25 years

A Mauritian Legacy of Trust, Innovation & Growth

Intercontinental Trust Limited

BUDGET HIGHLIGHTS 2025/2026

CONTENT

EDITORIAL

Rebuilding Mauritius: Tighten Today, Thrive Tomorrow

In the few weeks following the 2024 elections, the Prime Minister, Dr. Navinchandra Ramgoolam, already warned the population, through a comprehensive state of the economy report, that the country's finances were in dire straits with a downward spiraling debt burden. He also pointed to a worsening trade deficit, an accelerated depreciation of the rupee fueling inflationary pressures, and a budget deficit far exceeding initial projections. While Moody's maintained the Investment Grade status of Mauritius in February 2025 - an exceptional feat for the region, it highlighted the important fiscal challenges and the need for urgent reforms while lauding the strength of the financial sector.

The new Government, still in the early stages of its mandate, had the latitude of taking bold austere measures to reverse the dwindling state of our finances. The Prime Minister (also Minister of Finance) responsibly rose to the challenge and has taken some daring (and in some cases unpopular) decisions.

EDITORIAL (contd.)

Individuals and businesses will feel the sting in many forms such as the Fair Share Contribution for high-income earners and large businesses, additional levies on large corporates and banks, higher taxes on foreign real-estate investors and a lowered VAT threshold for smaller enterprises. The alignment of the payment of basic retirement pension to the actual age of retirement (65) will probably be a lingering unpopular measure to this government but which was unavoidable given the ageing population challenge.

This budget pivots Mauritius away from a consumption largesse model toward targeted, high-impact investments that will hopefully bring sustainability – this includes measures such as 30 billion rupees earmarked over 3 years for the energy sector, re-igniting the blue ocean economy, waste-to-wealth scheme, introduction of creative arts trading as well as sustainable tourism.

At the heart of this transformation is Artificial Intelligence (AI) and digitalisation. A dedicated AI Unit at the Ministry of Finance will drive our transition to a digitally advanced economy by fostering an AI-driven culture across all government institutions.

EDITORIAL (contd.)

The hard-fought financial gains of the Chagos deal (Circa GBP 165 million per annum) has been carefully strategised to ensure long-term developmental purposes for the future of the Country (interestingly coined as the Future Fund) with investments into food security, Clean energy, Blue economy, AI & blockchain and Start-up funding as from FY2028-2029. The Chagos deal will understandably help in sponging the deficits and national debts in the first 3 years.

Closer to us, the Financial Services Sector seems to be victim of its success with limited growth measures being implemented through this budget. In the quest of the Financial Centre to become a Private Wealth destination for the region, the introduction of bullion banking services by Private banks for gold and precious metals is a welcomed measure. We also look forward in the implementation of the streamlined licensing for wealth management and family offices. With the implementation of the technology blueprint of the government, we are optimistic that the efficiency of the authorities will be largely improved – a key competitive edge for this sector.

Mauritius has the reputation of being resilient in the face of the challenges - be it local or global economic turmoil, the recent pandemic and negative listings. The strict reforms in which we are engaging ourselves as a country is unavoidable to ensure that we continue treading on our growth path. We consistently made it out stronger throughout challenges – and this time will be no exception.

KEY TAKEAWAYS

3.7%
Real GDP growth rate (FY 25/26)

Rs 770 billion
GDP (FY 25/26)

Rs 33 billion
FDI inflows for 2024

3.6%
Inflation Rate (FY 25/26)

6%
Unemployment rate

90% of GDP
Public sector debt

ECONOMIC OUTLOOK

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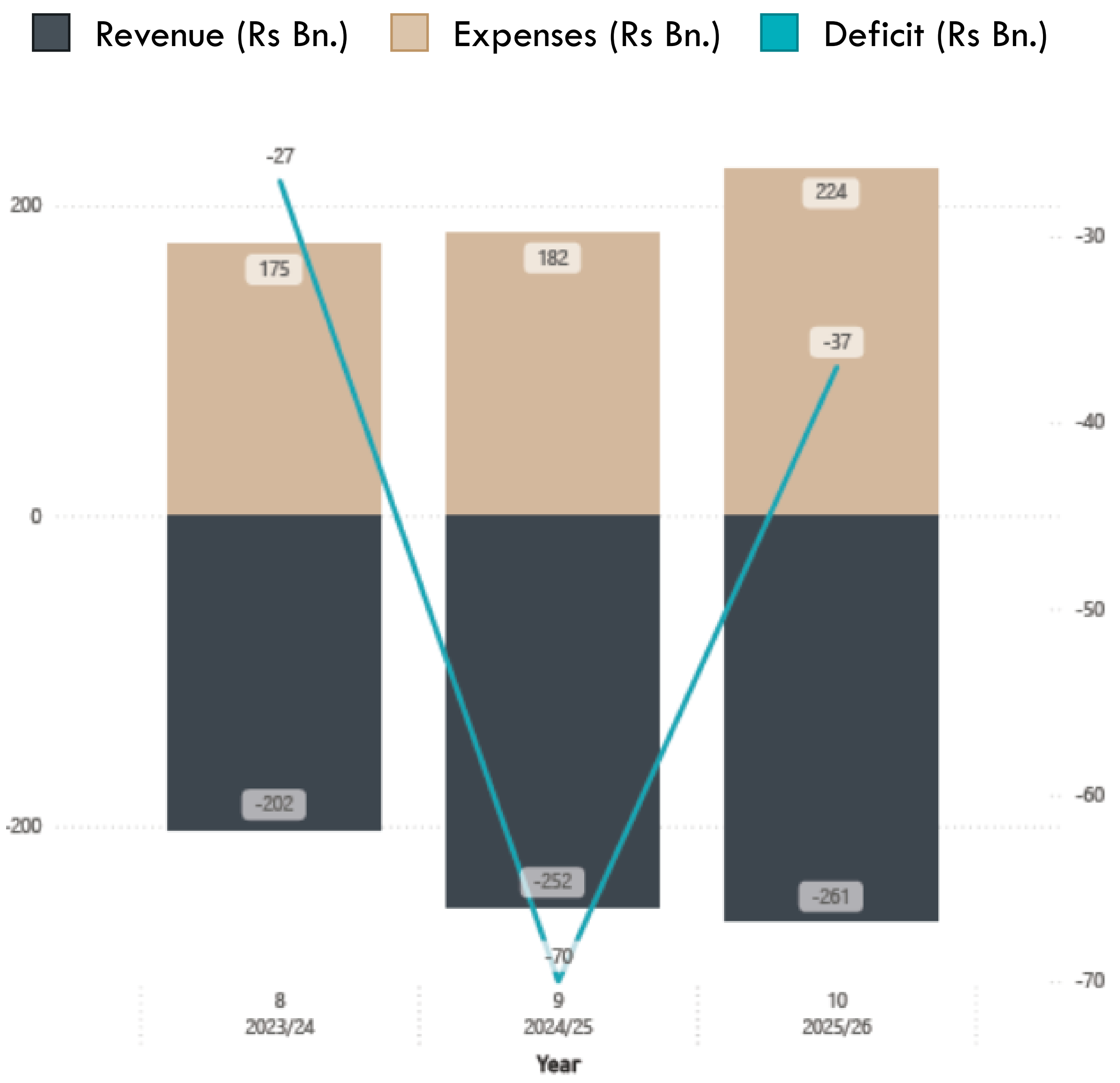
OVERALL FINANCIAL PERFORMANCE OVER TIME

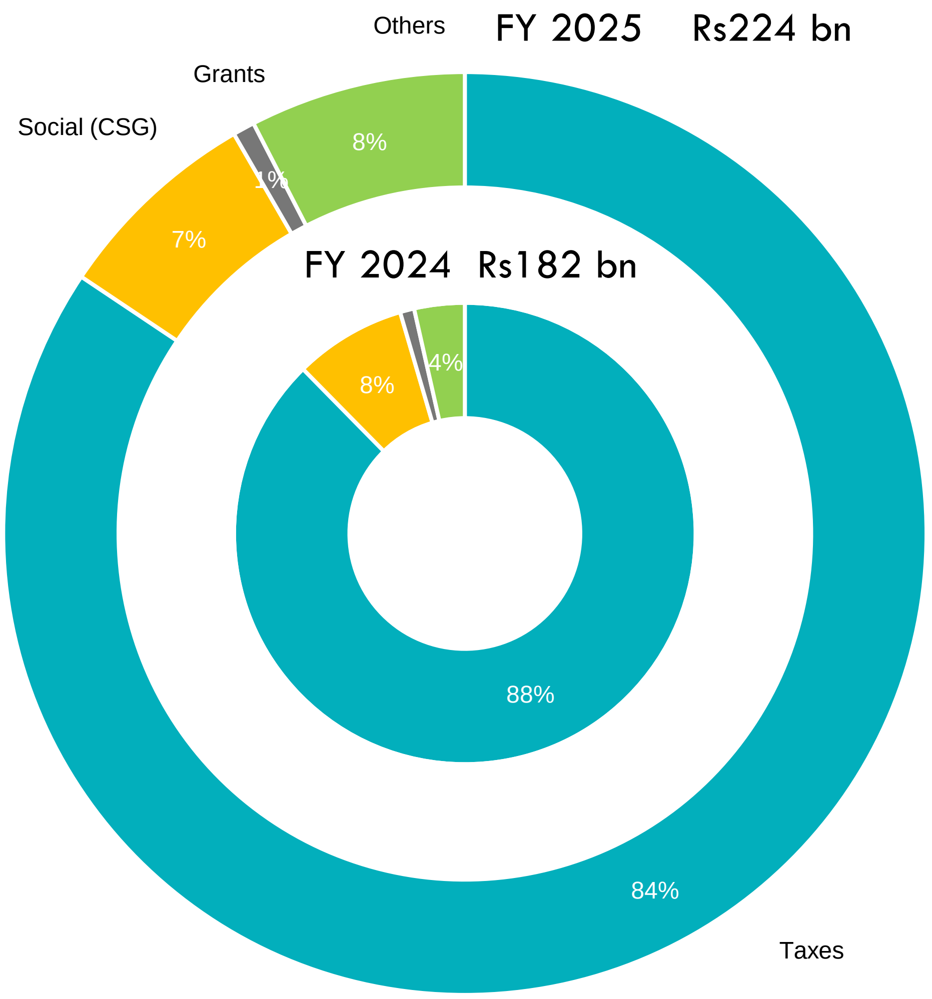


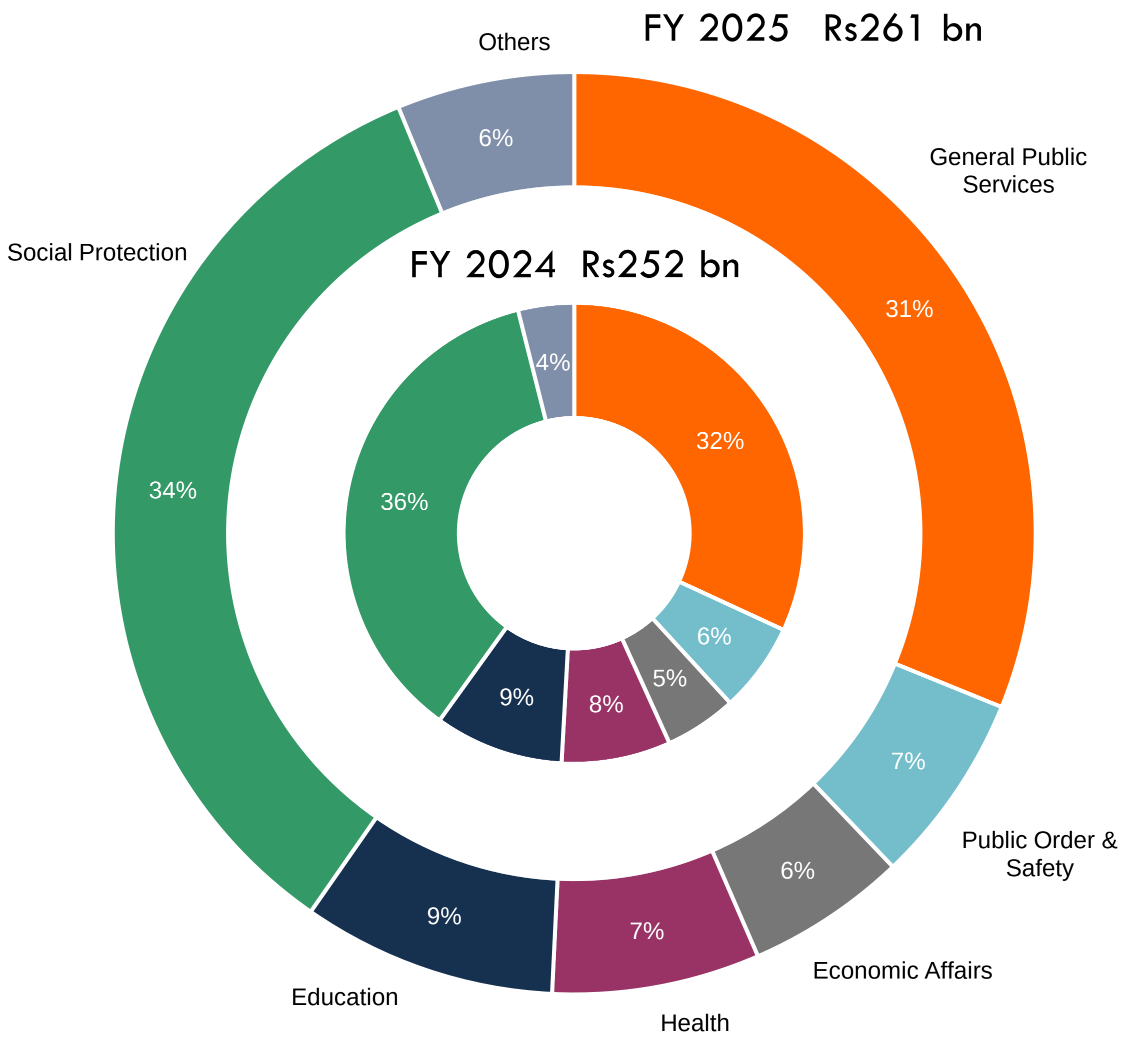
KEY INSIGHTS

- The fiscal deficit peaked in 2024/25 at Rs 70 Bn, driven by a shortfall in revised revenue (Rs 182 Bn vs. estimated Rs 210 Bn).
- While revenue is expected to rebound to Rs 224 Bn in 2025/26, the deficit remains elevated, reflecting continued pressure from expenditure (Rs 261 Bn).
- Compared to the stable deficit levels of Rs 26–29 Bn from 2020/21 to 2022/23, the recent deterioration highlights a fiscal slippage.
- The gap between revenue and expenditure in the last two years is the largest in the decade, underscoring the need for enhanced fiscal discipline.

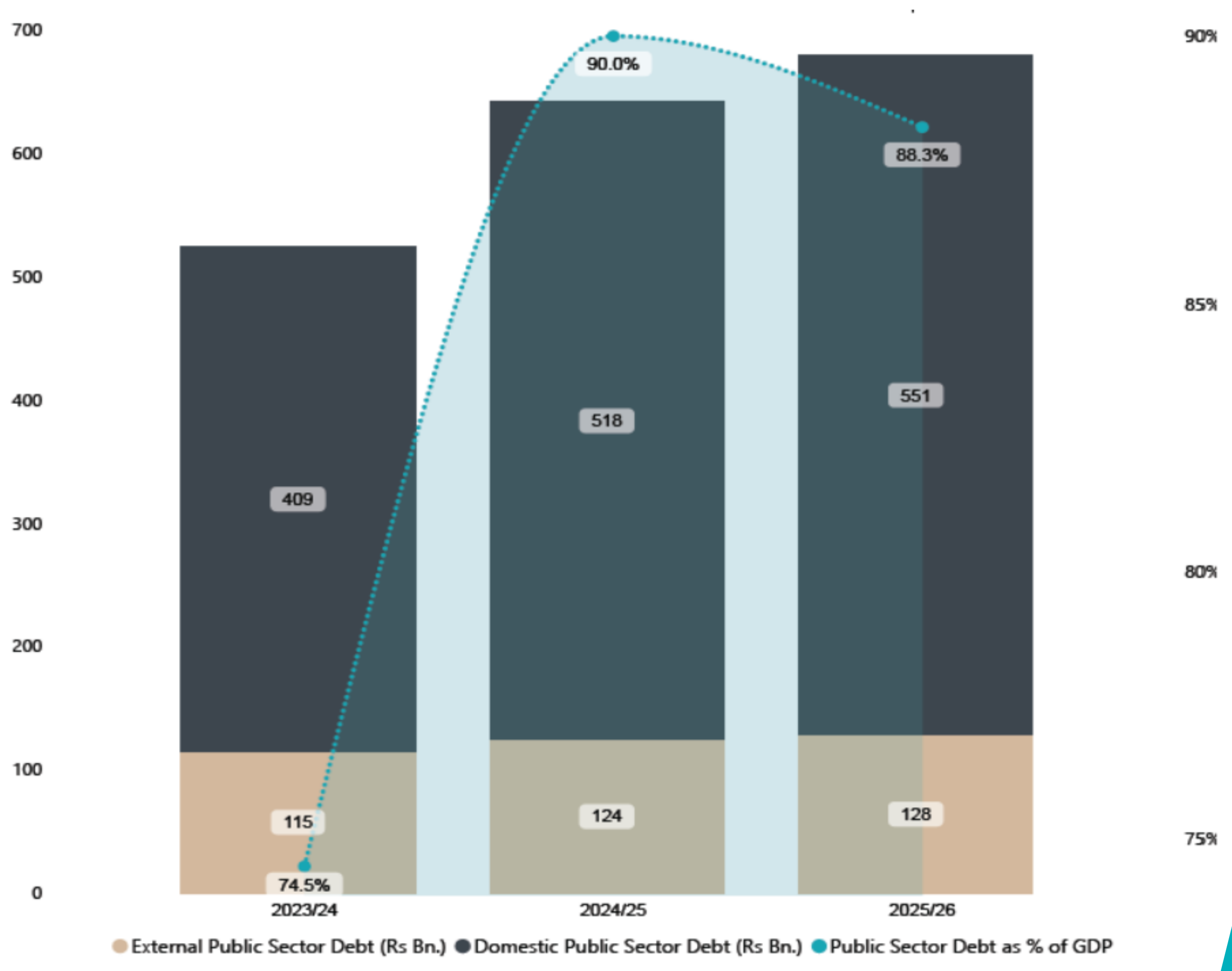
The fiscal position has weakened sharply in FY 2024/25 and remains under strain in FY 2025/26. Even with a projected revenue recovery, the rising deficit indicates growing expenditure pressures and calls for tightened budgetary controls and efficient public spending to restore fiscal balance.

REVENUE & EXPENDITURE





PUBLIC SECTOR DEBT



FY 2024/25 SNAPSHOT

- Total Public Sector Debt: Rs 642 Bn
- Debt-to-GDP Ratio: 90%
- Domestic Debt: Rs 518 Bn (81%)
- External Debt: Rs 124 Bn (19%)

KEY TRENDS AND ANALYSIS

Reversal of Downward Debt Trend
After a steady decline in the debt-to-GDP ratio from 95.0% in FY 2020/21 to 74.5% in FY 2023/24, FY 2024/25 marks a sharp reversal, jumping to 90.0%.

Risks & Implications
The spike in the debt-to-GDP ratio raises concerns over fiscal sustainability, especially if revenue underperformance or spending pressures persist. With a rising interest burden, fiscal space may tighten unless corrective measures are taken.

The trend underscores the urgency of reining in deficits, improving expenditure efficiency, and boosting revenue collection.

ECONOMIC OVERVIEW

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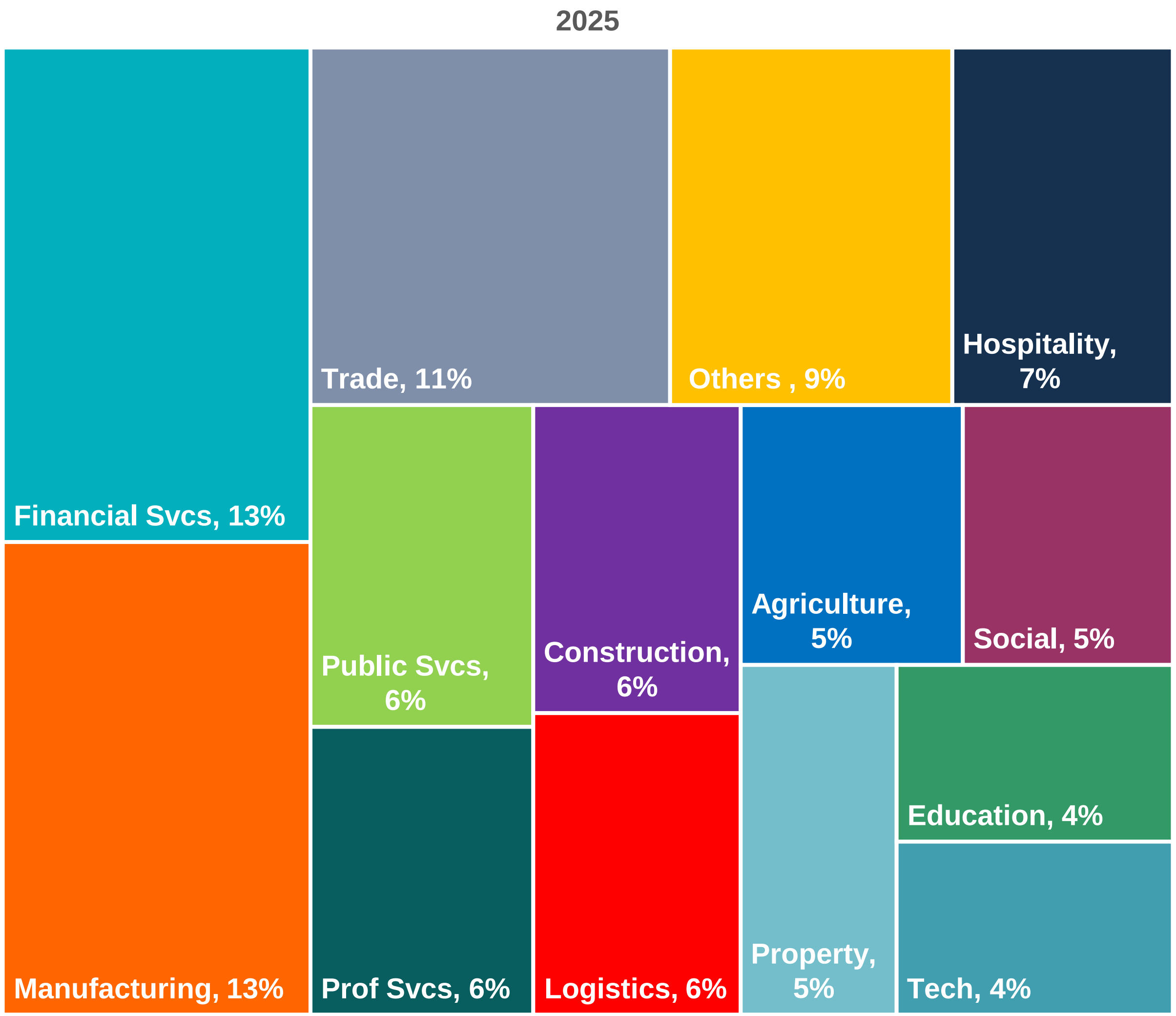

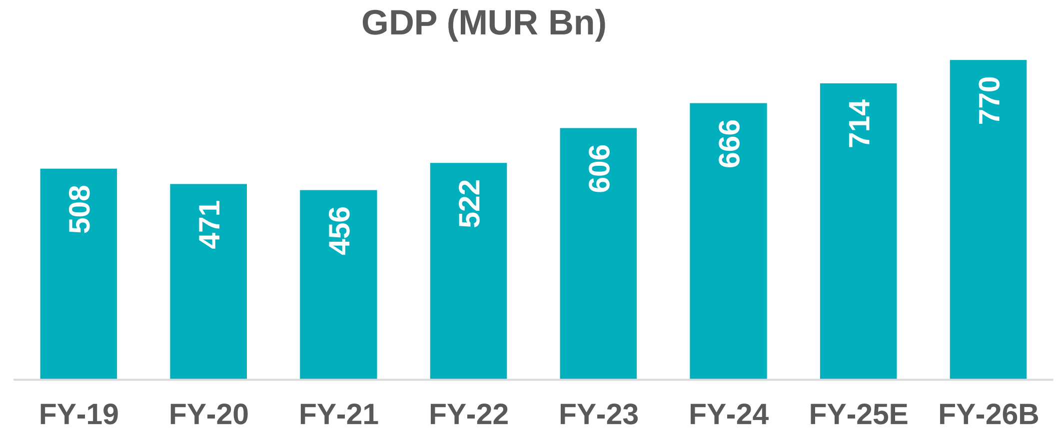

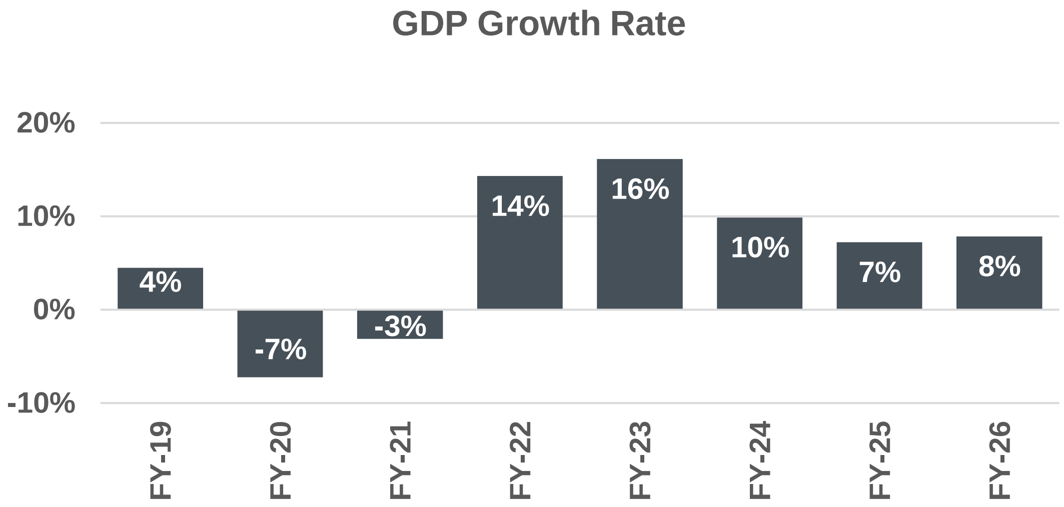

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GLOBAL BUSINESS & FINANCIAL SERVICES

NEW FINANCIAL ACTIVITIES AND WEALTH SERVICES

- Bullion Banking – Introduction of Bullion Banking as a new authorised activity for banks exclusively licensed to carry out private banking activities, allowing such licensees to buy, hold, store, or sell gold and other precious metals.

- Wealth Management and Family Offices – Establishment of a dedicated licensing framework for Wealth Management and Family Offices to provide integrated services, from investment advisory to succession planning.

INTERNATIONAL COOPERATION AND STRATEGIC ENGAGEMENT

- Cross Border Investigation – FSC will be empowered to carry out special investigations upon request from foreign regulatory bodies.

- Africa Strategy – Development of a new Africa Strategy for the financial services sector.

- Financial Sector Assessment Program (FSAP) – Mauritius will formally ask the IMF and World Bank to conduct a full review of its financial sector, regulations, and reforms through the FSAP.

REGULATORY REFORMS AND LICENSING FRAMEWORK

- Simplified Share Transactions – No FSC approval will be required for share transfers or issuances to existing shareholders, provided there is no change in control in the company (also applicable for listed companies).
- Annual FSC fee review – FSC will review its annual licence fees to reflect evolving market conditions.
- Oversight and Enforcement Powers – FSC can now instruct licensees to ensure orderly administration of financial services, including issuing written directions to any relevant persons.
- Minimum No. of Directors for GBC – Global Business Companies must have at least 2 directors at all times and inform the FSC of any change in directors within 7 days.
- Private Pension Schemes Act Amendments – FSC empowered to approve sponsoring employers joining existing private pension schemes.

- National Roadmap – A roadmap has been developed to prepare for the 2027 ESAAMLG evaluation, focusing on strategy rollout, risk assessments, new laws, and advanced financial intelligence tools.

- UN Sanctions Act – The United Nations Sanctions Act will be amended to reinforce the role of the Financial Crimes Commission in managing and realising assets of designated persons under international sanctions and to make the National Sanction Committee a body corporate.

- Greater beneficial-ownership transparency – Companies, partnerships and foundations will be required to maintain a written declaration from their beneficial owners, with an obligation to update this information as needed. Compliance is expected by 30 June 2026.

BANKING AND PAYMENTS SECTOR REFORMS

- Bank of Mauritius Act – The Act will be amended to provide for FSC-licensed KYC institutions to join the Central KYC system.

- Banking Act – The Act will be amended to expand BOM's oversight to include forex swaps and foreign currency deals.

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EASE OF DOING BUSINESS

Government to introduce a new Electronic Trade Documents Bill to grant legal recognition to digital trade instruments, enabling fully digital trade finance and strengthening Mauritius as a modern regional trade hub.

A National Digital Transformation Steering Committee will be set up to ensure that digital projects are delivered efficiently and securely in line with the Digital Transformation Blueprint (2025-2029) recently issued by the Government.

EDB to introduce new schemes including:

- An Innovative Mauritius Scheme to promote R&D and innovation;
- A Waste-to-Wealth Investment Scheme to support transformative projects such as waste-to-art, composting, energy generation, and metal scrap reuse, with the aim of reducing the national carbon footprint; and
- A New Investment Incentive Scheme.

EDB to fast-track foreign labour recruitment through a simplified, rules-based work permit system.

> "EDB to introduce new schemes"

WORK & LIVE IN MAURITIUS

- Each of the Professional Occupation Permit (OP) and the Investor OP will now be divided into two categories. For Professional OP, the categories will be based on revised salary thresholds and eligibility criteria. For Investor OP, the categories will be based on initial investment and turnover.

- The Residence Permit (RP) conditions for retired non-citizens will be amended, requiring an initial transfer of USD 2,000 within 60 days and subsequent transfers of USD 24,000 annually or USD 2,000 monthly.

- Simpler approval process for acquisition of immovable property by non-citizens – Ministry's approval not required after registration of deed of transfer.

- The 2023 scheme allowing non-citizens to purchase property above USD 500,000 anywhere in Mauritius will be discontinued.

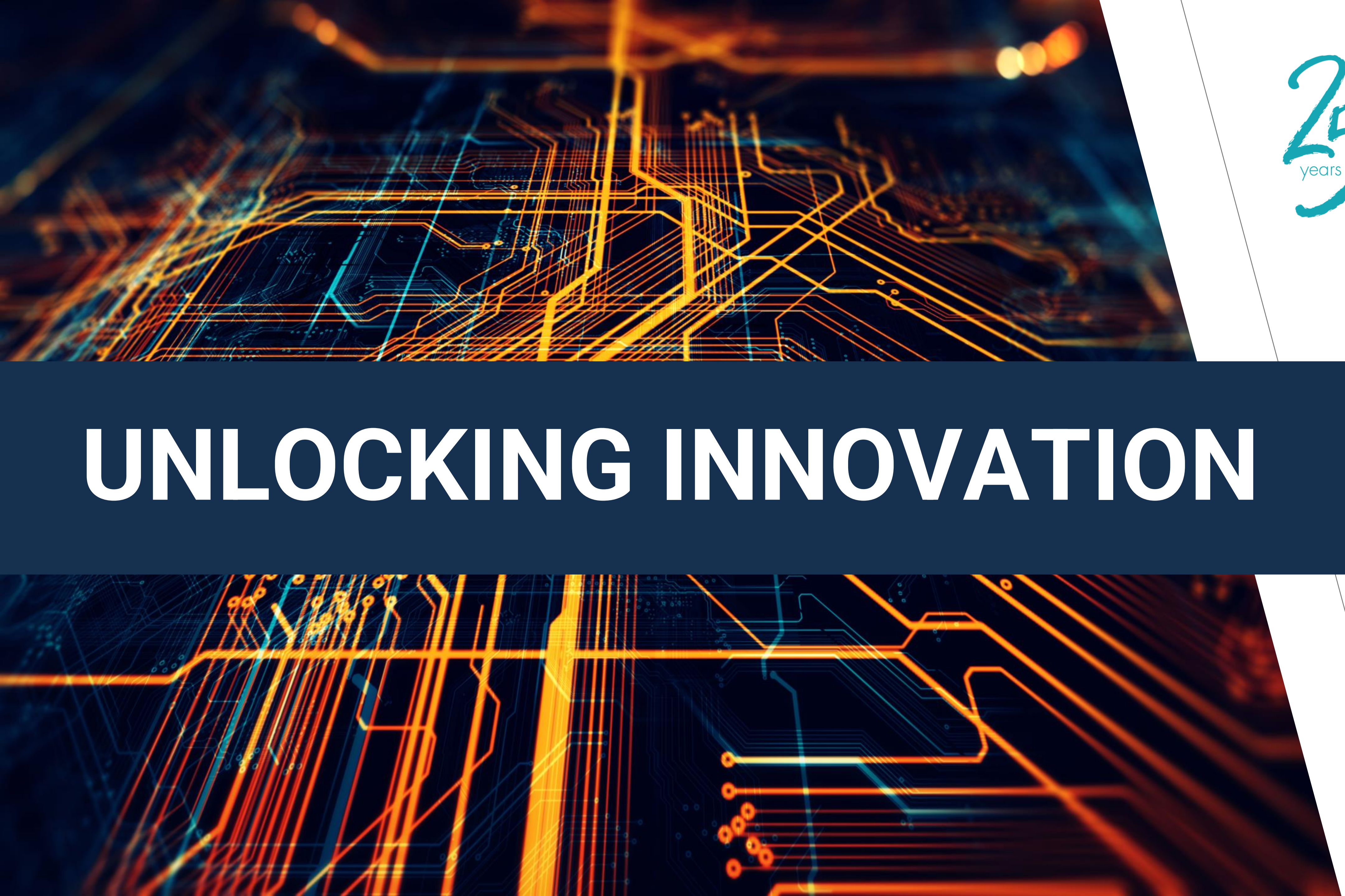
- Retired non-citizen RP holders will be required to reside in Mauritius for at least 180 days annually.

- Permit durations for retired non-citizens and OPs for investors and self-employed will be reduced from 10 to 5 years, with renewals allowed.

- Young Professional OP duration will be reduced from 3 years to 2 years, with a pathway to Professional category permits thereafter.

- Company deposit/bank guarantee obligations for expatriate workers will be replaced with an annual non-refundable fee.

- A combined work and residence permits to be introduced, carrying a Unique Identification Number.



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UNLOCKING INNOVATION

UNLOCKING INNOVATION THROUGH RESEARCH & DEVELOPMENT (R&D) AND ARTIFICIAL INTELLIGENCE (AI)

- A dedicated AI Unit will be set up at the Ministry of Finance to accelerate the transition to a digitally advanced economy

- Introduction of a package of incentives and new Premium Investment Certificate, to attract foreign research laboratories to Mauritius

- A budget of Rs 25 millions will be earmarked to foster an AI-driven culture in order to equip all government institution with AI tools

- FSC to deploy a unified e-licensing platform with a Centralised KYC Repository, AI assistant and real-time application tracking.

- Start-Ups and MSMEs to benefit from a tax deduction of up to Rs 150,000 on investments in AI technologies.

“FSC to deploy a unified e-licensing platform with a Centralised KYC Repository, AI assistant and real-time application tracking.”

FISCAL POLICIES

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NEW PERSONAL INCOME TAX RATES AND BANDS AS FROM 01 JULY 2025

Band	Rate
First Rs 500,000	0%
Next Rs 500,000	10%
Remainder	20%

TAX EXEMPTION FOR A PERSON AGED BETWEEN 18 AND 28 YEARS AS FROM INCOME YEAR STARTING ON 1 JULY 2025

An employee or self-employed individual aged between 18 and 28 years and earning up to Rs 1 million annually will be exempted from income tax on his or her emoluments or business income

"The 80% Partial Exemption Regime (PER) has been extended to Virtual Asset Service Providers (VASPs) licensed under the VAITOS Act 2021, subject to meeting the substance requirements."

ALTERNATIVE MINIMUM TAX (AMT)

Specified Sectors	AMT
• Hotels • Insurance Companies • Companies engaged in Financial Intermediation activities • Companies engaging in Real Estate activities • Telecommunication Companies	If the total tax payable by such a company as computed under the Income Tax Act, after availing of all eligible deductions but before deduction for tax credits, is less than 10% of its book profits, the company will be required to pay 10% of its book profits instead of normal tax.

Companies will not be allowed to offset any tax credits such as the foreign tax credit against the AMT payable.

The AMT will not be applicable to:

- Companies holding a Global Business Licence
- Companies exempt from payment of income tax, or which have been granted tax holidays.

INDIVIDUALS EARNING ANNUAL NET INCOME ABOVE RS 12 MILLION

- Individuals earning annual net income exceeding Rs 12 million (inclusive of dividend income), shall be liable to a 15% fair contribution tax on chargeable income after adding any dividend income received during the year from domestic companies.
- Collected via PAYE on income received as from 1 July 2025 and applicable for three consecutive income years (up to 30 June 2028)

CORPORATES EARNING ANNUAL CHARGEABLE INCOME ABOVE RS 24 MILLION

Qualification	Rate on chargeable income
Corporates subject to standard tax rate of 15%	5%
Banks deriving income from transactions with non-residents and GBCs	5%
Corporates subject to the reduced tax rate (3%)	2%

- The contribution will not be applicable to:
  - ✓ Global Business Companies
  - ✓ Companies exempt from payment of income tax, or which have been granted tax holidays.
  - ✓ Income exempted from Income Tax
- Corporates will not be allowed to offset any unused tax credits such as the foreign tax credit against the contribution payable.
- The contribution will be applicable from 01 July 2025 to 30 June 2028 and is payable quarterly under the APS system.

BANKS

- Banks will be required to make an additional contribution of 2.5% of their chargeable income from domestic operations, i.e., excluding income derived from transactions with non-residents and Global Business Companies.
- Banks will not be allowed to offset any unused tax credits such as the foreign tax credit against the contribution payable.
- The contribution will be applicable to income derived as from 01 July 2025 to 30 June 2028 and is payable quarterly under the APS system.
- Effective 1 July 2025, the cap on the Special Levy on banks under the VAT Act, previously limited to 1.5 times the levy amount paid by the respective banks during the fiscal year 2017/2018, will be removed. Banks will now be subject to an uncapped levy based on their leviable income.

QUALIFIED DOMESTIC MINIMUM TOP-UP TAX (QDMTT)

- The OECD has developed the Global Anti-Base Erosion (GloBE) rules to ensure that Multinational Enterprises (MNEs) having annual consolidated revenue of Euro 750 million or more are taxed on their global income at a minimum rate of 15%.
- The QDMTT will be applicable to resident subsidiaries and holding companies of MNEs resident in Mauritius, on income derived as from 1 July 2025.

TAX ADMINISTRATION

The following Settlement Schemes will be in operation up to 31 March 2026

Scheme	Eligibility	Benefit
TDSS	A one-off scheme will be introduced by the MRA in relation to cases under Assessment Review Committee, Supreme Court, or Privy Council as at 5 June 2025	100% waiver on penalties & interest provided tax due is paid by 31 March 2026
VDSS	A second one-off scheme will be operated by the MRA for undeclared/ underdeclared income (YA 2024/25 & earlier); excluding returns due in June 2025	Same
TASS	Renewal of the Tax Arrears Settlement Scheme. Under the TASS, taxpayer should register by 30 November 2025	Same

OTHER ADMINISTRATIVE REFORMS

- Powers of MRA to raise assessment: Restricted to only 2 years (except exceptional cases)
- Penalty/Interest Cap: 100% of tax amount due. The applicable penalties and interest charges for non-payment of tax will be halved where they do not relate to withholding taxes collected on behalf of Government
- Foreign Currency Tax Payment: Required if ≥50% annual turnover is in foreign currency
- Tax Ruling: The fees payable for a tax ruling will be increased (a) in the case of an individual, from Rs 2,000 to Rs 3,000; and (b) in the case of company, from Rs 10,000 to Rs 50,000

> “The QDMTT will be applicable to resident subsidiaries and holding companies of MNEs resident in Mauritius, on income derived as from 01 July 2025.”

THE FUTURE FUND – A STRATEGIC SOVEREIGN WEALTH FUND FOR MAURITIUS

The Future Fund is a newly announced sovereign wealth or strategic investment fund designed to manage windfall revenues, from the Chagos lease, for the long-term benefit of Mauritius and future generations.

How Will It Be Funded?

- Source of Fund: Chagos lease payments
- Years 1–3: Used to reduce public debt
- From Year 4: Entire lease income will flow into the Future Fund

The government aims to disburse Rs 3 billion annually in 2026/27 and 2027/28

The Future Fund is restricted to five high-impact sectors:

1. Food Security
2. Clean Energy & Climate Change
3. Blue Economy
4. AI, Blockchain & Innovation
5. Equity Funds which aim to support youth and women entrepreneurs with capital access

“The government aims to disburse Rs 3 billion annually in 2026/2027 and 2027/2028”

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