Intercontinental Trust Ltd

2023/2024

BUDGET HIGHLIGHTS

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EDITORIAL

EDITORIAL

Wiring Sustainable Progress

In sharp contrast to the budgets presented by the present government over the past 2 years, the 2023-2024 budget speech of the Finance Minister has been marked by a sensation of renewed optimism, bullish outlooks on our growth trajectory and a welcomed dose of socialist measures for the population. Till now, Mauritius has been capable to hoist itself out of the challenges posed by the Covid pandemic as well as the ongoing Russo-Ukrainian conflict by engaging in appropriate measures to ring-fence the country against enduring damages to the economy. With a GDP growth hovering above 8%, a substantial increase in FDI, a declining unemployment rate, we are comforted that 2022-2023 has thrusted the country back to pre-pandemic levels and has allowed us to build a resilient base to advance our progress as a strong economy and a reliable International Financial Centre for the global community.

Social Inclusiveness – a myth or reality?

As a continuity to last year’s commitment to weave the social fabric and further social inclusiveness, the budget comes forth with a progressive tax regime, likely to contribute in addressing the long-standing income disparity in the country. Women empowerment will benefit from a meaningful springboard to push for their financial independence – childcare measures, entrepreneurs availing of a margin increase for public procurement of goods and the 25% female leadership requirement at board level for listed companies are significant moves indeed. Going a step further, the right emotional framework for women advancement has also been catered for in guise of leaves in cases of pregnancy loss or tendering to a sick child. Focusing the lens at a grassroot level, the importance of education in lifting the veil of social disparity could not have been made more obvious by adding a frosting on the cake and making pre-primary education free. The impact is likely to be threefold: catalysing the infrastructural upgrade of educational institutions, a sustainable and significant investment in the country’s human capital and a potential solution to address the mounting ‘brain drain’ dilemma and the unavailability of a skilled workforce faced by the country in present times.

Re-engineering our presence on the global front

It is clear that this year’s budget is focused on opening up the economy to foreigners – is brain drain the key driver or is it part of the government’s growth strategy? With a streamlined process to procure a professional occupation permit availing of a reduced threshold of only MUR 30,000 and a long overdue shift to the e-universe, importing talents seems to occupy a notable place on the government’s agenda. To the great dismay of the banking sector, the obtention of such permit will no longer be conditional to having a local bank account. This shall also be the case for the obtention of the premium visa for medical patients and retirees choosing to come to Mauritius.

EDITORIAL

A new impetus to the Mauritius International Financial Centre (MIFC)

This budget has gone a long way to further boost the attractiveness of not only the MIFC, but particularly its Fund industry. We welcome the increase in the partial exemption regime to 95% for both open-ended and closed-end structures bringing the effective tax rate for Mauritius Funds to 0.75% - this is conditional to an enhanced clarity being brought to the Finance Act. Furthermore, the budget enhances the ring-fencing feature of the Variable Capital Company (VCC) and the Protected Cell Company (PCC) by bringing in clarifications that the taxman's reach will be limited to a specific cell for the purpose of recovery of tax.

Private debt funds have gained considerable traction as an alternative source of finance to the traditional banking channels in our main markets – Africa and India. The amendment to the Securities Act to allow Funds to invest in loans or other similar debt instruments will provide a much-needed certainty to the industry on the licensing process for such kind of Funds. Coupled with the new tax regime for Funds, the MIFC has shaped itself the necessary infrastructural framework to position itself as a preferred jurisdiction for debt structuring. The noteworthy upgrade of the VCC to allow structuring for private wealth will expand the flexibility of the vehicle for asset managers. Subject to clarity from the Finance Act, the VCC will now allow both segregated and pooled portfolios for both open and closed-end structures, thereby making it a truly unique umbrella vehicle encompassing a wide array of asset classes.

An ambitious future outlook

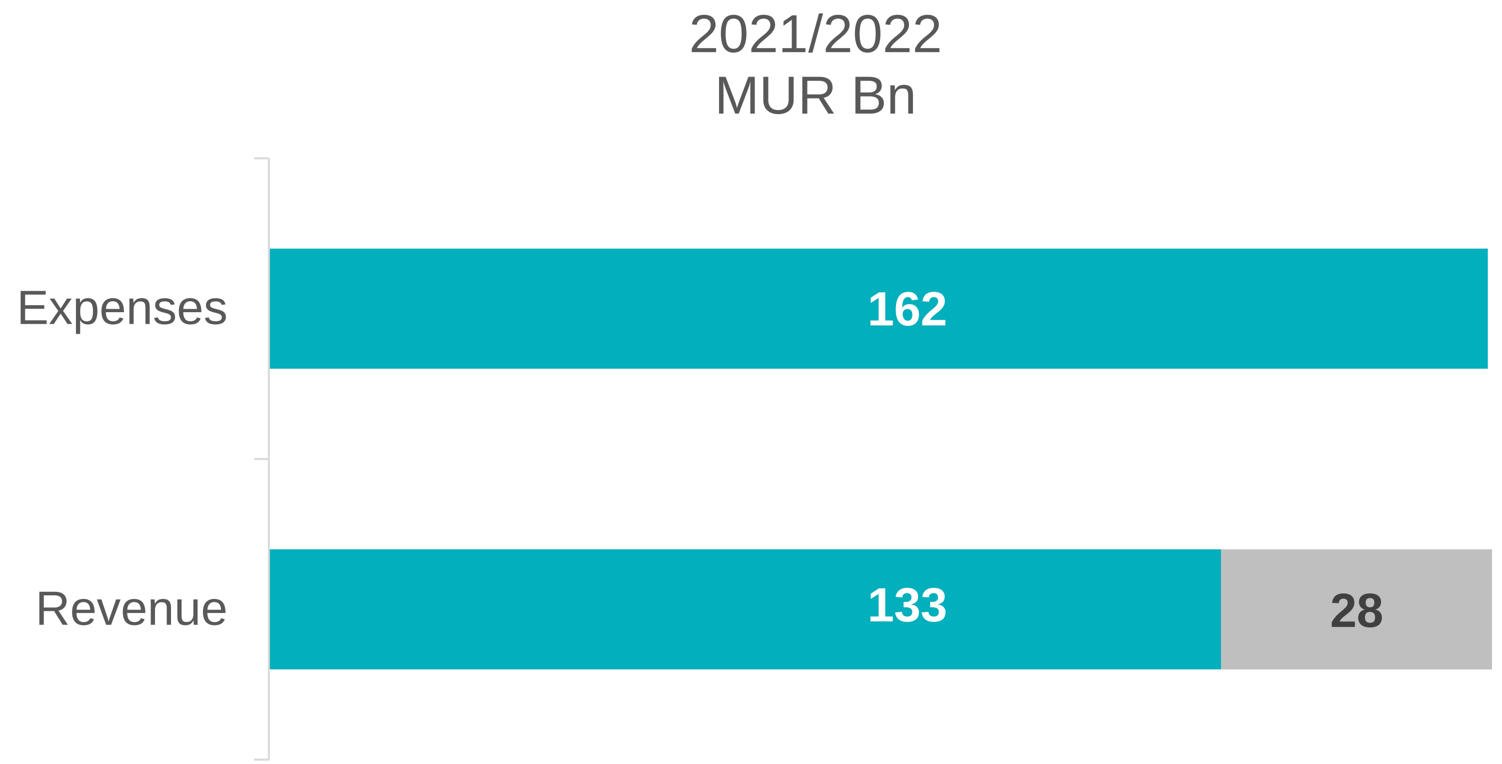
Boasting a flawless note in its compliance to the FATF recommendations further to systemic changes in its AML/CFT regulations along with a continuous streak of innovations in its product offerings in the past years, the MIFC garners the requisite ingredients to continue flourishing as a reliable and reputable IFC. The budgetary measures announced – including the additional budget of MUR 100 million allocated to the Economic Development Board (EDB) for the promotion of the financial services sector and an ambitious target of MUR 100 billion in tourism earnings for next year – are likely to further cushion the country's robustness and resilience whilst enhancing its appeal on the regional and international front. A staunch synergy is to be seeded between the Economic Development Board along with the industry associations and the players to substantially increase promotional efforts to consolidate the MIFC position as a key Financial Centre.

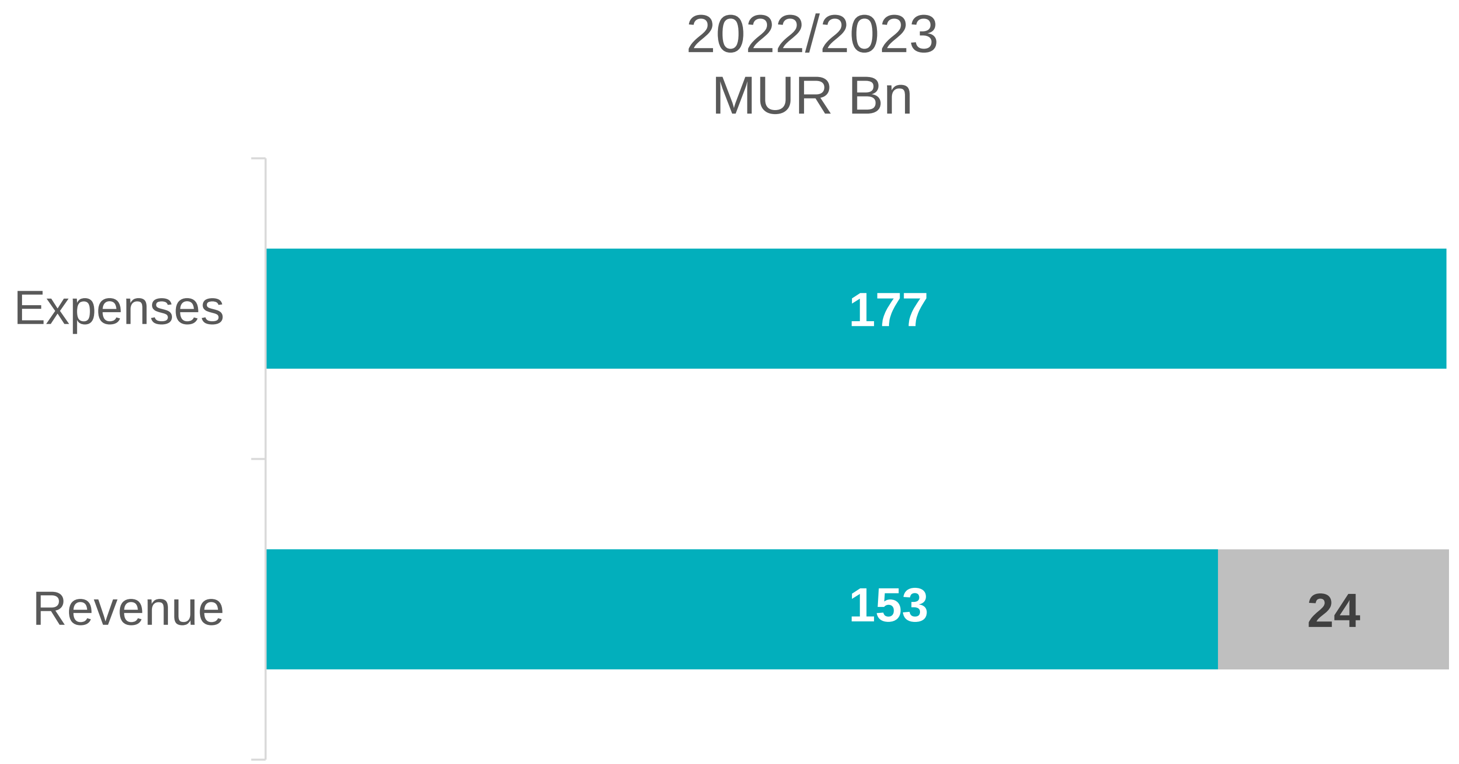
Final words

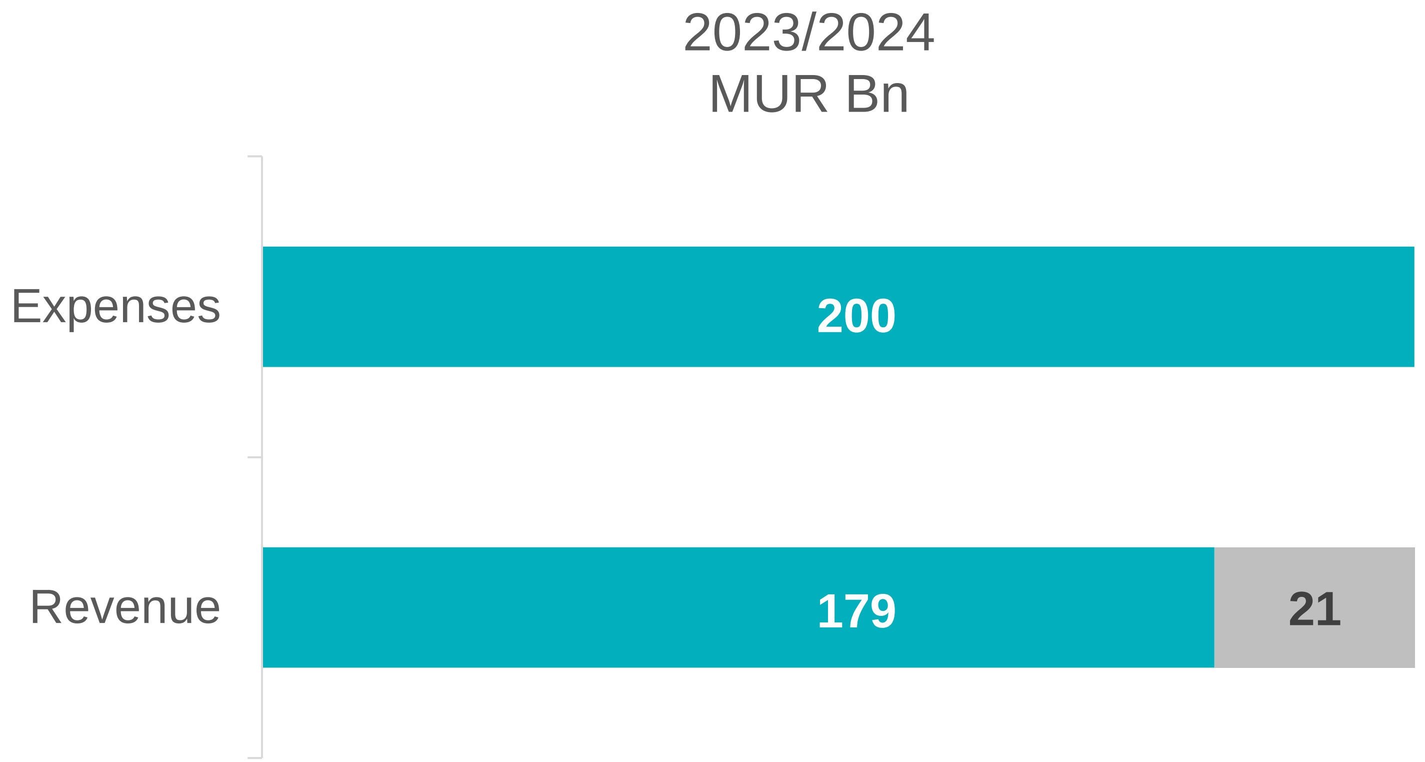
All-in-all, the 2023-2024 budget is a continuity from last year's focus on the people and for the people. From a bird's eye view, this year's budget caters for many of the Sustainable Development Goals established by the United Nations, addressing most of the parameters promoting sustainability and growth in Mauritius. It seems that we are on the right track in building for a purpose and reaching the set target of positioning the country as a "Green Certified Destination" by 2030.

ECONOMIC OUTLOOK

Overall Performance

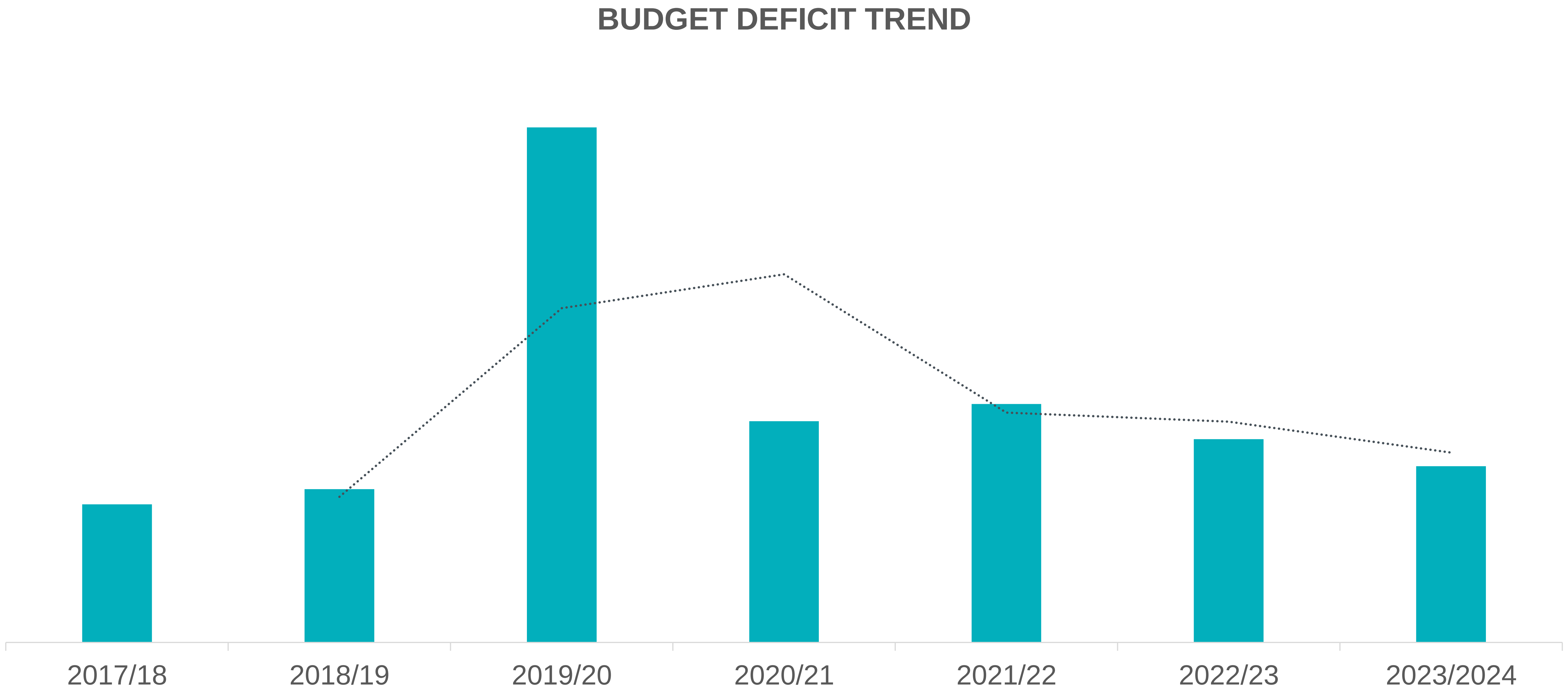






Government expects revenue to go up by 17% and expenses by 11% resulting in a budget deficit of MUR 21 Bn.

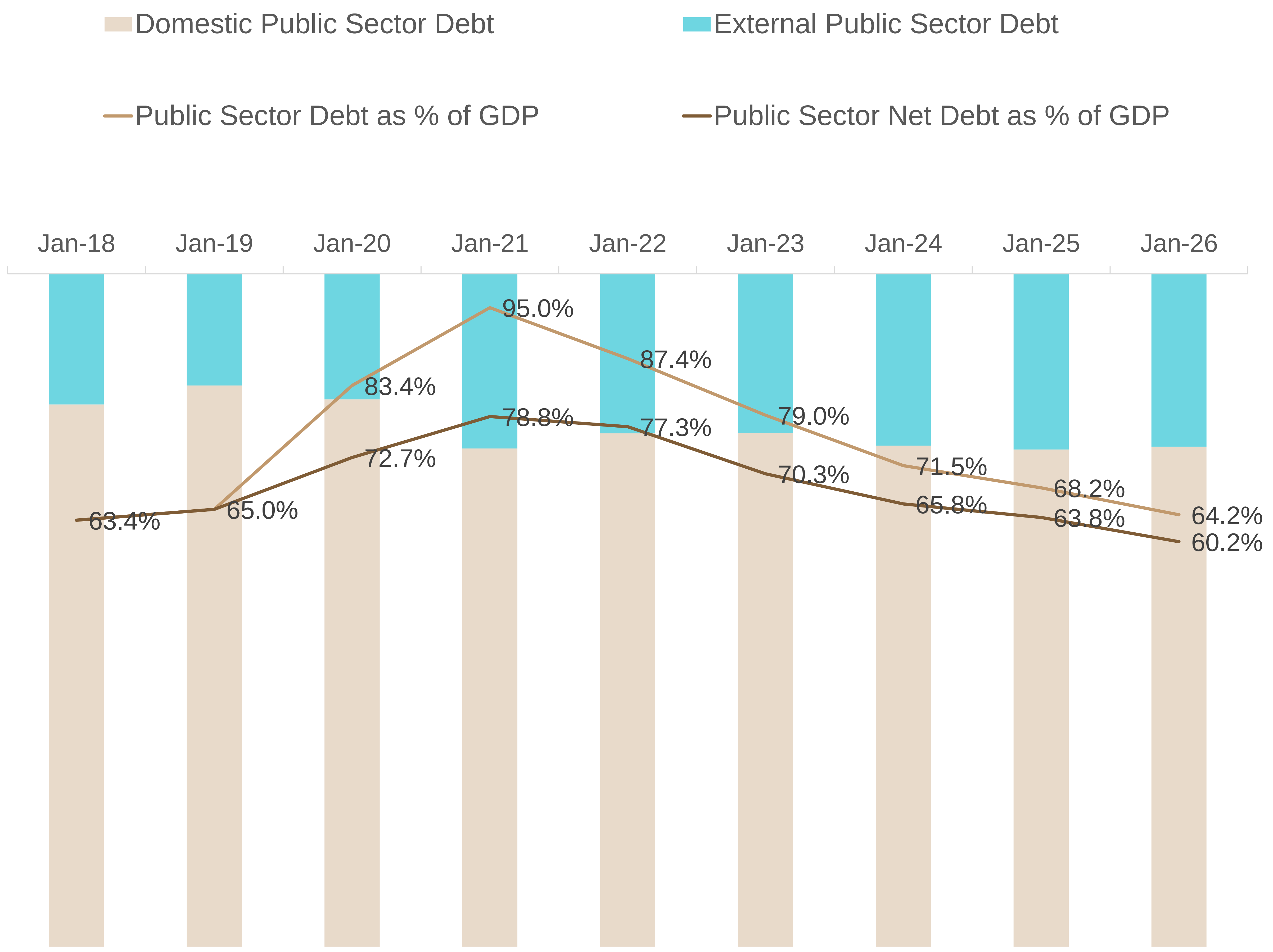
The deficit is expected to fall towards a pre-covid level in the next few years.



DEBT

In line with the government's fiscal strategy, government borrowing requirements will drop to 2.8% of GDP in FY25/26 (23/24: 3.4%).

Public Enterprise debt would decline and consequently the Public Sector net debt would drop to 65.8% of GDP as at end June 2024 and further down to 60.2% by end of June 2026.



GOVERNMENT REVENUE

DEEP DIVE

As in previous years, the main sources of revenue are taxes and social contributions.

97% of the expected increase from FY 2022/2023 to FY 2023/2024 will mainly be from:

- **VAT**

  (23/24: MUR 61.5 Bn; 22/23: MUR 49.4 Bn)

- **Taxes on Financial and Capital Transactions**

  (23/24: MUR 10 Bn; 22/23: MUR 8.6 Bn)

- **Taxes on spirits, liquors, alcoholic beverages and tobacco products**

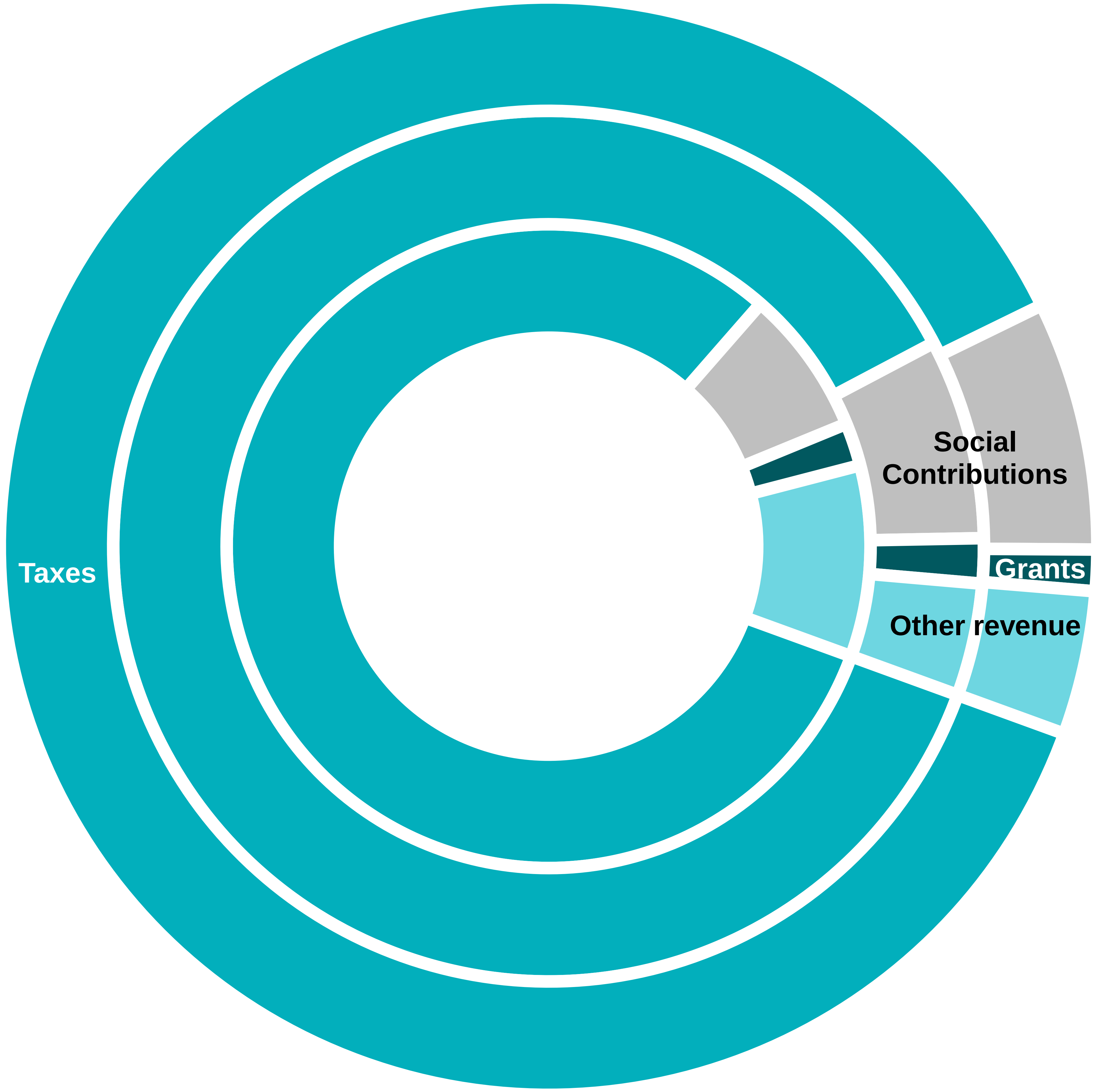
  (23/24: MUR 15.6 Bn; 22/23: MUR 13.8 Bn)

- **Income tax on companies and bodies corporate**

  (23/24: MUR 28.3 Bn; 22/23: MUR 22.8 Bn)

- **Social contributions**

  (23/24: MUR 13.1 Bn; 22/23: MUR 11.4 Bn)



GOVERNMENT REVENUE

DEEP DIVE

Expenses are expected to increase by 11% (MUR 21 Bn) and 92% of this increase will mainly be from:

- **Old age pension**

  (23/24: MUR 47.7 Bn; 22/23: MUR 42.6 Bn)
- **Social Exclusion and Protection**

  (23/24: MUR 10.3 Bn; 22/23: MUR 9.4 Bn)
- **Financial and fiscal affairs**

  (23/24: MUR 24 Bn; 22/23: MUR 20 Bn)
- **Public Debt Transactions**

  (23/24: MUR 17.8 Bn; 22/23: MUR 15 Bn)
- **Other general public services**

  (23/24: MUR 17.7 Bn; 22/23: MUR 16.3 Bn)
- **Police services**

  (23/24: MUR 11.8 Bn; 22/23: MUR 10.4 Bn)
- **Environmental protection, defence, recreation, culture and religion, housing and community amenities**

  (23/24: MUR 7.2 Bn; 22/23: MUR 6.1 Bn)

Quality of Life

Housing	Education	Health	Social Protection
MUR 2.69 Bn. **2022-2023**	MUR 19.25 Bn. **2022-2023**	MUR 15.75 Bn. **2022-2023**	MUR 60.75 Bn. **2022-2023**
rising by **25%**	rising by **6%**	rising by **3%**	rising by **11%**
MUR 3.36 Bn. **2023-2024**	MUR 20.40 Bn. **2023-2024**	MUR 16.27 Bn. **2023-2024**	MUR 67.58 Bn. **2023-2024**

Macroeconomic Outlook

	UNIT	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Real GDP Growth	%	3.9	3.9	-5.8	-5.4	6.9	8.0	8.0	5.0
Unemployment Rate	%	7.1	6.9	6.7	9.2	9.1	7.7	6.8	
Inflation Rate	%	4.3	1.0	2.2	2.5	4.0	10.8	2-5	
Investment Rate	%	17.6	18.8	18.6	18.9	20.9	20.9	21.3	21.5
Gross Public Sector Debt	% of GDP	63.4	65.0	83.4	95.0	87.4	79.0	71.5	68.2
Budget Deficit	% of GDP	3.2	3.2	13.6	5.6	5.0	4.0	3.0	3.0

GLOBAL BUSINESS & FINANCIAL SERVICES

Strengthening the position of the Mauritius International Financial Centre

In an effort to further consolidate the position of Mauritius as an International Financial Centre of innovation, the following measures have been announced:

a) The scope of the Variable Capital Companies has been extended to allow their use for family offices and wealth management;

b) The introduction of a new framework to support the licensing and operation of Electronic Money Institutions (EMI); and

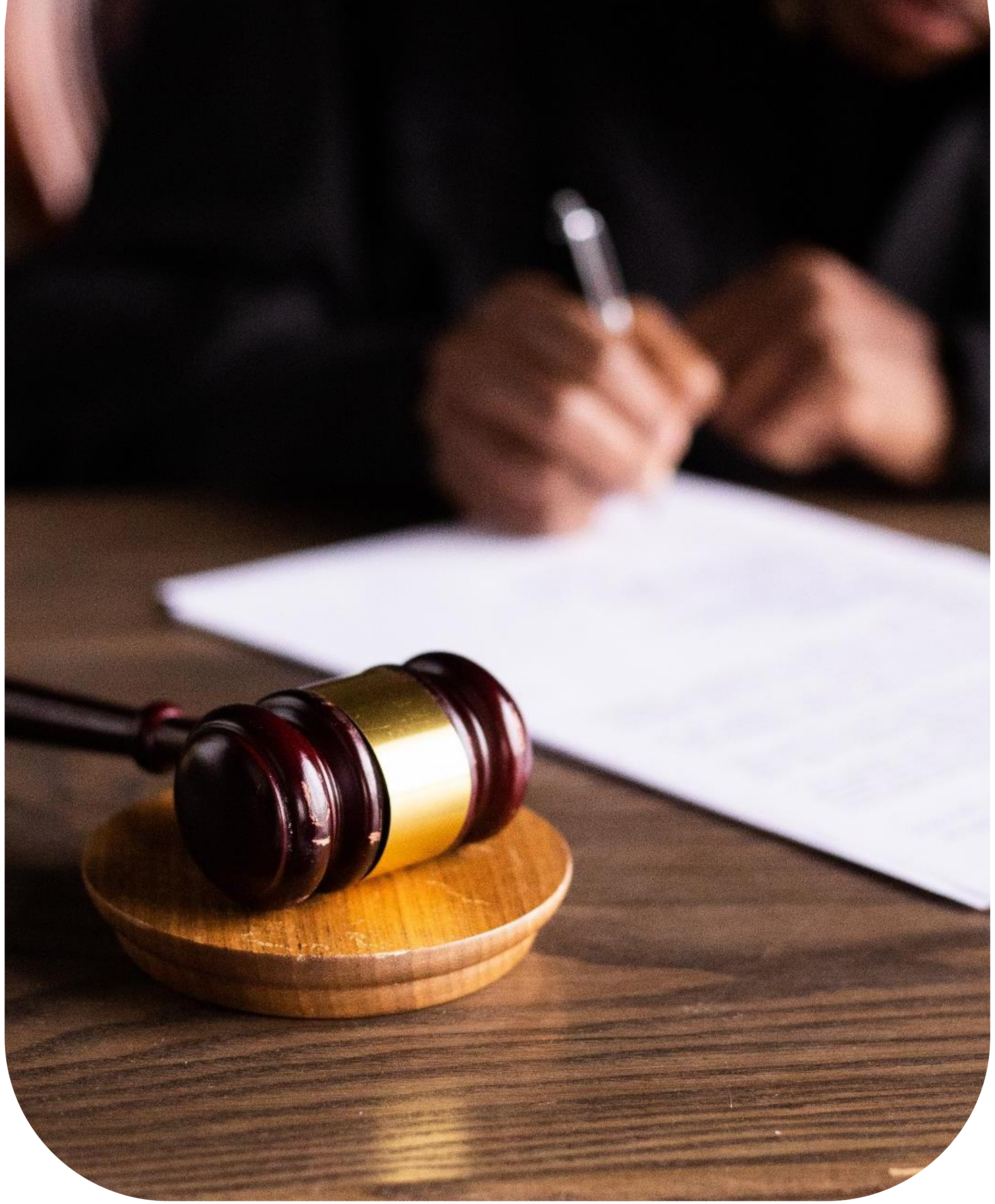
c) The introduction of a Wealth Manager and Family Officer licence under Private Banking.

The combatting of money laundering and terrorism financing has been one of the key focus of Mauritius. To remain aligned with international standards and best practices, Mauritius will:

i. Conduct a National Risk Assessment of money laundering and terrorism financing risks with the assistance of the World Bank;

ii. Introduce a new set of legislative amendments to reinforce the existing Anti-Money Laundering and Countering the Financing of Terrorism (“AML/CFT”) legal framework and a Whistleblowing Act to sustain the fight against corruption; and

iii. Commission an independent assessment of the effectiveness of the AML/CFT system of Mauritius ahead of the ESAAMLG mutual evaluation 2025.



Summary of Key Legislative Changes on the Global Business Landscape

Financial Services Act

The Financial Services Act will be amended to:

- Define “AML/CFT” and “AML/CFT legislation”;
- Include breach of the AML/CFT legislation as a ground for referral to the Enforcement Committee;
- Specifically empower the FSC to take enforcement actions in case of breach of AML/CFT legislation;
- Provide that the FSC can enter into arrangements and extend assistance to a foreign supervisory institution if that institution satisfies relevant confidentiality requirements imposed by the FSC;
- Require moneylenders to comply with any requirement of the FSC instead of prudential requirements;
- Align sanctions for non-payment of administrative penalties with that of non-payment of license fees;
- Provide that licensees will be under an obligation to submit independent compliance reports to the FSC;
- Include breach of the AML/CFT legislation as a ground for referral to the Enforcement Committee;
- Enhance the role of Management Companies with respect to ensuring compliance of their clients with relevant laws;
- Clarify that the issuance of a certificate of good standing is also applicable to Authorised Companies;
- Provide for the electronic filing of documents by licensees;
- Provide that recovery of annual fees and late charges due to the FSC will not be time barred to enhance recovery capacity of the FSC; and
- Empower the FSC to make Rules on obligations and responsibilities of holders of a Management licence.

Securities Act

The Securities Act will be amended to enhance the attractiveness of Mauritius as a Fund domicile by allowing Funds to invest in loans or similar debt instruments.

Companies Act 2001

The Companies Act will be amended to:

a) Clarify that service address of a company has to be in Mauritius;

b) Establish a time limit of one month from the date of resignation or death of the last remaining director, for shareholders of a company to appoint new directors, failing which the Registrar of Companies will remove that company from the Register;

c) Require a company to send its annual report to shareholders at least 21 days, instead of 14 days, prior to the annual meeting;

d) Enable a company to send its annual report and financial statements electronically coupled with a right for shareholders to request for a hard copy of the documents; and

e) Provide that a meeting of shareholders and voting may be done in such manner as the Registrar of Companies may approve.

Virtual Asset and Initial Token Offering Services Act

The Virtual Asset and Initial Token Offering Services Act will be amended to:

- Allow a Virtual Asset Custodian to also hold custody of securities tokens;
- Remove the requirement for an applicant to be considered as issuer of initial token offerings to submit an approval letter, in respect to the initial token offerings, issued by the virtual asset exchange or its equivalent acceptable to the FSC; and
- Empower the FSC to make Rules for the setting up of a Virtual Asset Register on virtual asset service providers.

Financial Intelligence and Anti- Money Laundering Act

The Financial Intelligence and Anti-Money Laundering Act (FIAMLA) will be amended to clarify that entities such as Fintech Service Providers, reinsurance companies and brokers, travel insurance, health insurance, actuarial services, credit rating agency and insurance salesperson do not fall under the scope of the FIAMLA.

United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act

The United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act will be amended to:

- Provide for the reporting obligations of specified entities to the National Sanctions Secretariat; and
- Provide that the 6 members including the Chairperson will constitute a quorum at a meeting of National Sanctions Committee.

Ombudsperson for Financial Services Act

The Ombudsperson for Financial Services Act will be amended to exclude financial services not licensed by the BOM and the FSC from the purview of the Ombudsperson for Financial Services.

EASE OF DOING BUSINESS

Electronic certification

To encourage the adoption of e-signatures, ICTA will now recognise Certifications including DocuSign and Adobe Sign.

Occupation Permit

- Occupation permit for professionals will be reduced to MUR 30,000 per month.
- An applicant for an occupation permit will be allowed a business visa of 120 days without having to leave Mauritius.
- Obtaining an occupation permit will no longer be conditional on having a local bank account.
- The Young Professional Occupation Permit will be opened to all fields of study.
- The composition and process of the Medical, Dental, Veterinary and Allied Professionals Councils will be reviewed, and a silence is consent provision of 4 weeks will be introduced for registration of foreign professionals with professional bodies including the medical, dental and veterinary councils.
- The initial investment requirement of USD 50,000 for investors and USD 35,000 for self-employed will be exempted at the time of issuance of permits. They will be required to show evidence of transfer of funds within 4 weeks of issuance of permits and post monitoring will be carried out.

Work Permit

- Work permit applications will be made solely on the National e-licensing platform.
- A silence is consent principle of 4 weeks will be introduced for work permits applications.
- A new tier system will be introduced allowing companies with a good track record to avail from a streamlined process to recruit foreign labour under a work permit.
- The ratio of foreign to local employees is being removed for specific sectors.
- Non-citizens on a tourist or business visa will be allowed to apply for a work permit.

Premium Investor Scheme

<u>Acquisition of Shares in Government-owned Company</u>

The Premium Investor Scheme will be extended to cover investors taking over or acquiring the whole or part of a government undertaking by way of acquisition of shares in a Government-owned company in order to benefit from negotiable incentives.

<u>Investment in Renewable Energy Technologies</u>

Investments linked to production of materials for renewable energy technologies will henceforth benefit from incentives under the Premium Investor Certificate.

Medical Tourism and Silver Economy

- Medical patients and retirees as well as up to two accompanying caretakers will be eligible for a premium visa.
- Carers from abroad will be allowed to stay and work in Mauritius beyond a maximum period of 4 years, so long as their services are required.
- Retired non-citizens applying for residence permit will not be required, in the initial stage, to open a local bank account. Instead, a certified bank statement from the applicant's country of origin or residence showing proof of funds would be accepted together with a written undertaking to open a local bank account in two months' time.
- Foreign retirees will be allowed to take up employment in specific sectors, and the FSC will issue guidelines to insurance companies to cater for foreign retirees above 60 years old to have access to medical insurance.
- The Immigration Act will be amended to grant a residence permit to a retired non-citizen and his family on the acquisition of a property in a PDS project relating to senior living provided that:
  - ✓ The acquisition price exceeds USD 200,000;
  - ✓ The non-citizen is aged above 50 years old;
  - ✓ The status of resident shall remain valid as long as the buyer holds the property; and
  - ✓ This amendment will be backdated to 27 April 2019.

Domestic Migrant Workers

The Ministry of Labour will work out a new policy framework for the employment of Domestic Migrant Workers in Mauritius such as maids and babysitters.

International Expert Training Visa

To support the establishment of high-end research and development centres, an 18-month International Expert Training Visa will be introduced.

Sale of Services Land

The Promoter of a project under Smart City Scheme or Property Development Scheme is presently allowed to sell one plot of serviced not exceeding 2,100m2 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, up to 30 June 2026 instead of 30 June 2024.

The conditions in relation to the time limit to complete construction of a residential building and the maximum land area of services land for sale in a project will continue to apply.

Immigration Act and Non-Citizens (Property Restriction) Act

Sale of Immovable Property outside of schemes to Resident Non-Citizens

- A resident non-citizen is allowed, upon application, to acquire residential property of a minimum of USD 350,000 outside of existing schemes subject to the payment of an additional registration duty of 10%.
- Minimum value of a residential property of USD 350,000 will be increased to USD 500,000.
- Only one property may be acquired by the main holder of a resident permit and not his or her spouse and children.

Sustainable City Scheme

The Non-Citizens (Property Restriction) Act will be amended to allow a non-citizen to acquire property in a sustainable city in the same manner as for an acquisition under the Smart City Scheme. The Immigration Act will be amended to allow a non-citizen and his family to be granted a residence permit on the acquisition of property of a minimum price of USD 375,000 under the Sustainable City Scheme. The status of resident will remain valid as long as the buyer holds the property.

Unique Identification Number

The Economic Development Board (EDB), Corporate and Business Registration Department (CBRD), and Mauritius Revenue Authority (MRA) will work towards the implementation of a Unique Identification Number which will be used across all government agencies for each business and company.

Processing Applications for IRS, RES, IHS & SCS

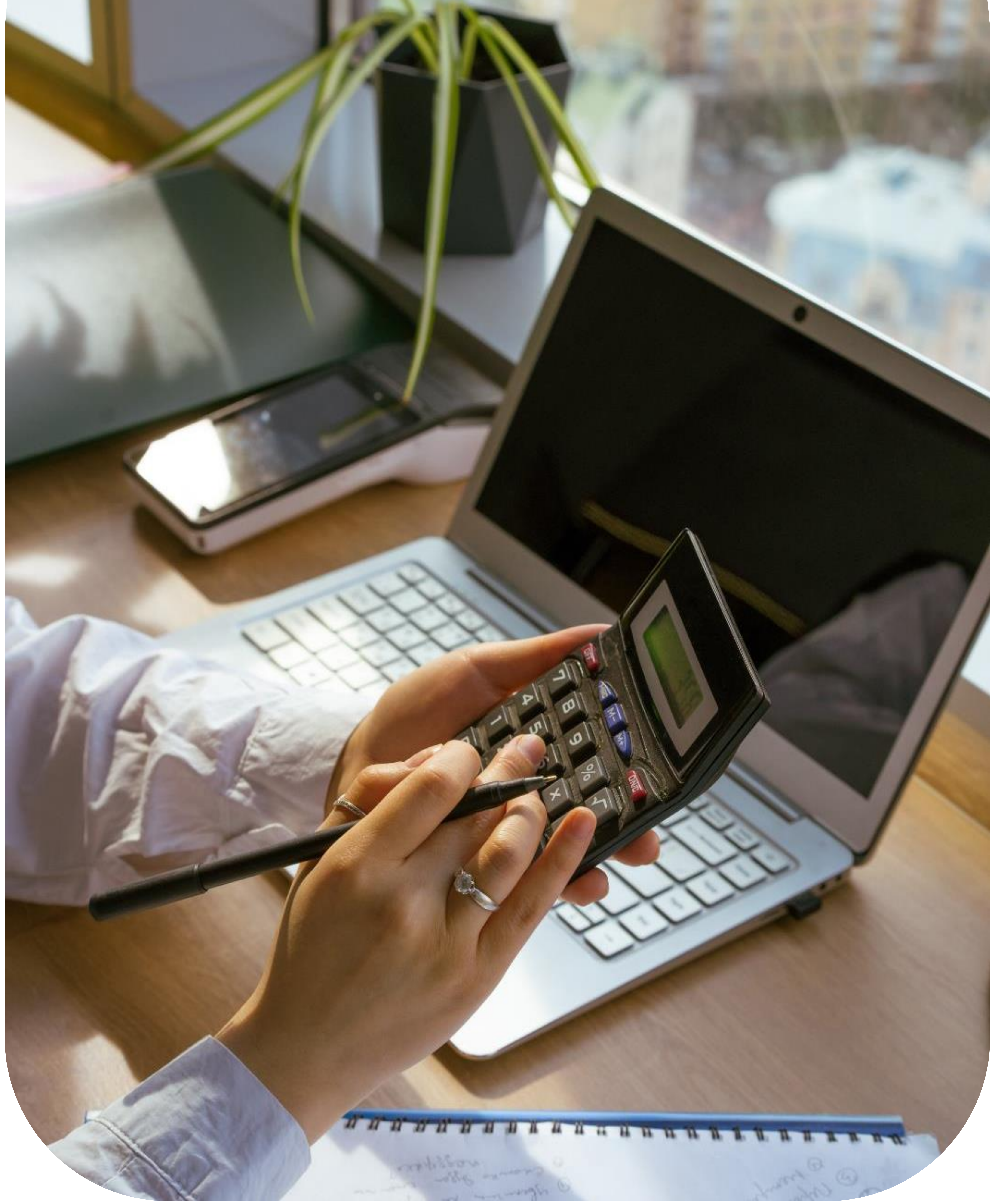
The processing fees for Integrated Resort Scheme (IRS), Real Estate Scheme (RES), Invest Hotel Scheme (IHS) and Smart City Scheme (SCS) will be harmonised. A processing fee of MUR 25,000 per application will be introduced for applications for Ground plus two apartments acquisitions by non-citizens and for applications for residence permits (under the residential schemes) :

In addition, a non-refundable processing fee will be introduced as follows:

Smart City Scheme	MUR 1 million
Property Development Scheme	MUR 500,000
Invest Hotel Scheme	MUR 500,000
Premium Investor Certificate	MUR 50,000
Integrated Modern Agricultural Morcellement Scheme	MUR 25,000


Wages, salaries, tips, etc. Attach Form(s) W-2
Tax-exempt interest
Qualified dividends
IRA distributions
Pensions and annuities
Social security benefits
b Taxable interest
b Ordinary dividends
b Taxable amount
Presidential Election
Is blind
Cat. No. 11320B

TAXATION



Individual Income Tax

The gradual shift to a progressive tax system, which started a few years ago, has now been encompassed into a fully progressive personal income tax system with effect from 1 July 2023 as follows:

Annual Chargeable Income	Applicable Tax Rate
0 - 390,000	0%
390,001 - 430,000	2%
430,001 - 470,000	4%
470,001 - 530,000	6%
530,001 - 590,000	8%
590,001 - 890,000	10%
890,001 - 1,190,000	12%
1,190,001 - 1,490,000	14%
1,490,001 - 1,890,000	16%
1,890,001 - 2,390,000	18%
Above 2,390,000	20%

Corporate Income Tax

Exempt Income

The exemption rate under the partial exemption regime granted on interest derived by a Collective Investment Scheme or a Closed End Fund will increase from 80% to 95%.

Exemption has been granted for bonds, debentures or sukuks issued by an overseas entity to finance renewable energy projects referred to as “Green Bonds”.

TAXATION

Tax Deduction at Source

TDS will not be applicable on fees paid to Management Companies and Investment Advisers.

Export Regime

Companies engaged in the export of goods are entitled to a reduced income tax rate of 3% on their chargeable income attributable to exports.

Tax Arrears Settlement Scheme (TASS)

TASS has been re-introduced, offering a complete waiver of penalties and interest on outstanding tax arrears under the Income Tax Act, the VAT Act and the Gambling Regulatory Authority Act. To qualify for the benefits, taxpayers must pay their arrears in full by 31 March 2024 and register under the scheme before 31 December 2023.

Statement of Financial Transactions

Virtual Asset Service Providers (VASPs) and issuers of Initial Token Offerings (ITOs) must report transactions to the MRA as follows:

- For individuals, société or successions in relation to a transaction exceeding MUR 250,000 or transactions aggregating to more than MUR 2 million in a year.
- For a company in relation to a transaction exceeding MUR 500,000 or transactions aggregating to more than MUR 4 million in a year.

Protected Cell Company and Variable Capital Company

The MRA will treat each cell / sub-fund or special purpose vehicle (SPV) within a Protected Cell Company or Variable Capital Company as a separate entity for tax recovery purposes, ensuring that the liabilities of one cell / sub-fund or SPV are not extended to other cells / sub-funds or SPVs within the same company.

SUSTAINABILITY

From an ESG perspective, the main highlights of the 2023/2024 budget are gender equality measures as well as mitigation and adaptation to climate change. The Government is also putting forward strong incentives for the transition to a low carbon economy.

LABOUR FORCE

- Public listed companies shall have a minimum of 25 percent of women on their boards.
- All companies with over 250 employees shall cater for workplace-based childcare facilities as a mandatory policy.
- All new shopping malls, office buildings and hotels shall have a nursing room for women.
- There will be a 10 percent increase in the margin of preference for public procurement of goods for women owned MSMEs.
- The Government will contribute MUR 15,000 on a monthly basis for two years for newly employed women or those unemployed for at least a year under the *Prime à L'Emploi* Scheme.
- These companies will be provided with a 200% tax deduction.

To facilitate the employment of disabled individuals:

- Prime à L'Emploi will be extended to persons with disabilities.
- An increased tax deduction of 300% will be provided to these companies.

CROP SECTOR

- DBM Ltd will extend the Crop Replantation Scheme at an annual preferential rate of 2.5% to biomass and afforestation.

ICT/ BPO

- Carbon Neutral Scheme will be introduced by CEB for ICT sector.

FINANCIAL SERVICES

- The Bank of Mauritius will develop a Carbon Trading framework for both blue and green credits.

13 CLIMATE ACTION

MANUFACTURING

- Investments related to the production of materials for renewable energy technologies will be eligible for incentives under the Premium Investor Certificate.
- A 50% waiver will be provided by the Government on the increase in electricity prices for the next two years for companies moving towards 100% renewable energy.
- A 75% subsidy will be provided for the conduct of energy audits.

ENERGY

To achieve 60% of production from renewable energy, the CEB will:

- Introduce renewable energy schemes for hotels, commercial centres, shopping malls and the agricultural sector;
- Extend a carbon neutral scheme for the ICT sector; and
- Commission 33 Megawatt of solar PV systems by June 2024.

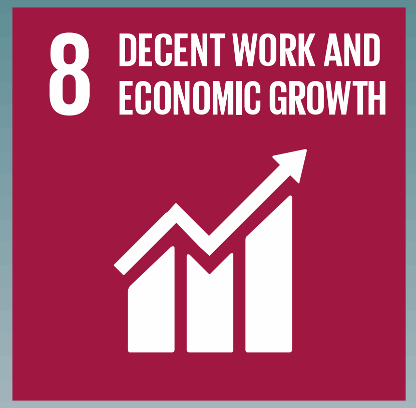
DBM Ltd will extend the Green Energy Loan scheme to SMEs for the production of electricity on the rooftop of their buildings up to a maximum amount of MUR 1 million.

MITIGATION AGAINST CLIMATE CHANGE

- MUR 1.6 billion will be earmarked under the National Environment and Climate Change Fund (NECCF) for projects addressing climate change.

PUBLIC TRANSPORT DECARBONISATION PROGRAMME

- A 30% subsidy up to a maximum of MUR 3.5 million will be provided on the purchase of electric buses by bus companies.
- The Industrial Finance Corporation of Mauritius (IFCM) will provide loans at a concessional rate of 2 percent for the purchase of fully electric buses.



MANUFACTURING

- An “En route vers le Made in Moris” programme will be introduced for some 120 SMEs over a period of 3 years to build their capacity towards joining the label;
- Aim to transform Mauritius into a Green-Certified Destination by 2030; and
- To foster Sustainable Tourism Development.

FINANCIAL SERVICES

- The exemption of interest income from bonds that finance renewable energy projects will be extended to include all sustainable projects.

WORK-LIFE BALANCE

- 5 days leave will be granted to workers who have experienced a pregnancy loss;
- Parents will have the possibility to use all their sick leaves to take care of their child; and
- Employees will be able to use up to 10 days of sick leave to care for parents and grandparents with healthcare related issue.

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