abolished for Innovator Occupation Permit. Spouses of OP holders will no longer be required to apply for a separate OP should they consider working or investing in Mauritius. OP holders will also be authorized to bring their parents to live on the island.

Other Sectors

A series of other measures geared at rebuilding the economy was unveiled based on the following triptych:

A. Rolling out the Investment and Economic Recovery Plan
B. Engaging in Major Structural Reforms
C. Securing Sustainable and Inclusive Development

Editorial

If the pandemic mayhem has taught us one thing, it is that self-sufficiency and food security remain a priority and it is for that reason that the government is proposing a boost to the agricultural sector through the implementation of a comprehensive National Agri-Food Development Programme. The latter is geared at promoting a farm-to-fork concept, thus decreasing our reliance on imports. The construction and the manufacturing industries are also of prime focus and the "Made in Mauritius" brand will be encouraged and promoted. The Government will support the first two years of operation of a "Made in Mauritius" warehouse set-up in Tanzania and Mozambique.

A paradigm shift is also being proposed to the country's export strategy and a few of the measures include the waiving of port dues and terminal handling charges for exports from July to December 2020 and the reduction of those fees by 50% for the period January to June 2021. The Freight Rebate Scheme is being extended for exports towards Africa.

Of all sectors, the tourism industry is likely to be the worst affected one since it has come to a complete halt ever since the imposition of the sanitary curfew by the government in March 2020. Revival measures for this particular industry include the introduction of "Aparthotels Scheme" that will enable existing hotels to convert part of their accommodation units into serviced apartments that can then be sold individually. In addition, the Invest Hotel Scheme will be amended to enable owners to double their yearly occupation from 45 days to 90 days. Other salient measures include: licence fee waivers being granted to licensees of the Tourism Authority and Beach Authority for a period of 2 years and the implementation of a 1-year rental fee holiday for hotels on their rental of state lands. The Hotel Reconstruction and Renovation Scheme rebate of 50 % on rental of state lands for hotels will also be increased to 100% for two years up to 30 June 2022.

Social Measures

"Rise and rise again until lambs become lions", Robin Hood

"We will, as a nation, rise up together to this New Normal" announced the minister in his introductory lines, setting the tone for a plethora of socialist measures aimed at closing the income inequality gap. These include:

- The construction of social housing units across the whole island for vulnerable and low/middle-income families. Various subsidies will also be offered on the construction cost of houses
- The abolishment of the National Pension Fund (NPF) in which employees contribution were capped and the introduction of a contributory, participative and collective system, the Contribution Sociale Généralisée (CSG), which effective as from 1st September 2020, employees earning up to Mur 50,000 monthly, will contribute 1.5% and their employers 3% on monthly salary. For those earning more than Mur 50,000, the contribution will be 3% and that of employers 6% of monthly salary. Contributions under the CSG is uncapped and will benefit those at the bottom of the ladder
- The introduction of a Service Employment Cheque for workers who previously could not access the contributory pension system
- The levy on the excess amount of chargeable income plus dividends of a resident Mauritian citizen will be revised from 5% to 25 % and will be applicable as from income of Mur 3 Million annually
- The introduction of a levy targeted at companies (except those operating in the Global Business sector and the tourism industry) generating gross income of Mur 500 Million and above
- An increase in the income exemption thresholds thereby effectively either reducing or eliminating income tax for some 55,000 middle-income households.

By and large, the Honorable Minister delivered a budget that addressed the challenges being encountered by the various spheres of the economy crippled by the pandemic crisis. This will surely pave the way for economic recovery in a post-Covid 19 world and will be remembered as the budget that left no one stranded and alone in the woods.

Budget **Financials**

Public Sector Debt

MUR 390.1bn
Revised estimate (2019-2020)

MUR 324.5bn
Estimate (2019-2020)

Projected to rise to

MUR 390.9bn
Estimate (2020-2021)

Revenue

MUR 162.9bn
(60.2% increase from revised 2019-20 estimate)

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

MUR 90,6bn
55.64% of total revenue

Exceptional contribution from BOM

MUR 60bn
37% of total revenue

Expenditure

MUR 162.9bn
(1.4% decrease from revised 2019-20 estimate)

General Public Services

MUR 56.1bn
34.5% of total expenditure

Social Protection

MUR 47.8bn
29.3% of total expenditure

Economic **Outlook**

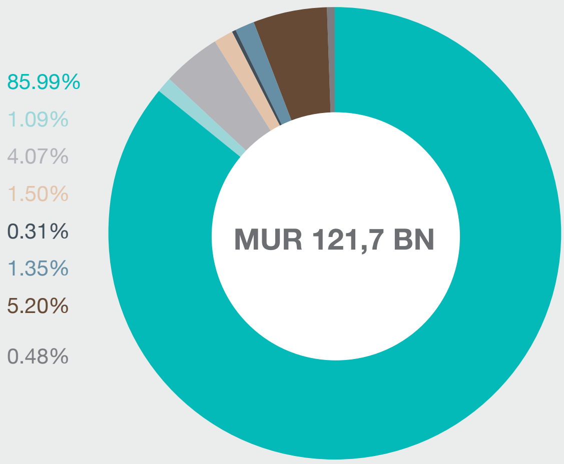
FINANCIAL PERFORMANCE

GOVERNMENT REVENUE

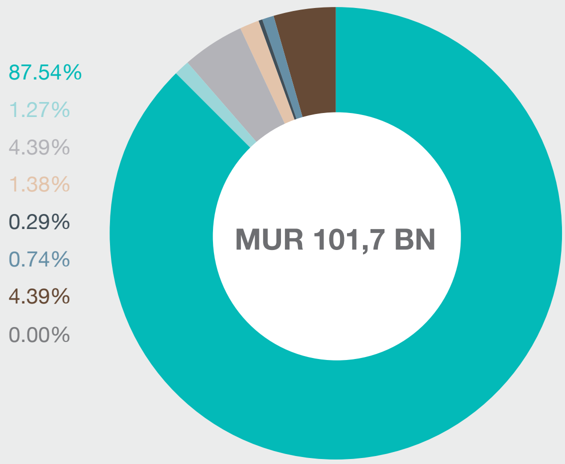
The COVID-19 pandemic-induced locked down resulted in a contraction in economic activities which led to a decrease of 16.5% in expected revenue for the year ended 30 June 2020 (Revised estimate: Rs 101.7 Bn., Estimate: Rs 121.7 Bn.)

Government gained less mainly from:
- Taxes on income and profits (Rs -3.4 Bn.)
- Taxes on goods and services (Rs -9.9 Bn.),
- Taxes on property (Rs -1.9 Bn.), and
- Grants from foreign governments (Rs -1.5 Bn.).

GOVERNMENT REVENUE
2019-2020 ESTIMATES

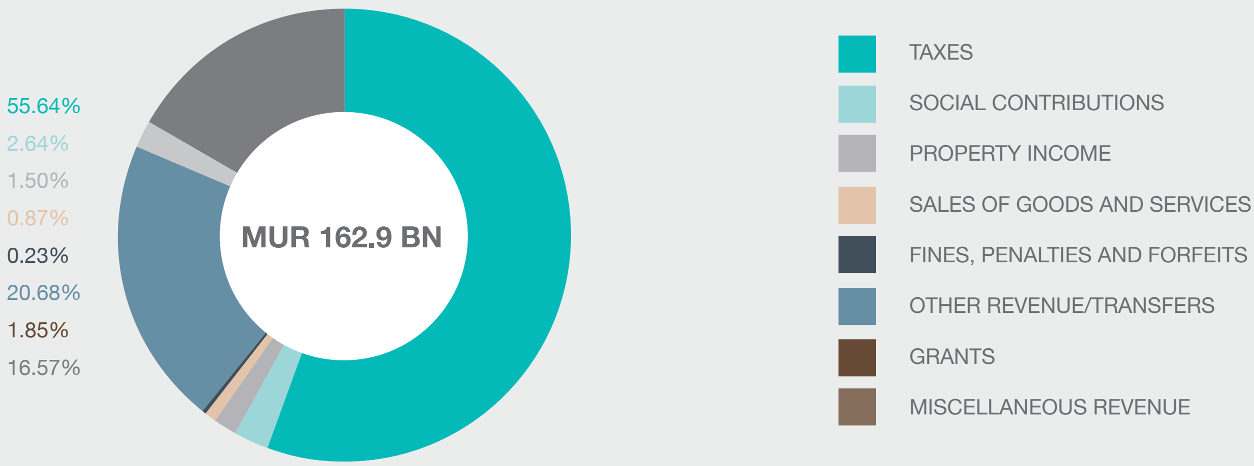


GOVERNMENT REVENUE
2019-2020 REVISED ESTIMATES



The 2020-21 budget estimates an increase of 60.2% in revenue for the year ended 30 June 2021 (Estimate: Rs 162.9 Bn.) although there are no major increase from the usual sources of income. This revenue gain is explained by an Exceptional contribution of Rs. 60 Bn. from the Bank of Mauritius.

GOVERNMENT REVENUE
2020-2021 ESTIMATES



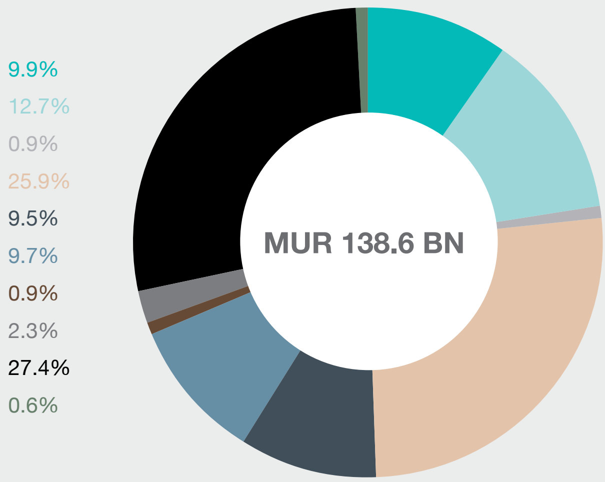
Economic **Outlook**

GOVERNMENT SPENDING

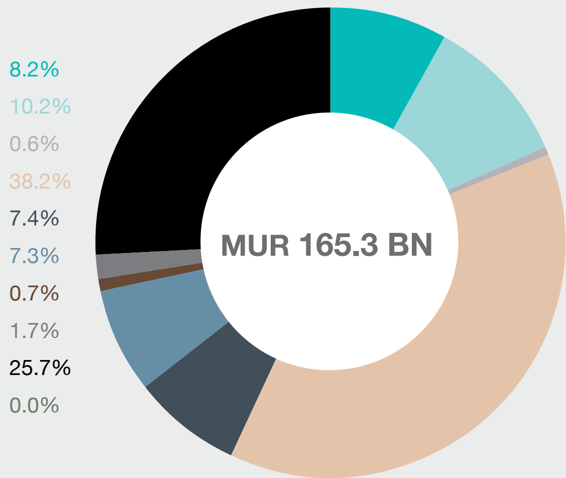
Coupled with a decrease in revenue, the pandemic induced a 19.2% increase in expected expenditures for the year ended 30 June 2020 (Revised estimate: Rs 165.3 Bn., Estimate: Rs 138.6 Bn.)

Government spent more on:
- General public services (Rs +27.3 Bn.), and
- Social protection (Rs +4.5 Bn.)

GOVERNMENT SPENDING
2019-2020 ESTIMATES



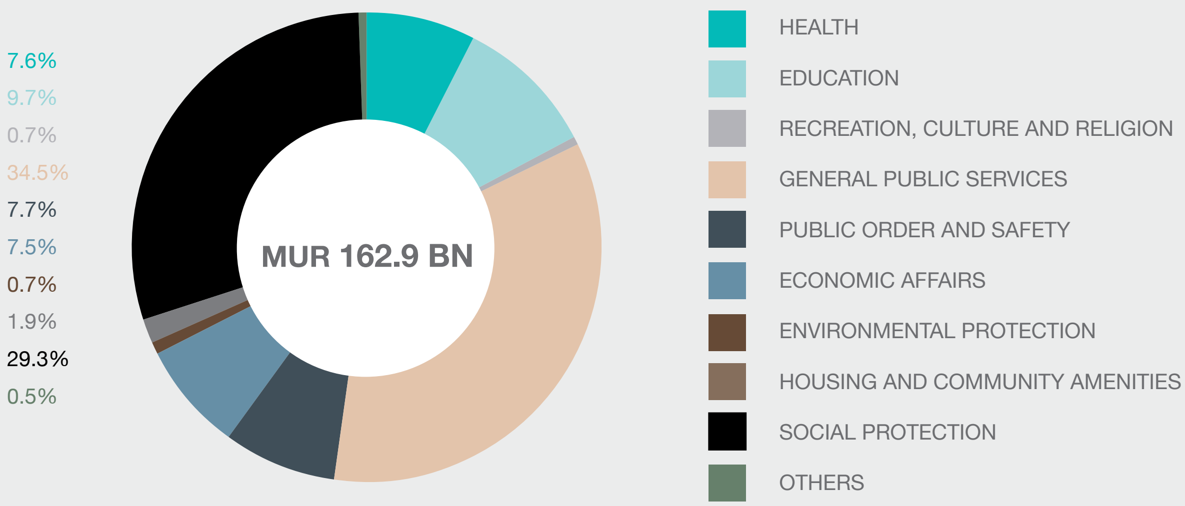
GOVERNMENT SPENDING
2019-2020 REVISED ESTIMATES



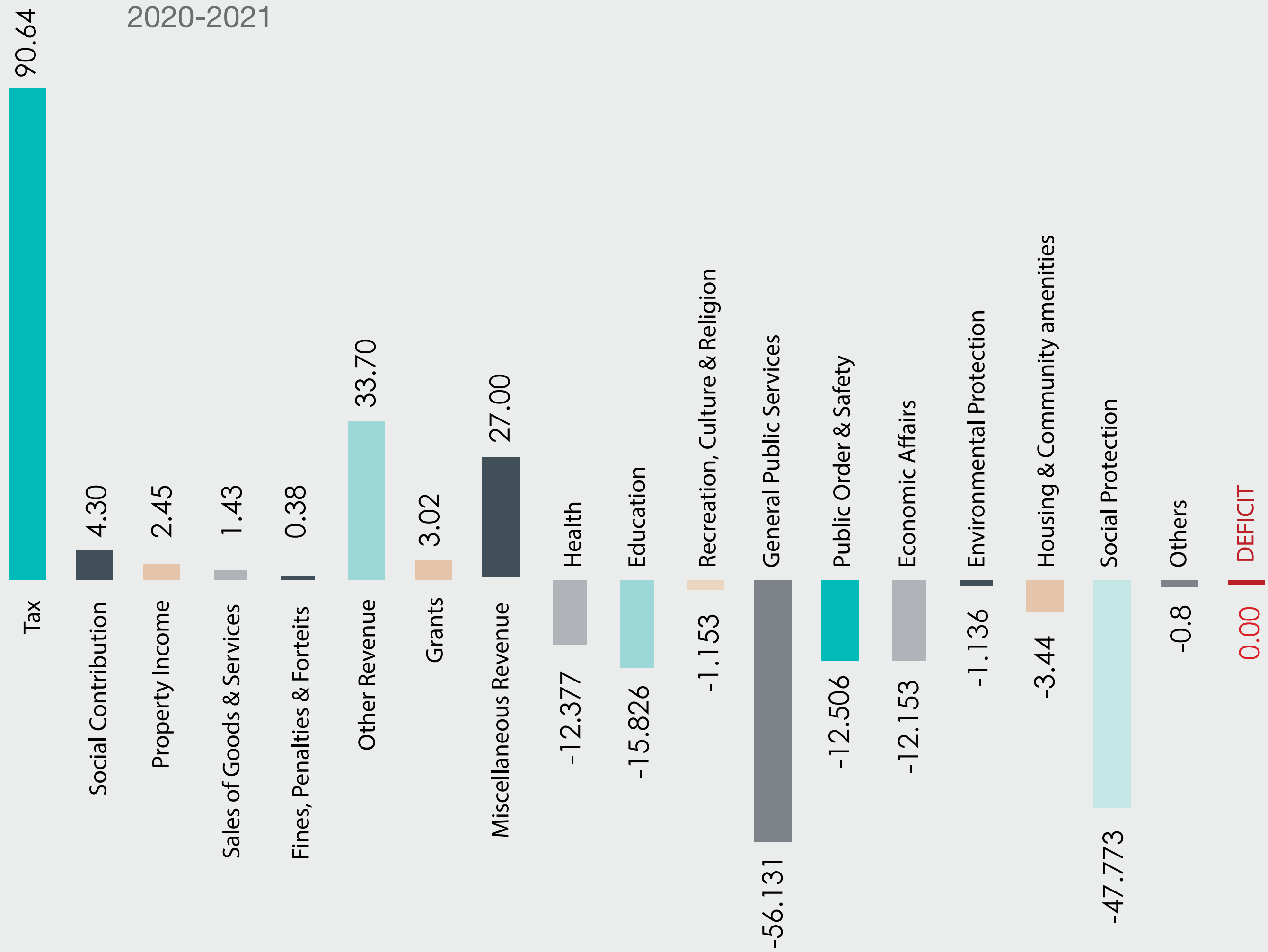
Expenditures for the year ended 30 June 2021 are estimated at Rs 162.9 Bn. (1.4% decrease from revised 2019-20 estimate or 17.5% increase from initial estimates).
Among the other measures elaborated further in this document, government intends to:

- Earmark Rs. 15 Bn. to support those faced with a period of technical unemployment,
- Earmark Rs. 40 Bn. for major infrastructural projects,
- Invest Rs. 80 Bn. through the Mauritius Investment Corporation Ltd to support distressed companies, assist innovative companies and invest in projects of strategic national importance, and
- Inject Rs. 20 Bn. to support the small and medium sized enterprises.

GOVERNMENT SPENDING
2020-2021 ESTIMATES

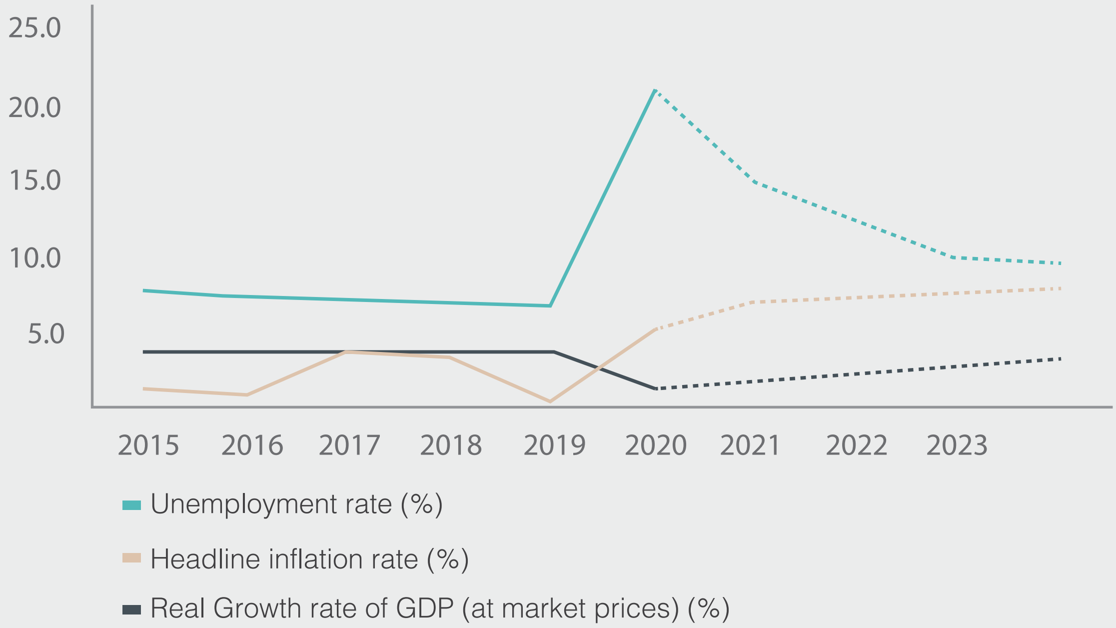


2020-2021


90.64
Tax
4.30
Social Contribution
2.45
Property Income
1.43
Sales of Goods & Services
0.38
Fines, Penalties & Forteits
33.70
Other Revenue
3.02
Grants
27.00
Miscellaneous Revenue
Health
-12.377
Education
-15.826
Recreation, Culture & Religion
-1.153
General Public Services
-56.131
Public Order & Safety
-12.506
Economic Affairs
-12.153
Environmental Protection
-1.136
Housing & Community amenities
-3.44
Social Protection
-47.773
Others
-0.8
DEFICIT
0.00

Economic **Analysis**

3 PILLARS OF ECONOMIC ANALYSIS



Unemployment rate is expected to increase in the coming years because:

- Several key sectors (e.g. tourism and hospitality, textile) are going through turmoil because of COVID-19 and are having a harder recovery, and
- The direct and indirect impact on the Global business sector of Mauritius being placed on the EU black list.

Inflation rate is expected to rise because of:

- Dependency on imports,
- Appreciation of the dollar and hike in freight prices.

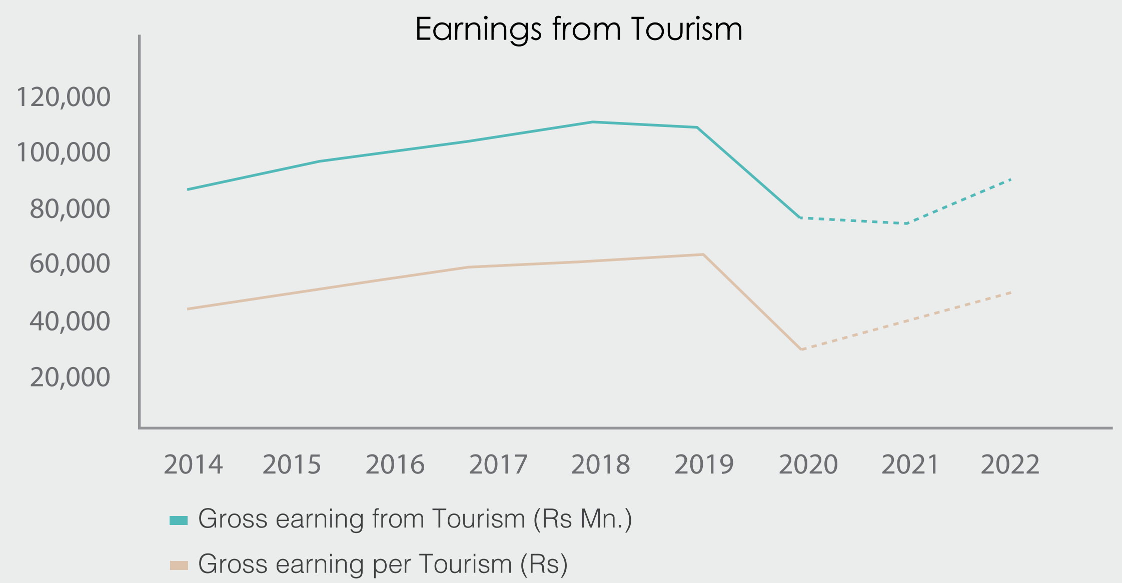
GDP growth is initially expected to be less because of the underperforming sectors. However, as the world recovers from COVID 19 and people start travelling again, things should get better.

Government intends to protect employment, avoid excessive inflation and mitigate the fall in GDP through measures brought forward in the 2020-2021 budget. These are further elaborated in this document.

Economic **Analysis**

IMPACT OF COVID 19 PANDEMIC ON A KEY SECTOR OF THE MAURITIAN ECONOMY: TOURISM

The Mauritian tourism industry is a mature industry with over a million arrivals every year since many years. However, the global lock-down induced by COVID 19 has adversely affected the industry resulting in a fall in tourist arrivals, and gross earnings from Tourism.



Measures taken in order to kick-start the recovery process include:

- Establishing a protocol to ensure all sanitary precautions from arrival to departure,
- Support to the national carrier,
- Development of a new tourism branding strategy by the MTPA and EDB,
- Entering into a partnership with the Liverpool Football Club to promote the Mauritius destination,
- Introduction of Aparthotels Scheme which will enable hotels to convert part of their accommodation units into individually sold serviced apartments,
- Introduction of Invest Hotel Scheme to allow owners to occupy their units up to 90 days in a year,
- Special arrangements made at the airport to accommodate high net worth visitors coming in private jets,
- Organisation of major events by the MTPA, and
- Exceptional waiver of fees for a defined period of time to assist operators in the tourism sector.

Economic **Outlook**

Quality of living

Housing	Education	Health	Social protection
2.8 Bn.	16.8 Bn.	13.6 Bn.	42.5 Bn.
2019-2020	2019-2020	2019-2020	2019-2020
rising to	falling to	falling to	rising to
3 Bn.	15.8 Bn.	12.4 Bn.	47.8 Bn.
2020-2021	2020-2021	2020-2021	2020-2021

BUDGET ESTIMATES	UNIT	2016/17	2017/18	2018/19	2019/20	2020/21
Real GDP growth	%	3.9	3.9	3.9	(5.8)	(7.0)
Unemployment rate	%	7.1	6.9	6.7	17.0	9.0
Inflation rate	%	2.2	4.3	1.0	2.2	4.0
Investment rate	%	17.6	17.6	18.8	18.6	18.9
Gross Public Sector Debt	% OF GDP	66.1	63.4	65.0	83.4	86.4
Budget Deficit	% OF GDP	3.5	3.2	3.2	13.6	0

Business **Facilitation**

Mauritius is presently ranked at the 13th position globally in the World Bank's Ease of Doing Business Report 2020. This is no surprise further to the significant efforts of the Government of Mauritius in the past years in order to position Mauritius as a friendly jurisdiction for investors.

This year again, with the 'Plan de Relance de l'investissement et de l'économie', the Government of Mauritius has announced wide ranging measures targeting different sectors of the Mauritian economy to boost business activities which have been severely impacted by the worldwide Covid-19 pandemic crisis. These measures concern the provision of stimulus to the following sectors among others:

- Hospitality and tourism;
- Small and Medium Enterprises and Mid-Market Enterprises;
- Mauritius as a world class education centre; and
- Blue economy.

In parallel, the Government seized this opportunity to incentivise the inception of new economic activities as follows:

- Data Technology; and
- Pharmaceutical industry.

In so doing, measures to modernise the general regulatory framework, public contributory pension scheme, physical infrastructure and logistics as well as increased security and protection of the environment have been proclaimed to help support the above measures.

Additionally, a special focus has been placed on opening the Mauritian economy to foreign investors through the facilitation of obtaining occupation and residential permits and more generally the enhancement of living and working conditions.

Business **Facilitation**

Hotels and Tourism

To stimulate the recovery process in the Tourism Industry because of the unfavorable impacts of the COVID-19 pandemic crisis, the Government will take a number of measures to remedy the situation, which include, amongst others:

- The introduction of the Aparthotels Scheme, which will enable existing hotels to convert part of their accommodation units into serviced apartments that can be sold individually.
- The establishment of the Invest Hotel Scheme, which will allow owners to occupy their units for a total period of 90 days instead of 45 days in a year.
- The rental payment of state lands for hotels will be waived for the upcoming financial year.
- The Hotel Reconstruction and Renovation Scheme rebate of 50% on rental of state lands for hotels will be increased to 100% for two years up to 30 June 2022.

Data technology

A new Data Technology Park at Côte d'Or will be established to leverage the latest technology, design principles and business philosophies so as to create an entrepreneurial community aimed at expediting the innovation process from idea to creation. It will encompass the below:

- Twelve highly skilled and specialised centres from additive manufacturing to deep artificial intelligence.
- A Carbon Neutral Green Certified Tier 4 Data Centre.
- A Deep Artificial Intelligence Centre will provide the necessary support for start-ups, existing businesses and government services to achieve a major digital transformation.

Pharmaceutical

With a view of establishing a full-fledged pharmaceutical sector in Mauritius, the Mauritius Investment Corporation Ltd (MIC) will invest in the production of pharmaceutical products, medical devices and personal protective equipment through a public-private enterprise. To bring more research and development (R&D) in Mauritius, registration duty on acquisition of immovable property in the life sciences sector will be waived. Medical R&D centres will benefit from VAT exemption on construction materials and specialised equipment, and double deduction on R&D expenditures.

On the regulatory side, a Medical Products Regulatory Authority Bill will be introduced, the Human Tissue Act will be fully proclaimed and a regulatory framework will be set up for telemedicine platforms.

Business **Facilitation**

Blue Economy

To develop the fishing industry, the MIC will invest in joint ventures engaged in fishing activities and its value chain. An inland aquaculture scheme will be introduced with the following incentives:

- an 8-year tax holiday; and
- duty and VAT exemption on equipment.

Infrastructure and Security

On the infrastructural side of the country, Rs. 207 Million will be provided for the Cleaning and Embellishment Programme of drains, roads, rivers and public sites.

To safeguard a sound and safe environment, funds have been injected in the Police Force in order to continue to enhance security and ensure that law and order prevails in Mauritius.

Other Package of Incentives

A comprehensive package of incentives will be introduced to encourage the top 500 institutions worldwide to set up branch campuses in Mauritius, where they will benefit from:

- Tax holiday for the first eight years of operation; and
- Exemption of tax on IT and IT related materials and equipment for the purpose of online education.

Boosting Small and Medium Enterprises (SMEs) and Mid-Market Enterprises (MMEs)

With a view to move towards an inclusive economy and society, which supports entrepreneurship, creativity and ideas, the Government has announced several incentives for SMEs and MMEs. As one of these measures, the DBM Ltd has earmarked Rs. 10 billion to support distressed SMEs and Cooperative Societies.

Business **Facilitation**

Categories	Incentives
Grants	Grant of 15 % on cost of assets of up to a maximum of Rs. 150,000 to SMEs and cooperative societies under the DBM Enterprise Modernisation Scheme.
	Increase in the one-off grant towards certification under 'Made in Moris' label from Rs. 5,000 to a maximum of Rs. 50,000.
	Grant of up to Rs. 50,000 to cooperative societies from the Cooperatives Development Fund for the purchase of livestock and acquisition of equipment involved in the production of food items.
Financing	Provision of loans by the DBM of up to Rs. 10 million per enterprise at a concessional rate of 0.5 % p.a.
	Creation of a Technology and Innovation Fund to invest up to Rs. 2 million as equity in projects recommended by Mauritius Research and Innovation Council.
	Investment of up to Rs. 200,000 per project by the SME Equity Fund Ltd through the crowd lending mechanism.
	Broadening of access to factoring facilities through Maubank with a subsidy of 50% on the factoring fee per invoice for SMEs by the ISP Ltd.
	The first 10 best projects of the Campus Entrepreneur Challenge competition hosted by DBM Ltd will be financed at a concessional rate of 0.5 % p.a. for an amount of up to Rs. 500,000.
Other measures	Margin of Preference of 40% instead of 30% under Public Procurement to SMEs holding the 'Made in Moris' label.
	Requirement by the Procurement Policy Office for Public Bodies to procure specific goods and services from SMEs only.
	Introduction of a new Credit Check to assess the credit worthiness of SMEs and MMEs applying for funding under Government-sponsored schemes and guarantees. ISP Ltd will provide a grant to help SMEs and MMEs to obtain a Credit Check report.

Business **Facilitation**

Digitalisation of Business-Related Public Service Delivery

The Government is implementing several measures to facilitate business in the country, with a strong focus on the further digitalisation of business-related public service delivery. Among others, these include:

- The development of an Integrated Single Window for Trade to connect all stakeholders within the port community.
- The introduction of a Maritime Single Window by the Mauritius Ports Authority to facilitate vessel clearances and reduce administrative bottlenecks at the port.
- The Corporate and Business Registration Department (CBRD) to become the central repository for all business information and licences through a digital platform.
- The mandatory use of the Mauritius e-Registry System for submission of all deeds for registration of property.
- The investment in a Land Use and Valuation Information Management System (LAVIMS) based on Blockchain technology.
- The development of a new online system for services delivered by theNational Land Transport Authority.
- The expediting of the implementation of the Centralised-KYC project by the Bank of Mauritius.
- The upgrading of the Mauritius Credit Information Bureau (MCIB) by Bank of Mauritius to provide credit score of potential borrowers.
- The e-Procurement System being made mandatory for all public sector bodies.
- The online application for a Building and Land Use Permit (BLUP) will be made mandatory for all construction types and sizes.

Business **Facilitation**

Digitalisation of Public Sector

As part of the digital movement, a Mauritius Digital Transformation Agency (MDTA) will be set up under the aegis of the Prime Minister's Office to lead a restructuring of the public sector by way of the following measures:

(a) the implementation of an electronic Document Management System (eDMS) to streamline the management and exchange of electronic documents between Government agencies and ensuring operational continuity irrespective of location;

(b) video conferencing as well as online collaboration platform will be deployed across the Public Service to host meetings, connect with stakeholders as well as enable remote collaboration between Government Officers;

(c) research and innovation projects in areas like telemedicine, e-education, agri-tech solutions and digital platforms will be initiated;

(d) electronic queue management systems across the Public Sector will be set up;

(e) mobile payment technology will be integrated in Government online systems;

(f) at least 30% of documents issued to citizens and businesses will be provided in a digitally-signed online format;

(g) a Digital Government Safe will be created to provide facilities for citizens to safekeep their electronically-signed documents;

(h) a one-stop-shop facility will be set up at the Registrar-General Department for the registration of motor vehicles;

(i) a Public Sector Transformation Scheme will be introduced by the Mauritius Research and Innovation Council (MRIC) to encourage innovative companies and start-ups to develop applications for the public sector;

(j) the Central Informatics Bureau, Central Information Systems Division and the IT Security Unit will operate as a single directorate of MDTA to support implementation of digital solutions for government; and

(k) the Government Online Centre, under the MDTA, will provide the appropriate digital infrastructure to enable government to deliver digital services faster and more efficiently.

On the same note, to accommodate the business opportunities arising from the unprecedented digital revolution brought about by the COVID-19 pandemic, the Government is introducing a new sandbox framework to facilitate development of proof of concepts and pilot exercises to test the possibilities of innovative technologies.

Business **Facilitation**

Cost-Cutting Measures

To alleviate the adverse impact of the COVID-19 pandemic on the doing-business environment, the Government is also applying the following cost-cutting measures:

- Fees charged by freight forwarders for Groupage cargo will now be regulated by the Mauritius Revenue Authority
- The fees for re-instating companies will be reviewed downwards from Rs 15,000 to Rs 5,000 and the requirements for giving notice shall be done online.
- The waiving of application fee for a Building and Land Use Permit.

Getting Electricity

The Utility Regulatory Authority will start licensing of operators in the power sector during the next financial year.

Regulatory Framework

The Economic Development Board (EDB) will start the review of the Mauritian regulatory framework in four key sectors of the economy, namely:

(i) Land Use and Construction;

(ii) Trade & logistics;

(iii) Tourism; and

(iv) Healthcare and Life sciences.

Business **Facilitation**

Streamlining Business Licensing Processes

The EDB will collaborate with Ministries and Public Sector agencies to review, re-engineer and streamline relevant licenses issued by these institutions in the context of facilitating businesses and investments. Among others, the licences to be reviewed are as follows:

- Clearance for construction of residential building
- Clearance for Excision of Land
- Permission to carry out ecotourism activities
- Licensing of Recruitment Agents for Overseas Training Institutions
- Gear License (bait, gill net, large net, canard net, shrimp net)
- Registration of Boats
- Application for Departure clearance of boats/vessels
- Fishing License for Mauritian Fishing Vessels
- Fishing License for Foreign Fishing Vessels
- Certificate of Authorisation to fish in high seas
- Temporary Interference Permit
- Permanent Interference Permit
- Boat and Vessel Permit
- Commercial Activity Permit
- Line Fishing/Basket Trap fishing in Multiple Use Zone Permit
- Permissible Activities Permit (Pole & Line fishing in designated fishing zones)
- Recreational Permit in Multiple Zone and Conservation Zone
- Photography for Commercial Uses Permit

The EDB will also set-up a Business Obstacles Alert Mechanism for businesses to report constraints faced in delivery of licences and permits.

Business **Facilitation**

Opening the Mauritius Economy - Work & Live

In order to enhance the visibility of Mauritius as the destination of choice and to encourage investors, professionals and retirees to settle in Mauritius and to attract and retain foreign talents, the Government is coming forward with these measures:

(a) The Economic Development Board ("EDB") will be the only agency responsible to determine and recommend applications for the Occupation Permit ("OP");

(b) The Work Permit and Residence Permit will be combined into one single permit;

(c) The validity of an OP and a Residence Permit for retirees will be lengthened to 10 years on a renewable basis;

(d) The Permanent Residence Permit will be extended from 10 to 20 years;

(e) The minimum turnover and investment requirement for Innovator Occupation Permit are being removed;

(f) OP and Residence Permit holders will be eligible to apply for a Permanent Residence Permit if they have held the permit for three consecutive years;

(g) OP holders will enjoy the following facilities;

a. Their spouse shall not require a permit to invest or work in Mauritius; and
b. They will be allowed to bring their parents to live in Mauritius on the basis of their OP.

(h) Professionals with an OP and foreign retirees with a Residence Permit will be able to invest in other ventures without any shareholding restriction;

(i) Non-citizens who have a residence permit under the various real estate schemes will no longer require an Occupation or Work Permit to invest and work in Mauritius;

(j) The minimum monthly salary of Rs. 30,000 for ICT professionals (as compared to Rs. 60,000 for other professionals) to obtain an OP will be extended to other specified sectors;

(k) The minimum investment amount for obtaining an OP as Investor will be reduced from USD 100,000 to USD 50,000;

(l) The minimum investment amount for an investor to obtain the status of Permanent Resident or a holder of an immovable property under an existing scheme to obtain the status of Resident will be reduced from USD 500,000 to USD 375,000;

(m) To attract and retain foreign talents and businesses, non-citizens' holders of Residence Permit, OP or Permanent Residence Permit will be allowed to acquire one plot of serviced land not exceeding 2,100 m2 for residential purposes within smart cities.

This measure will be open for a period of 2 years ending 30th June 2022. The non-citizens will have to complete the construction of a residential building within a period of 5 years. The total area of all plots of serviced land for sale should not exceed 25% of the land area planned for the construction of residential properties.

Business **Facilitation**

Non-Citizens (Property Restriction) Act

It is to be noted that the Prime Minister may validate the acquisition of a property by a non-citizen after the transaction has been effected if he is satisfied of the credentials of the non-citizen and that the omission to seek prior authorisation for the transaction was due to a mistake or an oversight.

AFRICAN ORIENTED PARTNERSHIPS

- The Economic Recovery plan of Mauritius will also focus in strengthening its partnerships with the African continent.
- MUR 10 billion had been earmarked for investment into African projects.

FINANCIAL **SERVICES**

Financial Action Task Force (FATF) recommendations

Amidst challenges facing the financial services industry, the main focus will be geared towards adherence to best international practices and norms. Mauritius is committed towards complying with the five remaining recommendations under the Financial Action Task Force (FATF) Action Plan for Mauritius by September 2020. In view of complying with these recommendations, the following measures will be implemented:

1. Risk-based supervisions in accordance with the recommendations of the FATF;
2. Targeted outreach programmes to promote clear understanding of money laundering and terrorist financing risks;
3. Increased reporting of suspicious transactions;
4. Targeted financial sanctions in cases of terrorist financing; and
5. Timely access to beneficial ownership information.

Additionally, the following initiatives have been proposed:

- Introduction of a new AML/CFT (Miscellaneous Provisions) Bill; and
- The setting up of a specialised Financial Offences Court.

The advent of new products / frameworks into the industry

In an attempt to further enhance competitiveness of the Mauritian Financial Services Sector, the following new products will be introduced:

- The Central Bank digital currency.
- An Insurance Wrapper.
- Variable Capital Companies.
- An inaugural Sukuk issuance by the Bank of Mauritius.
- Green and Blue Bond frameworks by the Bank of Mauritius.
- New frameworks for digital banking, private banking and wealth management by banks.
- Creation of a dedicated Venture Capital Market at the Stock Exchange of Mauritius for start-ups and SMEs.

FINANCIAL **SERVICES**

Financial Services Act

Proposed Key amendments to the Financial Services Act 2007 ("the Act") are as follows:

- Definition of "peer to peer" lending under the Act will be reviewed.
- The Financial Services Commission may now be able to collect information on a conglomerate group, including unregulated entities, which would impact on the safety and soundness of the financial group.
- New notice periods will have provided for if a licensee wishes to surrender its license and there will be a timeframe for the transfer of business if applicable.
- There will be provisions for the exemption of filing of financial statements if the Financial Services Commission does not require so in its opinion. Moreover, there will be flexibility accorded for such financial statements in exceptional circumstances.
- Auditors of licensees will now have to report irregularities to the Financial Services Commission.

Other Legislative **Changes**

Securities Act

The Securities Act 2005 will be amended to create an obligation on corporate finance advisory to keep and maintain records of debts raised on behalf of issuers.

Banking Act

Proposed Key amendments to the Banking Act 2004 (“The Act”)

(i) Two definitions namely “significant interest” and “related party” currently contained in the Act will be reviewed.

(ii) The Act will also now make provision for digital banking.

(iii) The Act will allow the Bank of Mauritius the discretion to extend the time period for rotation of audit firm for an additional period of 2 years.

(iv) The supervisory function of the Bank of Mauritius in respect of money lenders will now be that of the Financial Services Commission.

(v) There will be more flexibility in respect of submission of financial statements to the Bank of Mauritius.

(vi) The Act will now allow the Bank of Mauritius to vary the capital adequacy ratio to a lower level when required and in exceptional circumstances.

(vii) The conservator (as defined and as may be appointed under the Act) will now have the powers to execute any instruments in the name of the financial institution and to initiate, defend and conduct in its name any action or proceedings to which the financial institutions may be a party.

(viii) Protection of customers of financial institutions under the Act will be aligned to provisions relating to the Ombudsperson under the Financial Services Act 2007.

(ix) The Bank of Mauritius will now be able to issue directives.

Other Legislative **Changes**

Workers' Rights Act

The salient amendments of the Workers' Rights Act will be to

a) harmonise the definition of earning with that specified in the Remuneration Regulations;

b) avoid double payment in respect of the Portable Retirement Gratuity Fund where severance allowance is paid; and

c) provide for employees earning up to Rs 100,000 monthly to be entitled to end of year bonus under the Worker' Rights Act. Employees earning more than Rs 100,000 monthly will be covered under the End of Year Gratuity Act.

Companies Act

To increase shareholder's protection, the Companies Act 2001 will be amended to:

a. define conducts deemed prejudicial to shareholders and engage Director's liability for prejudicial conduct; and

b. provide that Board of Directors of entities listed on the Stock Exchange of Mauritius should comprise at least 2 independent and non-executive directors.

Some temporary measures that were implemented following the Covid-19 (Miscellaneous Provisions Act 2020) relating to, amongst others, extension of time limits in the Companies Act will be reviewed.

The Limited Liability Partnerships Act, the Limited Partnerships Act, the Foundations Act and the Insolvency Act will be revised in the same respect.

Other budgetary measure:

In order to be aligned with the international best practices, registration of Ultimate Beneficial Owners as well as VAT registration will be done at time of business registration and company incorporation.

Pension

The National Pension Fund (NPF) has made way for a contributory, participative and collective scheme - the *Contribution Sociale Généralisée* (CSG) which aims to aid the low earning, including self-employed individuals as well as SMEs. Benefits will continue to be paid to previous contributors of the NPF.

Under the NPF, an employee contributes 3% of his basic monthly salary and the employer 6%, applied on a ceiling of Rs 18,740. However under the CSG, contributions will be as follows:

Salary Threshold	Employee Contribution	Employer Contribution
Up to Rs 50,000 monthly	1.5%	3%
More than Rs 50,000 monthly	3%	6%

**Effective as from 1st September 2020*

Other Related Changes

The National Pensions Act will be amended to cater for an employee who is a driver and suffers an injury while travelling to or from his place of work to be entitled for an Industrial Injury Allowance. In additional to that, the National Savings Fund Act shall exempt a Non-Citizen employed by a Non-Citizen Contractor from payment of contributions to the National Savings Fund.

Taxation

Income Tax

Deduction for Dependent

A taxpayer will be allowed to claim as dependent a bedridden next of kin who is in his care. He/she will thus benefit from an additional annual deduction in the range of Rs 80,000 to Rs 110,000 provided that the total number of dependents does not exceed 4.

Income exemption thresholds

Category	1 July 2019 to 30 June 2020	1 July 2020 to 30 June 2021
A. Individual with no dependent	Rs310,000	Rs325,000
B. Individual with one dependent	Rs420,000	Rs435,000
C. Individual with two dependents	Rs500,000	Rs515,000
D. Individual with three dependents	Rs550,000	Rs600,000
E. Individual with four or more dependents	Rs600,000	Rs680,000
F. Retired/disabled person with no dependent	Rs360,000	Rs375,000
G. Retired/disabled person with dependents	Rs470,000	Rs485,000

Solidarity Levy

As from the income year 2020-2021, Solidarity Levy will be applied on the chargeable income plus dividends in excess of Rs 3 million of a Mauritian citizen at the rate of 25%.

Lump sum income received by a person by way of commutation of pension, death gratuity or as compensation for death or injury is excluded from the computation of the Solidarity Levy.

The Pay As You Earn (PAYE) system will apply to the Solidarity Levy.

Accelerated depreciation

Capital expenditure incurred on electronic, high precision machinery or equipment and automated equipment will be allowed as a deduction in the year in which it is incurred instead of being amortised over more than two years.

Green technology equipment, which is depreciated over two years, will now include equipment and machinery used for eliminating, reducing or transforming industrial wastes.

Double tax deduction on investment

Enterprises which have been affected by COVID-19 will be entitled to a double tax deduction on their investment in Plant and Machinery during the period 1st March 2020 to 30th June 2020.

Taxation

Income Tax Holiday

A company engaged in the manufacture of nutraceutical products will be tax exempt for a period of 8 years provided it starts its operations on or after 4th June 2020.

An inland aquaculture scheme will be introduced and will benefit an 8-year tax holiday.

To encourage the top 500 institutions worldwide to set up branch campuses in Mauritius, the following incentives will be made available:

(i) Tax holiday for the first 8 years of operation; and

(ii) Exemption of tax on IT and IT related materials and equipment for the purpose of online education.

Solidarity Levy on Telephony Service Providers

The Solidarity Levy on telephony service providers of 5% of accounting profit and 1.5% of turnover, which was introduced in 2009 and subsequently extended, will be made permanent.

A profitable company will pay 5% of its accounting profit and 1.5% of its turnover as Solidarity Levy.

A company which has not made profits will pay 1.5% of its turnover as Solidarity Levy.

Alternative Minimum Tax on companies carrying on life insurance business

A company carrying on life insurance business will pay tax based on the existing system of taxation or under an alternative minimum tax, whichever is the higher.

The alternative minimum tax will be computed at the rate of 10% of profit attributable to shareholders adjusted for capital gains or losses.

Partial Exemption Regime

The Income Tax (Amendment No.2) Regulations 2019 were passed on 20 August 2019 to provide clarity on conditions to be met by resident companies to avail of the Partial Exemption Regime ("PER").

This year's budget has now clarified that the partial exemption regime on interest income does not cover:

i. non-bank deposit taking institutions;

ii. money changers;

iii. foreign exchange dealers;

iv. insurance companies;

v. leasing companies; and

vi. companies providing factoring, hire purchase facilities or credit sale facilities.

Levy on Corporates

A company, having gross income exceeding Rs 500 million in an accounting year or if it forms part of a group of companies where the gross income of the group exceeds Rs 500 million, will be subject to a levy on its annual gross income at the rate of:

(i) 0.3% for insurance companies, financial institutions, service providers and property holding companies

Taxation

(ii) 0.1% for other companies

The levy will not apply to a company which operates in the tourism sector or which holds a Global Business License.

Indirect tax

Value Added Tax

The below goods have moved from Exempt to Zero-Rated:

(i) Unprocessed agricultural and horticultural produce

(ii) Live animals of a kind generally used as, or yielding or producing, food for human consumption other than live poultry

(iii) Transport of passengers by public service vehicles excluding contract buses for the transport of tourists and contract cars

(iv) Medical, hospital and dental services

Digital and electronic services provided through internet by non-residents for consumption in Mauritius will be subject to VAT. This will be a new category of service under the VAT Act.

Equipment under the inland aquaculture scheme will be VAT exempt.

Payment of VAT will be due on the receipt date instead of invoice date for Government contracts in relation to construction works.

Medical R&D centres will benefit from VAT exemption on construction materials and specialised equipment.

Taxation

Tax Administration

a. Income Tax

Income tax refunds will be effected within 60 days from receipt of all documents for all taxpayers. Previously this was 3 months and 6 months in the case of employees and other cases, respectively.

To improve efficiency and transparency in service delivery to taxpayers, the MRA will develop further its e-services platform.

b. Value Added Tax Act

- The taxable value of a supply will be deemed to be its market value for trans actions not at arm's length.
- VAT-registered persons supplying both taxable and exempt supplies may apply for an alternative basis of apportionment for input tax where it is engaged in a project spanning over several years. More guidance is required on the alternative basis of apportionment.
- An administrator, executor, receiver or liquidator has to inform the MRA of his appointment within 15 days of him being appointed to manage or wind up the business of a taxable person.
- For VAT refunds on residential building, claim for VAT refund of less than Rs 25,000 can be made where the amount of VAT paid during a quarter and the preceding three quarters do not exceed Rs 25,000. This measure aims to help persons at the lower rung whose constructions span over a long period.
- VAT e-invoicing system will be introduced by the MRA.

c. Mauritius Revenue Authority Act

Failure to attend or be represented before the Assessment Review Committee will result in the aggrieve party being struct out unless absence is due to illness or other reasonable cause.

Property Tax

Exemption from Registration Duty on Acquisition of a Newly-Built Dwelling

A Mauritian who acquires a newly-built dwelling during the period 1st September 2016 to 30th June 2020 for an amount not exceeding Rs 6 million is eligible to full exemption from registration duty.

The Scheme will be extended for two years i.e. covering acquisition of a newly-built dwelling up to 30th June 2022. Furthermore, the threshold value of a newly-built dwelling will be raised from Rs 6 million to Rs 7 million.

The exemption is also granted if the dwelling is purchased on the basis of a plan or during construction (i.e. under vente à terme or vente en l'état futur d'achèvement).

This exemption does not apply to a property on Pas Géométriques or within the Integrated Resort Scheme, Real Estate Scheme, Property Development Scheme or Invest Hotel Scheme.

Taxation

Exemption from Land Transfer Tax to a Promoter Undertaking Construction of Housing Projects for Mauritians

The construction of housing estate scheme will be extended as follows:

- the Scheme will run, from 1st July 2020 to 31st December 2020, for registration of projects comprising of at least 5 residential units with the MRA.
- no registration duty and land transfer tax will be payable on the transfer of freehold bare land for the construction of housing estate project provided the land is transferred by 31st December 2020.
- construction must be completed before 31st December 2021; and exemption of land transfer tax will be granted on the sale of a residential unit (including by way of 'Vente en Etat Future d'Achèvement - VEFA') provided it is made to a Mauritian before 30th June 2022.
- In addition, the maximum price of Rs 6 million of a residential unit under the Scheme will be raised to Rs 7 million.

First-Time Buyer Exemption

Presently, a person is eligible to the first-time buyer registration duty exemption even if he or his spouse is or was the co-owner of an immovable property acquired by inheritance provided the land area is less than 10 perches.

Henceforth, a person will be considered as a first-time buyer even if he or his spouse is or was the:

(i) owner of an immovable property acquired by inheritance where the land area is less than 20 perches; or

(ii) co-owner of an immovable property acquired by inheritance where their share in that property is less than 20 perches of land.

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