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Intercontinental Trust Ltd

Budget Highlight

2021/22

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"Bob the Builder" Budget 2021/22:

Shovelling our way out of the economic pit

Introduction

More than a year after its discovery, the coronavirus is still raging across the globe and no country has been left unscathed. However, there is some glimmer of hope as economies around the world are opening up following months of lockdown. According to the Organisation for Economic Co-operation and Development (OECD), "Korea and the United States are reaching pre-pandemic per capita income levels after about 18 months." The OECD projects Global GDP growth to be around 5.8% this year (compared to 4.2% projected in December 2020).

Mauritius has fared quite well in managing the Covid-19 crisis thanks to the strict health measures and a nationwide lockdown swiftly implemented by the Government last year when the first cases of the illness were confirmed on the island. The island even enjoyed a 9-months lull before the covid-19 storm struck again in March 2021 and the country went into a second lockdown. As from 1 May 2021, Mauritius has moved to the second phase of its de-confinement and is pursuing its vaccination campaign with the objective of immunising 60% of its population by September 2021.

Now is the time more than ever to think our way out of the Covid-19 conundrum. The virus will not fizzle out any time soon. Lockdowns are only a short-term measure and the way forward remains vaccination rollouts and the transition to the "New Normal". Saving lives and livelihoods whilst maintaining the social fabric is a priority for many countries, including Mauritius, for if overlooked, this could prove to be more destructive than the sanitary crisis.

The Minister of Finance, Economic Planning and Development, Dr. the Honourable Renganaden Padayachy presented the National Budget 2021/2022 on 11 June 2021 titled "Better Together" in which he concedes, "the Covid-19 pandemic has struck at the very foundations of our economic growth and development model". In fact, the local economy suffered a contraction of real GDP of nearly 15% in 2020. While Mauritius had the 4th largest Covid-19 response in the world, amounting to 32% of its GDP, unemployment rate for 2021 is estimated to be 10.9% by the International Monetary Fund. This is largely due to the fact that the Mauritian borders have remained closed since March 2020 and that the island is heavily reliant on the tourism sector which accounts for around 25% of its economy.

Editorial (continued)

Let's Build!

Exceptional times call for Exceptional measures. The striking feature of this year's budget revolves around the massive infrastructure investment plan that will be put in place in a bid to rebuild the economy in the wake of the pandemic crisis. The Government is set to invest some Mur. 65 billion (representing around 15% of the GDP for 2020) in priority projects over the next three years. It is expected that this initiative will inject new impetus into the economy, leading to economic activity and ultimately to the creation of employment and wealth. The projects that have been lined up are as follows:

a) Mur. 11.7 billion for a National Flood Management Programme;
b) Mur. 12 billion for the Construction of 12,000 Social Housing Units;
c) Mur. 4 billion for projects under the Economic Recovery Programme;
d) Mur. 9.4 billion for the construction of Rivière des Anguilles Dam and its Treatment Plant;
e) Mur. 5.7 billion for Community Development Projects; and
f) Mur. 22 billion for land transport projects including roads and the Metro Express.

In addition, prospective homeowners will be provided with certain incentives relating to the acquisition/construction of their residences including the following:

- refund of 5% of the cost of the property, up to a maximum of Mur. 500,000
- refund of 5% of the Home Loan up to a maximum of Mur. 500,000
- exemption of registration duty for first time buyers on the first Mur 5 million of the cost of a built-up residential property – currently this exemption is restricted to properties whose value are less than Mur. 5 million

Cementing the Financial and Global Business Sectors

The finance sector is one of the few sectors that has registered growth in 2020 in the midst of the economic downturn. The strategy for this sector is two-fold:

- First, to enhance the status of our financial centre as a jurisdiction of highest global standards
- Second, to continue to improve and deepen the service offerings of our financial centre

To that effect, several measures have been announced and the salient ones are listed below:

- Various measures have been introduced to strengthen our AML/CFT framework and the Government is leaving no stones unturned in its endeavor to exit the FATF list of jurisdictions under increased monitoring at the earliest
- The Financial Crime Commission will be set up for a more effective management in the fight against financial crime
- A new Bank of Mauritius Bill and Banking Bill will be introduced reflecting best international practices
- The tax holiday for family offices and fund/asset managers will be extended from 5 years to 10 years
- The legislative framework will be enhanced and several bills such as the Securitisation Bill, a new Securities Bill as well as a new legislation for virtual assets will be introduced
- Rolling out of a Central Bank Digital Currency, the Digital Rupee, on a pilot basis
- An Open-Lab for banking and payment Solutions and a FinTech Innovation Lab will be set up to encourage an entrepreneurship culture
- The Stock Exchange of Mauritius will introduce rules for the setting up of Special Purpose Acquisition Companies

Editorial (continued)

Re-opening up to the world

The Tourism industry has suffered serious setbacks over the past year and was buoyed up by the various support schemes devised by the Government. However, there is light at the end of the tunnel since the Minister announced the reopening of our borders to all vaccinated visitors for resort tourism as from the 15 July 2021. Visitors will then be allowed to leave the hotels after 14 days with a negative PCR test. This comes at an opportune time when the global travel industry is anticipating a surge in “revenge travel”, a term coined for travellers wishing to make up for the lost time and experience after months of solitude, frustration and sacrifices.

As from 1 October 2021, subject to preconditions being met, all vaccinated tourists with a negative PCR test will be allowed on the Mauritian territory without any restrictions.The Government is anticipating the arrival of 650,000 tourists over the next year.

The Grey economy remains a focus area for the Government and a special desk will be set up to attract at least 50,000 foreign retirees in Mauritius during the next financial year.

To further incentivise foreign investors and professionals to relocate to the island, several measures have been announced to facilitate the permit process.The salient ones are listed hereunder:

- The validity of the Professional Occupation Permit will be extended from 3 years to 10 years and Professional Occupation Permit holders can switch jobs without having to submit a fresh application
- Spouses of Occupation Permit (OP) holders will be exempted from applying for a separate OP or work permit
- Age restriction will be lifted for dependents
- Introduction of a new category, the 10-Year Family OP, for those contributing USD 250,000 to the COVID-19 Projects Development Fund
- List of qualifying activities for young professional Occupation Permit will be removed
- The minimum monthly salary for professional OP holders in specific lines of financial services will be reviewed from Mur.60,000 to Mur.30,000 subject to satisfying certain conditions
- Those who have acquired Residence Permit through the acquisition of property will be exempted from applying for an OP should they wish to take up employment on the island

Laying the foundation for a sustainable Mauritius

For many, the Covid-19 pandemic is a reminder of our dysfunctional relationship with Mother Nature for if we are to prevent further outbreaks and pandemics, mankind will need to be more considerate to its surroundings and tackle impending crises such as global warming.

As a member state of the United Nations Sustainable Development Goals, Mauritius has set the objective of producing 60% of the country’s energy needs from green sources by 2030.In line with this strategy, the Central Electricity Board (CEB) will envisage the establishment of a 40 MW wind farm that will require some Mur. 2.4 billion of investment.In addition, infrastructure projects to the tune of Mur. 5.3 billion, are being contemplated by the CEB:

- Raise tenfold the absorption capacity of intermittent renewable energy through increased battery capacity to some 40 MW from the current 4 MW
- Set up 10 Gas Insulated Switchgear substations to improve reliability and increase the share of renewable energy
- Implement the various renewable energy schemes of the CEB for Households, businesses, SMEs, Religious Bodies and NGOs
- Implement the Net Billing Project
- Set-up a solar farm of 10 MW at Tamarind Falls, Henrietta.

As a signatory to the United Nations Global Compact (UNGC), Intercontinental Trust Limited very much welcomes these measures as our visions align with those of the Government for a greener and better future.

Concluding remarks

The message conveyed in this year’s budget could not have been any clearer: Mauritius is open for business and we will be “Better Together”.Economists around the world admonish the need for a major reform in the tax system in periods of crisis and much to the relief of business owners and the population as a whole; the Government has chosen not to play the tax card.Instead, the Government has managed to carve its way out and devise a strategy that will bring an instant boost to the economy by focusing on building a resilient infrastructure for its people and economy.As Bob the Builder would put it:

“Can we build it? Yes we can!”,

“Can we fix it? Yes we can”.

Budget Financials

Budget Financials

Revenue

MUR 137.7 bn
(11.4% decrease from revised 2020-2021 estimate)

MUR 105.5 bn
Main drivers of revenue: Taxes on income and profit, goods & services

Expenditure

MUR 162.6 bn
(9.7% decrease from revised 2020-2021 estimate)

General public services:
MUR 46.5 bn

Social protection:
MUR 50.5 bn

Public Sector Debt

Estimate (2020-2021) :
MUR 390.9 bn

Revised estimate (2020-2021) :
MUR 419.1 bn

Projected to rise to:
MUR 456.6 bn

Economic Outlook

Economic Outlook

GOVERNMENT REVENUE

Financial performance Government revenue

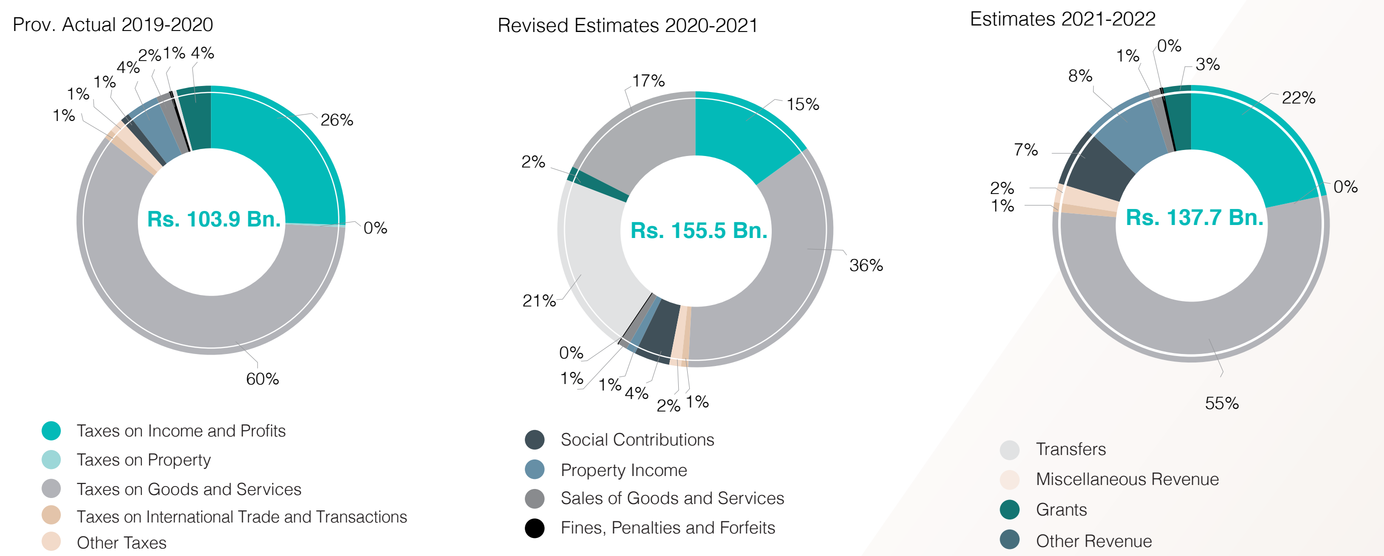
The pandemic plagued the Mauritian economy by inducing closed borders, travel bans, national confinement and halted economic activities which led to a decrease of 5% (PY: -16.5%) in expected revenue for the year ended 30 June 2021 (Revised estimate: Rs 155.5 Bn., Estimate: Rs 162.9 Bn.)

Government earned less mainly from:

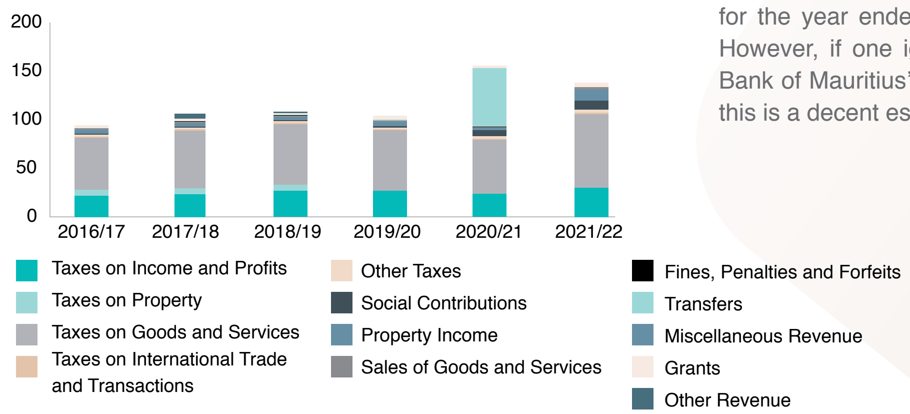
- Taxes on goods and services (Rs -5.5 Bn.),
- Other taxes (Rs -2.4 Bn.),
- Property income (Rs -0.63 Bn.),
- Transfers (Rs -0.60 Bn.), and
- Grants (Rs -0.44 Bn.).

However, this was partly balanced by:

- Social contributions (Rs +2.0 Bn.), and
- Taxes on income and profit (Rs + 0.19 Bn.)



Trend analysis of main government revenue items



The 2021-22 budget estimates a decrease of 11.4% in revenue for the year ended 30 June 2022 (Estimate: Rs 137.7 Bn.). However, if one ignores the Rs 60 Bn. transferred from the Bank of Mauritius' reserves during the previous financial year, this is a decent estimate.

Economic Outlook (continued)

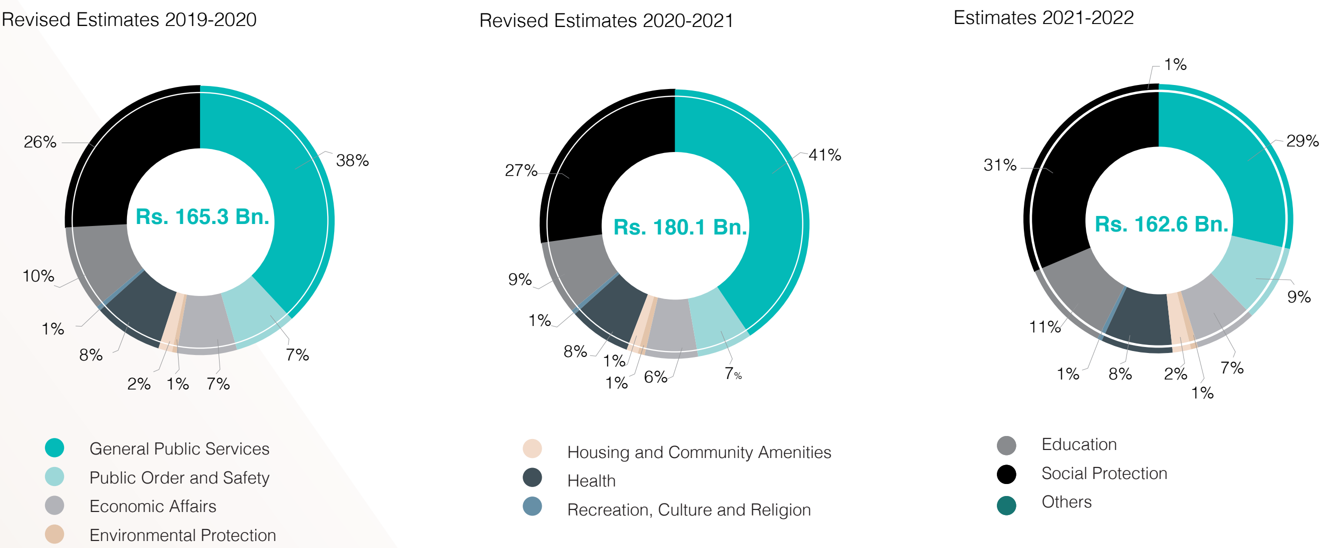
Coupled with a decrease in revenue, the country faced a 10.6% increase in expected expenditures for the year ended 30 June 2021 (Revised estimate: Rs 180 Bn., Estimate: Rs 162.9 Bn.)

Government spent more on:

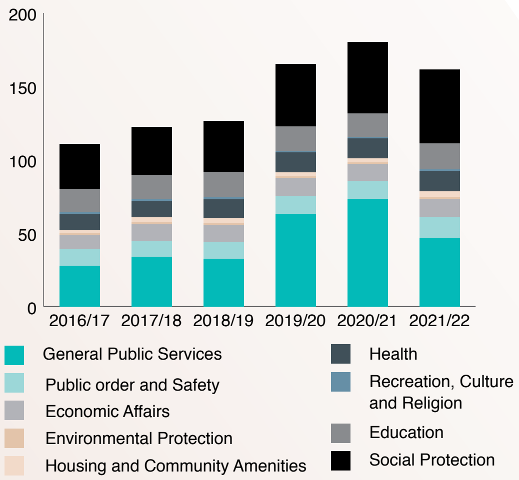
- General public services (Rs +17.3 Bn.),
- Health (Rs +1.3 Bn.), and
- Social protection (Rs +0.96 Bn.)

However, the other functions of government spent around Rs 2.4 Bn. less than what was estimated in last year's budget.

GOVERNMENT SPENDING



Trend analysis of main government expenditures items



Expenditures for the year ended 30 June 2022 are estimated at Rs 162.6 Bn. (9.7% decrease from revised 2020-21 estimate).

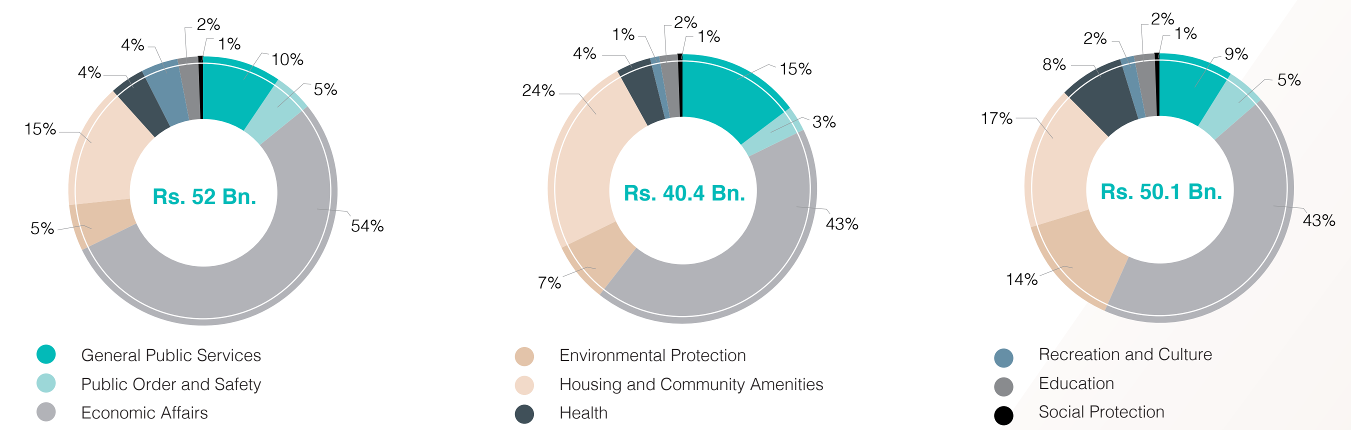
Among the other measures elaborated further in this document, government intends to:

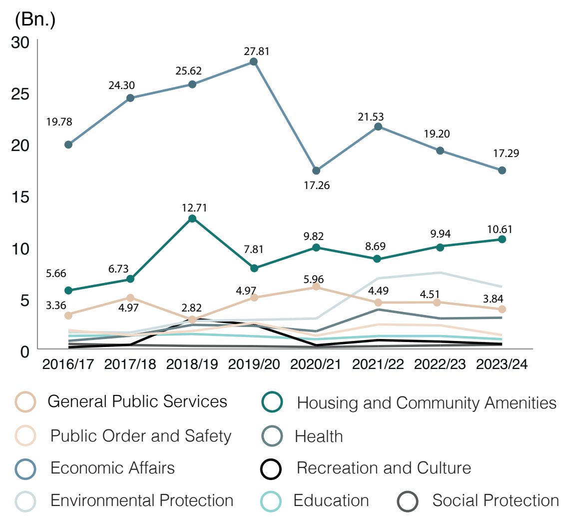
- Invest Rs. 11.7 Bn. for a National Flood Management Programme,
- Invest Rs. 12 Bn. for the Construction of 12,000 Social Housing Units,
- Earmark Rs. 2 Bn. to support the purchase of residential land and property by individuals,
- Invest Rs. 4 Bn. for projects under the Economic Recovery Programme,
- Invest Rs. 9.4 Bn. to improve water supply,
- Invest Rs. 5 Bn. for Community Development Projects,
- Invest Rs. 21 Bn. for land transport projects including roads and the Metro Express, and
- Allocate Rs. 2.2 Bn. to the National Environment Fund.

Economic Outlook (continued)

GOVERNMENT CAPITAL PROJECTS

Estimates 2019-2020 | Estimates 2020-2021 | Estimates 2021-2022





The current economic and pandemic-induced conditions do raise a few expectations towards the government's capital projects such as in the:

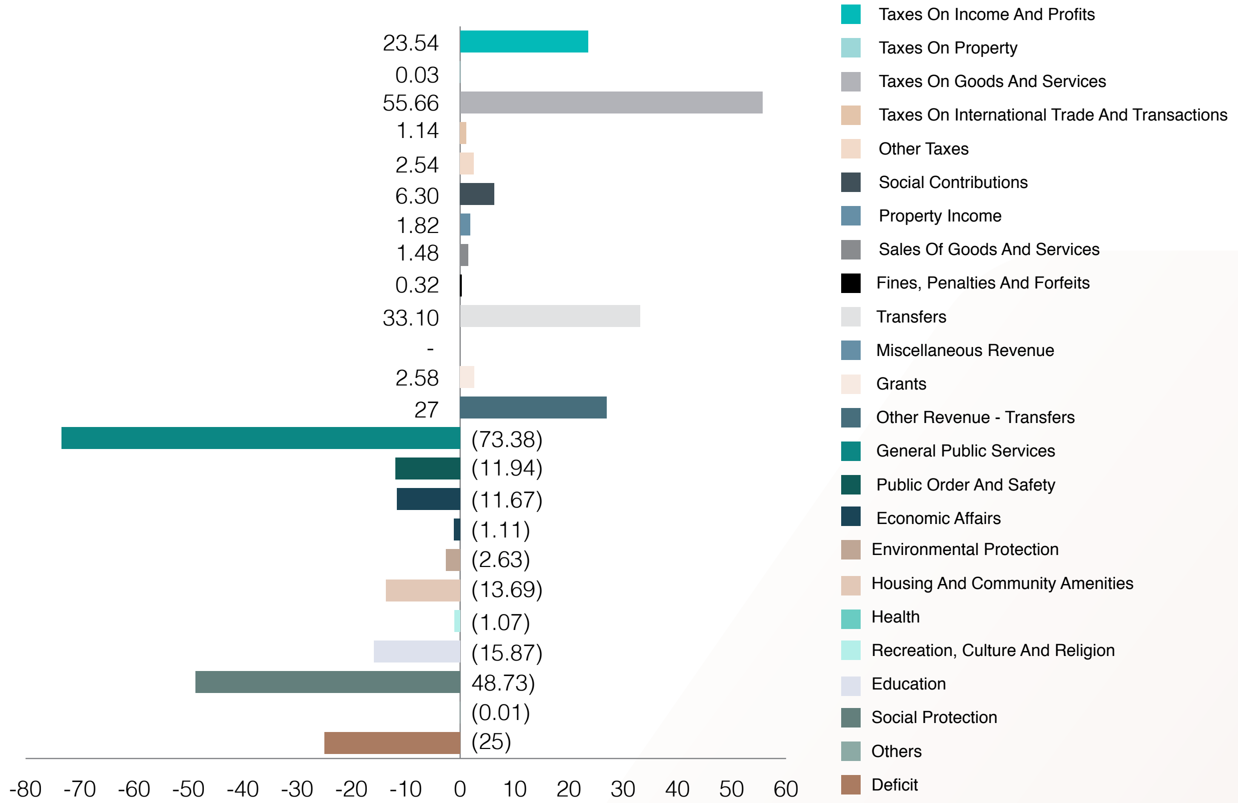
- economic affairs,
- health, and
- social protection.

In this budget, the government also intends to increase investments in:

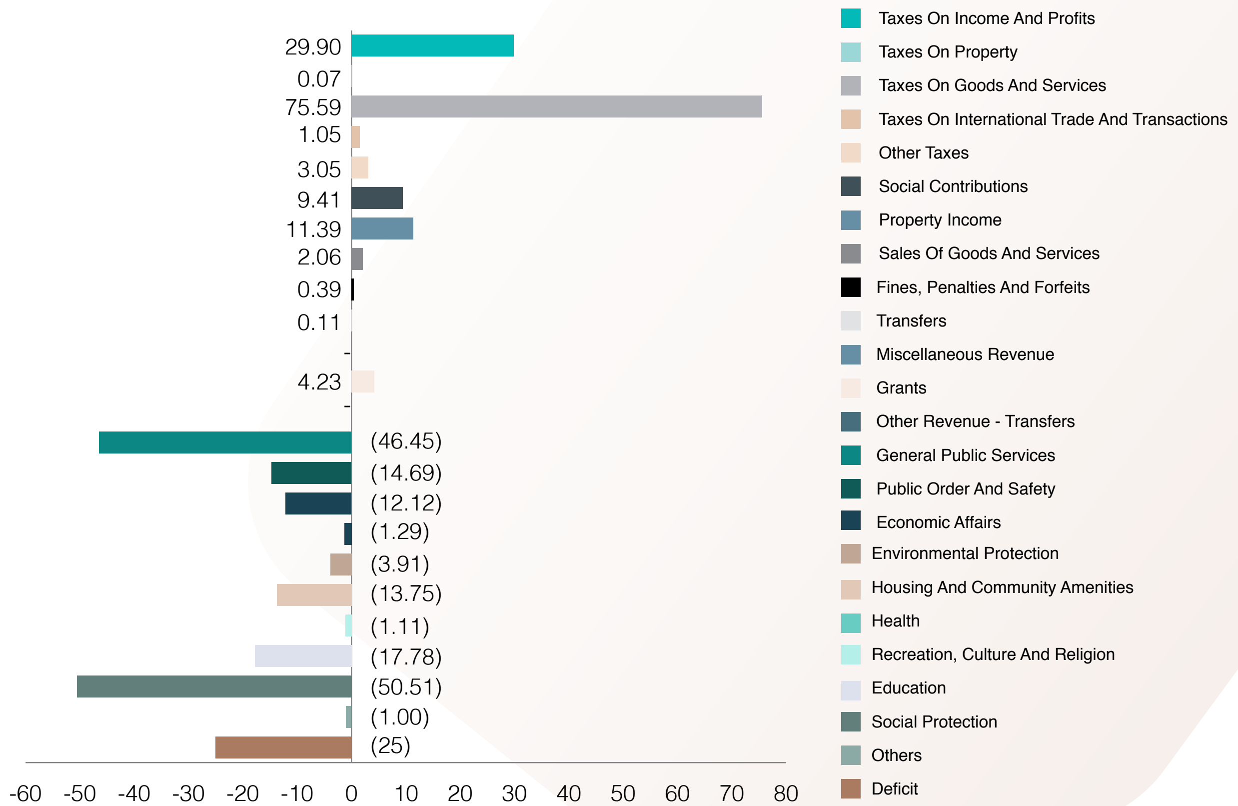
- giving additional means to the police force (Public order and safety (+84.8%),
- meeting the needs of the present generation without compromising on the future generations (Environmental protection (+132.4%)), and
- Recreation and culture (+142.17%)

Economic Outlook (continued)

Revised Estimates 2020-21 (Bn.)

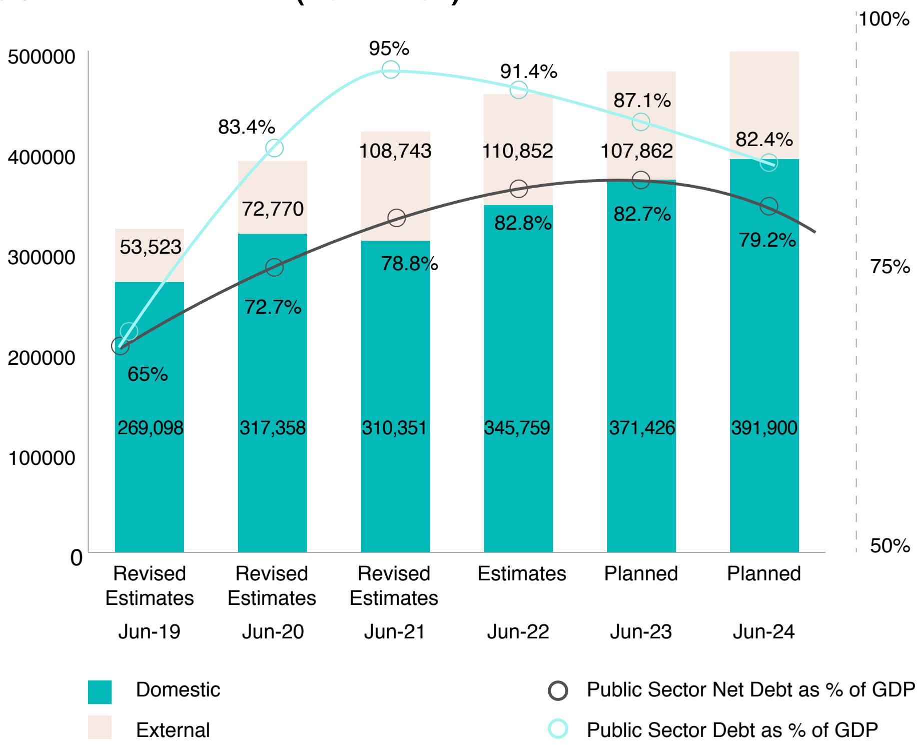


Estimates 2021-22 (Bn.)



Economic Outlook (continued)

GOVERNMENT DEBT (Rs. million)



The 2021/22 budget provided revised estimates to the public debt to GDP ratio and has reached an unprecendented peak of 95% for June 2021 due to two consecutive GDP contractions.

The public debt to GDP ratio is forecasted to decrease by around 4% next year with a downward trend following year 2023, with objective, to bring it down to less than 80 percent of GDP by end June 2025 and to 70 percent by end June 2030.

Budget Estimates	Unit	2017/18	2018/19	2019/20	2020/21
Real GDP Growth	%	3.9	3.9	-5.8	-5.4
Unemployment Rate	%	7.1	6.9	6.7	9.2
Inflation Rate	%	4.3	1.0	2.2	2.5
Investment Rate	%	17.6	18.8	18.6	18.9
Gross Public Swector Debt	% of GDP	63.4	65.0	83.4	95.0
Budget Deficit	% of GDP	3.2	3.2	13.6	5.6

BUSINESS FACILITATION AND INCENTIVES

BUSINESS FACILITATION AND INCENTIVES

It is undeniable that investment in our economy is dependent on our business environment. There has been significant progress in the recent years, and the government wishes to build on this success. To further improve the business environment for investors and foster further economic development, the following measures are being implemented:

a) Rationalisation of Incentive Schemes

Sixteen different incentives schemes shall be streamlined under three certificates issued by the EDB namely:

i) The Investment Certificate (8-year tax holiday, VAT exemptions/zero-rated, exemptions from registration duty for emerging sectors);

ii) The Export Development Certificate (eligibility to 3% corporate tax, Freight Rebate Scheme, Trade Promotion and Marketing Scheme); and

iii) The Premium Investor Certificate
- Minimum investment of Rs 500 million excluding Pharmaceutical Manufacturing
- Negotiable incentives upon recommendation of a Technical Committee and approval of the Minister of Finance, Economic Planning and Development.

b) Setting up of a Business Support Facility at EDB

The EDB will set up a Business Support Facility for the following:

i) Facilitation and advisory services to all businesses;

ii) Allocation of an Accounts Manager to all registered businesses;

iii) Information sharing platform with the MRA and CBRD; and

iv) Registration of all businesses at EDB to avail of incentives.

c) Setting up of Commissions by EDB

To keep abreast of all business and economic developments, issues and opportunities, the EDB will set up commissions consisting of Trade and Business Facilitation, Export Development, Investment, Sectoral Development and Financial Services.

d) Good regulatory practice

The Government is introducing a Regulatory Impact Assessment ("RIA") Bill which will require Regulatory bodies, amongst others, to submit an impact of upcoming regulations on the business environment.

Moreover, a RIA Office will be established under the Prime Minister's Office to oversee and monitor the quality of assessments.

A Business Regulatory Reform Council ("BBRC") will also be set up under the aegis of the Ministry of Finance, Economic Planning and Development and assisted by the EDB. The BBRC will be mandated to address regulatory and administrative reform needs and advise Government on regulatory policy, and it will be empowered to recommend and instruct regulatory bodies for implementation.

e) Regulatory Reforms

Among others, the following regulatory reforms will be implemented:

i) Introduction of an Insolvency (Amendment) Bill to factor in new developments in insolvency practices; and

ii) 'Silence is consent' principle to be applied to licenses and permits as may be prescribed.

BUSINESS FACILITATION AND INCENTIVES (continued)

f) Judiciary Reforms

Court procedures are being reviewed with the aim of expediting commercial disputes, and the E-Judiciary system is also being upgraded.

g) Automation of public service delivery

Public service delivery shall be further automated through the following measures:

i) The introduction of an electronic Business Registration Card;
ii) The development of a new Companies and Businesses Registration Integrated System;
iii) The development of a Notice-Based registry under the Mauritius E-Registry system; and
iv) Expansion of sharing of information among public sector agencies, including between EDB and MRA.

h) Trade Facilitation

A Trusted Trader Programme will be introduced where importers with a good history of compliance will be able to register for a Certificate allowing them to import goods without the need for permits for each import.

The following measures are also being implemented:

i) Fee for amendments made to the aircraft/ship cargo manifest in the event of natural calamities;
ii) Electronic clearance by MRA to departing aircraft/ship electronically to reduce cost and dwell time;
iii) Acceptance of electronic submission of bill of lading and other documents required for clearance of goods; and
iv) Single application will be required by MRA for all excise licences.

i) Cost of Doing Business

In terms of cost of doing business, the Government is implementing the following measures:

i) The 50% reduction in port dues and terminal handling charges for export extended for 2 more years;
ii) Exemption on trade fees not exceeding Rs 5,000 extended for an additional 5 years;
iii) Trade fees and related penalties and interests that were due before 1st January 2020 waived;
iv) Trade fees, where applicable, will become due two Financial Years after registration of a business;
v) Trade fees will not be applicable for any person holding a Tourist Enterprise License and Global Business Companies not having a physical office in Mauritius; and
vi) A range of tax incentives are being provided to businesses.

j) Sale of serviced land

The promoter of a project under the Smart City Scheme is presently allowed to sell one plot of serviced land not exceeding 2,100 m2 to a non-citizen holder of Occupation permits, Permanent Residence Permit or a Residence Permit.

The time limit will be extended for another period of two years, that is, up to 30 June 2024 instead 30 June 2022. This measure will be extended to the Property Development Scheme (“PDS”).

The non-citizen 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 AND INCENTIVES (continued)

k) National Regeneration Programme

An area regeneration plan approved by the Economic Development Board (EDB) under the National Regeneration Programme ("NRP") is currently valid for a period of 2 years. The validity period will be extended to 5 years to give ample time for approved projects to benefit from the package of incentives under the NRP.

l) Invest Hotel Scheme

Currently, the sale of units in an approved hotel development under the Invest Hotel Scheme is limited to 60% of the total number of units in the hotel. This limit will be increased to 80% of the total number of units.

The Invest Hotel Scheme will allow owners to occupy their units for a total period of 180 days instead of 90 days in a year. In the case of owners holding a Premium Visa, there will be no restriction in terms of the number of days that they can occupy their units.

m) Integrated Resort Scheme (IRS)/Real Estate Scheme (RES)

To create a level playing field with other property schemes and accelerate the sale of a few remaining IRS/RES units, registration duty on the sale of an IRS or RES residential property will be levied at the rate of 5% or USD 70,000 whichever is the lower.

Certain provisions of the repealed IRS and RES regulations will be reinstated to enable sale of remaining immovable property in those projects.

n) Construction & Real Estate

An individual buying a house, apartment, or land to construct his residence to benefit a refund of 5 percent of the cost of the property, up to a maximum of Rs 500,000.

Those contracting a Home Loan to construct their residence will benefit from a refund of 5 percent of the Home Loan, up to a maximum of Rs 500,000.

The exemption shall now apply on the first Rs 5 million of the cost of a built-up residential property.

o) Boosting private sector investment

Among other measures to boost private sector investment, the maximum investment through licensed crowd lending platforms by the IFI will be increased from Rs 200,000 to Rs 1 million per project, and a 200 percent deduction from taxable income will be allowed on the acquisition of specialised software and systems.

p) Freeport

The following measures shall be implemented to facilitate business within the freeport sector:

- i) Third party freeport developers will be authorised to rent space to an enterprise outside the Freeport zone for manufacturing and storage of goods.
- ii) Display showrooms will be added to the list of authorised Freeport activities.
- iii) MRA will be empowered to, in consultation with EDB, extend the warehousing period of 24 months for goods imported into the freeport zone for a further maximum period of 36 months.
- iv) The eligibility criteria for the Export Credit Insurance Scheme will be extended to Freeport Operators heavily impacted by COVID-19. This proposal shall be effective up to June 2022.
- v) The Freeport Act will be amended to –
  - a) allow third-party freeport developers to provide space to an enterprise outside the Freeport zone for manufacturing and storage of goods;
  - b) introduce display showroom as an authorised freeport activity to allow freeport operators to promote and market their products to potential buyers; and
  - c) empower the MRA, in consultation with EDB, to extend the warehousing period of 24 months for goods imported into the freeport zone for a further maximum period of 36 months under such terms and conditions as MRA may determine.

Hospitality and Relocation

Hospitality and Relocation

In Budget 2021/2022, the Minister of Finance, Economic Planning and Development, has unveiled far-reaching measures to ensure that Mauritius is set on the path of strong and robust economic recovery amid the Covid 19 pandemic.

Measures to boost investor and business confidence, the private and public sector investment programme and support to skills and talents will play a key role in supporting Mauritius economic recovery.

While the economy continues to face challenges, the Finance Minister has introduced measures that will give the hospitality industry the confidence to invest and to attract foreign capital, skills, knowhow and talents.

In that context, the following measures have been announced: -

- Reopening of borders to all vaccinated tourists as from the 15th of July 2021 for resort tourism.
- A tourist will be allowed to leave the hotel after 14 days with a negative PCR test.
- All vaccinated tourists with a negative PCR test will be allowed in Mauritius without restrictions as from the 1st of October 2021.
- Special Desk at the EDB to attract at least 50,000 foreign retirees in Mauritius during the next financial year (in collaboration with Mauritius Tourism Promotion Authority).
- A financial support of Rs420 million to the MTPA (mainly for promotion and marketing in France, Reunion Island, UK, Germany, Italy, South Africa and China).
- A dedicated portal for foreign retirees will be launched with practical information.
- Sale of up to 80% of the units with the possibility for the owner of a room to stay for a maximum of 6 months annually to be allowed.
- Reduction in the minimum selling price of a standalone villa from USD 500,000 to USD 375,000.

Budget 2021/2022 also sends a very strong message that foreigners are welcomed in Mauritius. The government is working on revival strategies for the tourism industry and following these measures, it anticipates the arrival of 650,000 tourists over the next year.

Important measures announced include:

- Extension of the validity period for Professionals from 3 years to 10 years.
- Exemption from the application of an OP or work permit for Spouses of OP holders investing or working in Mauritius.
- Waiving of the maximum age limit of 24 years for dependents.
- Introduction of a new category - the 10-Year Family Occupation Permit for those contributing USD 250,000 to the COVID-19 Projects Development Fund.
- Setting up of a dedicated concierge service to investors and retirees entering Mauritius.
- Setting up of a privilege club scheme (privilege access to hotels, golf courses, restaurants, private medical institutions, amongst others).
- EDB will develop a dedicated website for marketing the different residency schemes available for non-citizens, fitted with systems for applying relevant residency permits.
- A Smart Card will replace the current paper-based Occupation Permit.
- Non–citizens holding an Occupation Permit as a Professional will be given the flexibility to switch job without having to submit a new application provided the minimum criteria are met.
- Non-citizens holding an OP as self-employed will be allowed to incorporate a one-man company and employ administrative staff.
- The criteria for young professional Occupation Permit will be reviewed and the list of qualifying activities will be removed.
- The monthly salary applicable for an Occupation for professionals in financial services will be brought down to Rs 30,000 (limited only for fund accounting and compliance services by a company holding a license from the FSC, and the professional will need to have at least 3 years relevant work experience).
- The requirement for OP applicants to arrive in Mauritius on a business visa to be issued with a permit be waived.
- A non-citizen who purchases or otherwise acquires an apartment used, or available for use, as residence, in a building of at least 2 floors above ground floor, provided the purchase price is not less than USD 375,000 will be issued with a residence permit, including for his dependents, and exempted from the requirement of a work or occupation permit.
- Holders of a 10-Year Permanent Residence Permit will have the validity automatically extended to cover a 20-Year period.
- Holders of a Permanent Residence Permit will be able to renew their permits and they will be given the flexibility to switch category between investor, professional and retired.

Hospitality and Relocation (continued)

<table>
<tr><th colspan="7">Occupation Permit</th></tr>
<tr><td></td><td colspan="3">Investor</td><td colspan="3"></td></tr>
<tr><td>Criteria</td><td>Company only</td><td>Machinery and Equipment</td><td>Innovator</td><td>Professional</td><td>Self employed</td><td>10-year Family Occupation Permit</td></tr>
<tr><td>Business Activity</td><td>No change</td><td>No change</td><td>No change</td><td>No change</td><td>Allowed to incorporate a one-man company and employ administrative staff.</td><td rowspan="9">The 10-Year Family Occupation Permit is being introduced for non-citizens contributing USD 250,000 to the COVID-19 Projects Development Fund</td></tr>
<tr><td>Duration (Years)</td><td>10</td><td>10</td><td>10</td><td>From 3 to 10</td><td>10</td></tr>
<tr><td rowspan="2">Dependents</td><td colspan="5">Spouse of OP holders, if willing to work, now exempted from applying for OP or work permit</td></tr>
<tr><td colspan="5">Max age limit of 24 for dependent children has been waived</td></tr>
<tr><td>Min salary/ Transfer of funds to Mauritius</td><td>N/A</td><td>N/A</td><td>N/A</td><td>Basic monthly Salary required for professionals in Financial services* brought down to MUR30,000</td><td>N/A</td></tr>
<tr><td>Visa requirement</td><td colspan="5">Non-citizens will now be eligible for OP irrespective of their visa category upon arrival</td></tr>
<tr><td>Tax Holidays</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Right to work</td><td>Yes</td><td>Yes</td><td>Yes</td><td>Yes</td><td>Yes</td></tr>
<tr><td>Eligibility for Permanent Residence**</td><td>Yes</td><td>Yes</td><td>Yes</td><td>Yes</td><td>Yes</td></tr>
</table>

*This will be limited only to fund accounting and compliance services by a company holding a license from the FSC, and the professional will need to have at least 3 years relevant work experience.

**A non-citizen who purchases or otherwise acquires an apartment used, or available for use, as residence, in a building of at least 2 floors above ground floor, provided the purchase price is not less than USD375,000 will be issued with a residence permit, including for his dependents, and exempted from the requirement of a work or occupation permit.

Hospitality and Relocation (continued)

Mauritius - a preferred destination to study, work, invest and live

Leaders in the economy have observed a high in the intake of foreign students in recent years. The country has welcomed around 3,500 foreign students in 2020, in contrast to roughly 600 students ten years ago. To boost the knowledge industry, the government has come up with the following strategies:

- International students enrolled in recognised educational institution to benefit from:
  - A two-hours per week work permit; and
  - A ten-year renewable Young Professional Occupation Permit upon graduation.
- The provision of a concessional 3% corporate tax rate to private universities set-up in Mauritius.
- The setting up of an Emerging Technologies Council to foster research in new technologies such as Blockchain, AI and IoT.
- New companies investing in the 'Digital Technology and Innovation' sector and in the 'Tertiary Education' sector *(for activities in the like of construction and expansion of student campuses)* to benefit from:
  - An eight-year tax holiday; and
  - An exemption from payment of Registration Duty and Land Transfer Tax for the purchase of immovable property for business purposes.

Non-Citizens (Employment Restriction) Act

The following amendments will be made to the Non-Citizens (Employment Restriction) Act:

a) Increase the fine and term of imprisonment and introducing other sanctions in cases where an employer contravenes the Non-Citizens (Employment Restriction) Act by employing absconding or illegal foreign workers;

b) Delete the section relating to applications for work permit in respect of activities such as Artificial Intelligence, Fintech, robotics, and so on; and

c) Provide for the issue of a provisional permit, subject to conditions, in cases where the process for renewal of work permit has been delayed.

Non-Citizens (Property Restriction) Act

The following amendments will be made to the Non-Citizens (Property Restriction) Act to provide that:

a) No approval is required from the Prime Ministers' Office ("PMO") for disposal of property under the Economic Development Board ("EDB") Scheme (for e.g. Property Development Scheme, Integrated Resort Scheme) but only for EDB to notify the PMO of such disposal;

b) Non-citizens seek the authorization of the PMO for, among others, obtaining title or continuous use of immovable property in Mauritius; and

c) No authorization of the PMO is required for only the initial 20-year lease.

Financial Services and Global Business

Financial Services and Global Business

The financial services sector is one of the few sectors having registered a positive growth in 2020. With a view to reinforce the resilience of this key sector, a two-fold strategy has been devised with focus on:

1. Enhancing the status of the Mauritian Financial Centre as a jurisdiction of highest global standards; and
2. Continuing to improve and deepen the service offerings of our financial centre.

Mauritius - a financial services centre of high repute

Government has reiterated its commitment to restore confidence in Mauritius as an AML/CFT compliant jurisdiction and complete the implementation of the FATF Action Plan.

In addition to the various supervisory, regulatory and law enforcement measures that have already been introduced to enhance the AML-CFT legislative framework and its implementation, further initiatives were outlined in the Budget speech to enhance the AML-CFT legislative framework as follows:

a) Attribution of legal force on the AML/CFT Core Group under the Financial Intelligence and Anti-Money Laundering Act ("FIAMLA"); and

b) Establishment of a Financial Crime Commission for a more effective management in the fight against financial crime.

Sustained development of the financial services sector

Measures identified to sustain the development of the financial services sector include:

a) Introduction of a Securitisation Bill;
b) Introduction of a new Securities Bill;
c) Enactment of a new legislation for virtual assets;
d) Extension of tax holiday for Family Offices and Fund and Asset Managers from 5 to 10 years;
e) Launch of the FSC One platform as an online licensing portal as from 1st July 2021;
f) Introduction of rules for set up of Special Purpose Acquisition Companies by the Stock Exchange of Mauritius;
g) Set up of an Open-Lab for banking and payment Solutions and a FinTech Innovation Lab to encourage an entrepreneurship culture by the Bank of Mauritius and the FSC respectively;
h) Roll-out of a Central Bank Digital Currency (the Digital Rupee) by the Bank of Mauritius on a pilot basis;
i) Introduction of a dedicated QR Code at national level by the Bank of Mauritius to facilitate digital payments;
j) Amendment of the Bank of Mauritius guidelines to allow the set up of regional offices by international banks for alignment with latest international trends; and
k) Implementation of a digital centralised information exchange system to facilitate motor insurance claim recoveries by the FSC.

Legal and Regulatory

Financial Intelligence and Anti-Money Laundering Act

In the context of the fight against money laundering and financing of terrorism, FIAMLA will be amended to:

- include the Registrar of Companies in the definition of "Registrars" to allow the Companies and Business Registration Department to exchange information in relation to Non-Profit Organisations with the FIU;
- exclude, from the definition of "financial institution", entities registered as reporting issuer which do not conduct any financial activities;
- allow for lodging of predicate offence and money laundering offence under a single information even if the investigations are being conducted by different investigatory authorities;
- include private pension schemes under the purview of the FIAMLA;
- review the definition of "financial institution" to include a qualified trustee as defined under the Trusts Act instead of only referring to the Trusts Act;
- provide that decisions of regulatory bodies as defined in FIAMLA shall take effect immediately after 21 days of the decision;
- require a reporting person to provide information to its regulatory body even if the person is not carrying out the listed activities under the FIAMLA; and
- provide for the establishment of an Interagency Coordination Committee to promote effective cooperation and coordination among its members in the implementation of the international standards on AML/CFT and proliferation.

Financial Services Act

The salient amendments to be made to the Financial Services Act are to:

- define "Fintech", "Regulatory Sandbox", "Regulatory Sandbox Authorisation" and "Regtech" and establish the framework for applying for a Regulatory Sandbox Authorisation;
- authorise the FSC to set up such fintech innovation hubs and finnovation and digital labs for the non-banking financial services sector;
- allow issue of shares of less than 5% in a licensee without the approval of the FSC unless such issue results in a change in control in the licensee;
- authorise the FSC to require the Official Receiver, a Liquidator, Provisional Liquidator, Administrator or Special Administrator to provide the FSC with information relating to its licensee or past licensee for the discharge of its functions.
- extend the possibility to request for a certificate of good standing from the FSC to all its licensees, and to legal practitioners and accounting firms with the consent of the licensee;
- allow the FSC to exchange information with a supervisory body or any other public sector agency for the administration of their respective Acts and for the FSC to discharge its functions; and
- authorise the FSC to regulate and supervise financial institutions or start-ups providing relevant services under the FinTech Regulatory Sandbox licence issued by the FSC, with such consequential adaptations as may be required to give thereto.

Income Tax Act

Proposed key amendments to the Income Tax Act relate to:

- Broadening the scope of partial exemption tax regime

The partial exemption tax regime to cover licensed investment dealers and activities relating to the leasing of locomotives and train including rails leasing;

- Tax holidays for Asset and Fund Managers

Extend the existing incentive to employees of licensees of the FSC who are issued with an Asset Manager Certificate; or a Fund Manager Certificate; or an Asset and Fund Manager Certificate, on or after 1 September 2016, to those managing an asset base of USD 50 Million or above;

- Substantial activity requirements for Foundations and Trusts

Ensuring that Foundations and Trusts benefitting from a preferential tax regime comply with the OECD standards including substantial activity requirements;

- The extension of the R&D tax incentive scheme (double deduction) expiring in June 2022 by 5 years, that is, to June 2027;
- The extension of the tax holiday on Family Offices and Fund and Asset Managers from 5 years to 10 years;
- Exclusion of foreign limited partnership which is a non-tax resident from the need to submit a return of dividend;
- Making provision that dividend paid by a non-resident to another non-resident is not taxable in Mauritius; and
- The Arm's Length Test as provided for in the Income Tax Act for domestic companies shall equally apply to Global Business Companies.

Legal and Regulatory (continued)

Other incentives for financial services:

- For the setting up of Family Offices, the need for a Global Business licence will be eliminated;
- Request for Certificate of good standing from the Registrar of Companies for Global Business Companies will be extended to cover legal advisers and accounting firms;
- The Bank of Mauritius (BOM) and the FSC will:
  a) issue Regulatory Sandbox Licenses for activities falling under their respective purviews;
  b) set up a common platform for fitness and propriety of investors and professionals operating in the sector;
  c) revamp the existing framework for investment banking activities; and
  d) set up a single desk for all FinTech related applications.

Tax Administration

Tax payment under Advance Payment System

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

Deferral of tax payment

The Income Tax Act will be amended to ratify the decision for the income tax liability of companies under the Advance Payment System (APS) due in November 2020 up to May 2021, to be deferred until 30 June 2021.

Limited Liability Partnerships Act

The Limited Liability Partnerships Act will be amended to provide that a Limited Liability Partnership may be removed from the register in case appropriate beneficial ownership information has not been provided to the Registrar of Limited Liability Partnerships;

Limited Partnerships Act

The Limited Partnerships Act will be amended to provide that a Limited Partnership may be removed from the register in case appropriate beneficial ownership information has not been provided to the Registrar of Limited Partnerships.

The Local Government Act – Trade fees

The Local Government Act will be amended so that trade fees payable with respect to classified trades do not apply to any person holding a Tourist Enterprise License and Global Business Companies not having a physical office in Mauritius.

Trade fee will no more be tagged to date of start of business but become due two Financial Years after registration of the business. Part of a Financial Year will be considered as one Financial Year.

Other Legislative Changes

Other Legislative Changes

Asset Recovery Act

The Asset Recovery Act will be amended to empower the Enforcement Authority to apply for a Restraining Order, in certain circumstances and the restraining order will not apply to any property which is the subject-matter of an Unexplained Wealth Order issued under the Good Governance and Integrity Reporting Act.

Bank of Mauritius Act

The Bank of Mauritius ("BOM") Act will be amended to empower the BOM to set up a Central Registry of Accounts in order to collect data with a view to enhancing collaboration and cooperation among supervisory authorities and law enforcement agencies. Other consequential amendments will also be made to the Banking Act.

Borrower Protection Act

The Borrower Protection Act will be amended to provide that an immovable property offered as security also covers fixed charges placed on that property.

Business Registration Act

The Business Registration Act will be amended to provide for the payment of a fee for amendments to a Business Registration Card.

Companies Act

The Companies Act will be amended to, amongst others:

a) comply with requirements of Financial Action Task Force (FATF) regarding the protection of companies from terrorist financing abuse by, amongst others:
   - i) introducing grounds on which the Registrar of Companies may refuse registration or serve a notice of intention to remove a company from the Register.
   - ii) effective supervision on all entities falling under the purview of the Registrar of Companies through the application of proportionate and dissuasive sanctions; and
   - iii) protection of companies limited by guarantee from terrorist financing abuse by, amongst others –
     - a) authorising the Registrar of Companies to issue guidelines;
     - b) empowering the Registrar of Companies to conduct examinations and investigations; and
     - c) providing for sanctions for non-compliance and offences committed under the Companies Act.

b) remove the requirement for a company to include certain information in relation to its subsidiaries in its annual report in line with the Code of Good Governance where disclosure is only for holding companies.

c) provide that a public company having not more than 50 members may be converted into a private company.

d) remove the restriction on companies limited by guarantee not to have more than 50 members.

Economic Development Board Act

The Economic Development Board ("EDB") Act will be amended to:

- empower its Chief Executive Officer to oversee businesses holding a Regulatory Sandbox Licence to ensure that the licensee is abiding by the terms and conditions of the licence;
- refer the monitoring and supervision of the licensee to such regulatory or other competent authority as may be determined by the technical committee;
- discontinue the conduct of regulatory impact assessments;
- enlarge the functions of the EDB to cover communication of economic measures;
- provide the process for suspension and revocation of a Freeport Certificate, e-Commerce Certificate and Regulatory Sandbox Licence.

Financial Reporting Act

The Financial Reporting Act will be amended to:

- extend the scope of sanctions against auditors and increase the fine to Rs 1 million and imprisonment to 5 years;
- restrict an audit firm to audit the accounts of a listed company for a period of more than 7 years over an aggregated period of 10 years. Provision will be made to cater for an auditor who is already engaged with a listed company and for sanctions in case of non-compliance;
- empower the Financial Reporting Council to compound offences with the consent of the Director of Public Prosecutions; and
- increase the fine to Rs 500,000 for –
  - failing to submit financial statements, annual report and report on corporate governance; and
  - providing professional services while not being registered as a member firm.

Other Legislative Changes (continued)

Foundations Act

The Foundations Act will be amended to ensure compliance with the requirements of Financial Action Task Force on:

- protecting Non-Profit Organisations (NPOs) from being misused by terrorist organisations, by, amongst others -
  - authorising the Registrar of Companies to issue guidelines;
  - empowering the Registrar of Companies to conduct examinations and investigations; and
  - providing for sanctions for non-compliance and offences committed under the Foundations Act;
- the opportunity for foundations to take remedial actions when they have failed to meet disclosure requirements of beneficial ownership information.

Insolvency Act

The Insolvency Act will be amended to require a liquidator to provide information to the FSC for the discharge of its functions and obligations under an arrangement or agreement for the exchange of information.

Protected Cell Companies Act

Amendments brought to the Protected Cell Companies Act will make provisions for an extension of the use of the Protected Cell structure to domestic companies and to include such other activities as may be prescribed.

Real Estate Agent Authority Act

The Real Estate Agent Authority Act will be amended whereby a licensed real estate agent has to register with the FIU within 5 working days of his registration with the Real Estate Agent Authority, failing which will be considered as an offence.

Workers' Rights Act

The salient amendments of the Workers' Rights Act will be to, amongst others:

a) Allow payment under the Wage Guarantee Fund when the business has been placed into receivership, administration or liquidation;

b) Extend the application of a protective order to situations where an order for the payment of severance allowance has been made by the Redundancy Board and broaden the definition of remuneration to include a claim of severance allowance lodged at the Industrial Court and any gratuity on retirement payable under the Portable Retirement Gratuity Fund ;and

c) Any reduction in workforce in relation to a business reorganisation should be in the best interest of the business.

Taxation

Corporate Income Tax

Lower tax rate under Advance Payment System

The Advance Payment System will now cater for companies paying corporate tax at a rate lower than 15%.

Investment Tax Credit

A manufacturing company's unrelieved investment tax credit may be carried forward for 10 years.

Small Enterprise paying Presumptive Tax

A small enterprise can pay a presumptive tax of 1% of its turnover without declaring its chargeable income and will be exempted from the Corporate Social Responsibility ("CSR") requirement.

CSR

For a CSR Fund set up on or after 1st January 2019, a company may use 25% of its CSR Funds to implement a CSR programme or finance an NGO implementing a CSR programme as per the list of priority areas of intervention.

Dividends payable

Any dividend paid by a non-resident to another non-resident is not taxable in Mauritius.

Tax Incentives

Partial Income Exemption

Investment dealer companies and companies engaged in other types of leasing activities can now benefit from the 80% partial income exemption.

Licensed investment dealer companies engaged in the leasing of locomotives and train including rails leasing can now benefit from the 80% partial income exemption.

Research and Development ("R&D")

Double tax deduction with respect to qualifying expenditure has been extended till June 2027, provided that the R&D is carried out in Mauritius and no annual allowance was claimed.

A manufacturing company will be able to claim a double tax deduction for market research and product development expenses targeting the African market.

Tax Holiday

Family Offices and Fund and Asset Managers

The tax holiday has been extended from 5 years to 10 years.

New companies holding an investment certificate

New companies, holding of an investment certificates will benefit from an eight-year tax holiday provided that the companies register with the EDB.

Manufacturing companies benefit from a 5 per cent tax credit over 3 years in respect of capital expenditure incurred on new plant and machinery until 30 June 2023.

Corporate Income Tax (continued)

Export of goods

Other non-tax incentives are provided to companies engaged in export of goods.

Pharmaceutical Research and Manufacturing companies

New companies, holder of an investment certificates will benefit from an eight-year tax holiday provided that the companies register with the EDB.

Payment of VAT on Plant, machinery, and equipment & Construction of purpose-built building and plant and equipment (excluding vehicles) for research and development:

- Zero-rated for provision of healthcare, nursing and residential care services;
- Exempt for others

Exemption from payment of Registration Duty and Land Transfer Tax for the purchase of immovable property for business purposes (New Companies).

Manufacturing companies benefit from a 5% Tax credit over 3 years in respect of capital expenditure incurred on new plant and machinery until 30 June 2023.

Biotechnology and Pharmaceutical companies

Companies engaged in the medical, biotechnology and pharmaceutical sector will be taxed at 3% instead of 15%.

Biotechnology and pharmaceutical companies will be allowed a full tax credit on the costs of acquisition of patents.

Developers will be able to benefit from exemption on:

a) Registration duty and land transfer tax;
b) Land conversion tax; and
c) VAT on construction.

Private universities

Private universities set-up in Mauritius will exceptionally benefit from a reduced tax rate of 3%.

SME

A 110 per cent deduction will be allowed on the taxable income for the direct expenditure incurred on the purchase of products manufactured locally by SMEs.

Acquisition of specialised software and systems.

A 200 per cent deduction from taxable income will be allowed on the acquisition of specialised software and systems.

Foundations and Trust

Foundations and Trusts benefitting from a preferential tax regime need to ensure that they comply with the OECD standards including substantial activity requirements.

Tax Returns

Foreign limited partnership which is a non-tax resident no longer have the obligations to submit a return of dividend.

Individual Tax

Income Exemption Threshold ("IET")

There has been no change in IET for the year ending 30 June 2022.

	Year ending 30 June 2021 Rs	Year ending 30 June 2022 Rs
A. Individual with no dependent	325,000	325,000
B. Individual with one dependent	435,000	435,000
C. Individual with two dependents	515,000	515,000
D. Individual with three dependents	600,000	600,000
E. Individual with four or more dependents	680,000	680,000
F. Retired/disabled person with no dependent	375,000	375,000
G. Retired/disabled person with dependents	485,000	485,000

Premium Visa

A Premium Visa Scheme has been developed with the goal of encouraging eligible foreigners to come to Mauritius for a long stay of at least one year, with the option of renewal.

To make this Scheme more appealing and to minimize any administrative barriers, a holder of a Premium Visa who stays in the Republic of Mauritius for 183 days or more shall be liable to income tax as follows:

i) A Premium Visa Holder's Mauritian-sourced income (for example, emoluments for work conducted remotely in Mauritius) will be taxed on the same remittance basis as foreign-sourced income;

ii) Money spent in Mauritius by a Premium Visa holder on a foreign credit or debit card is not deemed to have been remitted to Mauritius;

iii) Income brought into Mauritius and placed in a bank account is subject to tax unless the holder of a Premium Visa declares that the relevant tax has been paid in his country of origin or residence.

These changes will be retrospectively applied and will take effect on November 1, 2020.

Tax Holiday

Asset/Fund Manager

On the emoluments of an asset manager, a fund manager, or an asset and fund manager who oversees an asset base of at least USD 100 million and was provided with a certificate on or after September 1, 2016, a 5-year tax vacation is granted.

Holders of a certificate issued on or after September 1, 2016 will be exempted from tax on their emoluments for an additional 5 years, while new certificate holders will have a 10-year tax holiday.

Furthermore, the asset base barrier of USD 100 million handled by an Asset/Fund Manager would be reduced to USD 50 million.

Tax payment under Current Payment System

The system for calculating a self-employed individual's tax due under the Current Payment System will be changed to accommodate individuals who are taxed at the lower rate of 10%.

Deferral of tax payment

The Income Tax Act will be modified to ratify the decision for the payment of personal income tax in advance by self-employed individuals under the Current Payment System (CPS) in the income year 2020/2021 will be deferred until October 2021, when their income tax return is due.

Home Ownership Refund Scheme

Under the Scheme, a Mauritian Citizen who purchases a house, an apartment, or bare land to build a residential unit in the financial year (FY) 2021-2022 will be entitled for a payment of 5% of the declared value of the immovable property up to a maximum of Rs. 500,000 per property acquired.

The payment will be made in respect of residential property purchases made during the financial year, and the refund will be given even if the buyer was exempted from paying registration duty on the purchase of the property. The amount received under the Scheme must be refunded if the property is sold within one year of the date of acquisition.

Tax Administration

Income Tax

Tax Arrears Settlement Scheme (“TASS”)

Until December 2021, the TASS will be available for SMEs.

Statement of Financial Transactions

The monetary criteria for banks, non-bank deposit taking institutions, insurance companies, and money changers to submit information to the MRA have been cut in half.

Arm’s Length Test

The Arm’s Length Test will also be applicable to Global Business Companies.

Submission of Return by Self-Employed Individuals

An income tax return must be submitted by all self-employed individuals.

Request for Information

The MRA can request taxpayers to submit information/documents electronically and virtual meetings can be held through teleconferencing device.

Tax Ruling

Where additional information has been requested by the MRA, the time limit of 30 days to issue a tax ruling will start as from the date that the additional information was submitted to the MRA.

Exchange of Information with Treaty Partners

Where a company has failed to furnish information as per MRA requests, penalties will be charged.

Value Added Tax Act

The 30-days’ time limit for the MRA to rule on VAT issues begins on the date that all documents and information requested by MRA are submitted.

Taxpayer will be able to submit any information requested by the MRA electronically.

Mauritius Revenue Authority Act

Lodging of Representations

In case an objection was lapsed by the MRA due to non-submission of requested information, the taxpayer will still be allowed to lodge the representation to the Assessment Review Committee without making any payment.

Independent tax panel

Under Revenue laws, in case of fraud and non-submission of tax return, no authorisation from the independent panel shall be required by the Director General of the MRA to issue assessments.

Indirect Taxes

Purpose-Built factories for Manufacturing of pharmaceutical products, medical devices, clinical and pre-clinical trials

Exemptions:

- Registration Duties & Land Transfer Tax
- Land Conversion Tax
- VAT on Construction
- Full tax credit on cost of acquisition of patents
- Taxed at 3%

Value Added Tax

VAT Refund on construction or purchase of first house or apartment

New Criteria:

- the cost of construction or the purchase price < Rs 3 million
- the refund amount capped at Rs 300,000;
- the household annual income eligibility threshold capped at Rs 1M

SUSTAINABILITY AND GREEN ENERGY

1) The Government's objective is to increase renewable energy penetration to 60 percent of our country's energy needs by 2030.
2) The use of coal will be totally phased out before 2030.
3) Setting up the Biomass framework with remuneration of bagasse at Rs 3.50 per kWh for all planters.
4) CEB will also launch a Request for Proposal to set up a 40 MW wind farm that will require some Rs 2.4 billion of investment.
5) The CEB will allow for integrated green energy projects, combining the use of biomass, wind and solar energy.
6) Allowing companies and individuals to provide renewable energy directly to the CEB, if the price is below the maximum tariff set.
7) This budget sets the stage for a sustainability transition programme.
8) In addition to our green energy strategy, we are engaging in the rehabilitation of our coastlines, the cleaning and embellishment of our country and the promotion of a circular economy.

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