

BUDGET BRIEF 2019 / 2020

**EMBRACING A BRIGHTER
FUTURE TOGETHER AS
A NATION**



We have set out in this document the main measures announced by the Prime Minister and Minister of Finance and Economic Development which are likely to impact on our clients' business and personal affairs.

These measures are subject to amendment during the passing of the Finance Bill.

Although this brief will assist you in understanding the likely effects of this year's budget, you are advised to contact us before taking any action.

Nexia Baker & Arenson
Chartered Accountants

10 June 2019

CONTENTS

- OBJECTIVES OF THE BUDGET
- ECONOMIC REVIEW
- SECTORAL MEASURES
- FISCAL MEASURES
- FIRM PROFILE

OBJECTIVES OF THE BUDGET

The main objective of the budget is “EMBRACING A BRIGHTER FUTURE TOGETHER AS A NATION”and it focuses on ten avenues namely:

1. Strengthening the pillars of economic growth
2. Consolidating the productive sectors while shaping a more democratised economy
3. Expanding our economic space while deepening regional integration
4. Building the infrastructure that matches our development vision
5. Deepening our national reform agenda
6. Reaching a higher social development path with a focus on gender mainstreaming and improving quality of life
7. Promoting a safer and more secure living environment
8. Facing the challenge of climate change and further building the resilience of our environment
9. Building stronger foundations for the infrastructural development of Rodrigues, Agalega and Outer Islands
10. Securing sound public finances and sustainable debt

ECONOMIC REVIEW

Details	2019/20 % (Estimates)	2018/19 %
Budget deficit	3.2	3.2

Details	2020 % (Estimates)	2019 %
GDP Growth Rate	4.1	3.9
Public sector debt/GDP ratio	Note 1	63.1
Unemployment rate	6.7	6.9

Note1: The statutory requirement was to bring it down to 60 percent as a ratio of GDP by end of June 2021. However, it is planned to reach this target much earlier

SECTORAL MEASURES

MSMEs (Micro, Small and Medium Sized Enterprises)

- Increasing the maximum loan amount under the existing DBM Micro-Credit Loan Scheme from Rs 250,000 to Rs 500,000
- Extending the SME Financing Scheme for another three years.
- Reduction of the annual interest rate under Leasing Equipment Modernisation Scheme (LEMS I) and SME Factoring Scheme from 5.5 percent to 3.9 percent
- Reduction of cost of financing under the SME Equity Fund from 8 percent to 6 percent as from 1st July 2019
- Suspension of trade fees of up to Rs 5,000 for another period of 3 years
- Grant extension of Rs 5,000 per SME towards certification under 'Made in Moris' label for another year
- Provision of a one-off grant of Rs 3,000 to SMEs for subscription to the E-Commerce Platform of the MCCI
- Increasing the Margin of Preference for contracts under Public Procurement for locally manufactured products by SMEs, from 20 percent to 30 percent, if they have the 'Made in Moris' label
- Setting up a Design Centre for Leather Products in Coromandel
- Extension of the SME Employment Scheme to enterprises with turnover of up to Rs 100 million

MMEs (Mid- Market Enterprises)

- Creation of a new category of enterprises, namely the Mid-Market Enterprises with annual turnover between Rs 50 million and Rs 250 million
- Introduction of a line of credit facility in USD and EURO for export factoring services
- Extension of LEMS II to the MMEs and reducing the annual interest rate under that scheme from 6 percent to 4.25 percent

SECTORAL MEASURES

AGRI BUSINESS

Tea

- Doubling the three-month winter allowance that is provided to tea growers during the low harvest winter season
- Benefit from the concessionary road tax allowance on double cab pick-ups for Tea growers

Cane

- Waiving of amount due by small planters under the FORIP (Filed Operations Regrouping Project)
- Waiving 50 percent of the advance on fertilizers provided to planters through the Mauritius Cane Industry Authority (MCIA)
- Waiving of insurance premium paid to the Sugar Insurance Fund Board by planters producing up to 60 tons of sugar for Crop 2019
- Provision of the MCIA to meet the shortfall arising from the suspension of CESS payments for Crop 2019
- Provision of funds under the Cane Replantation Programme to encourage planters to bring their lands back under cultivation
- Providing Rs 15 million for the MCIA to acquire equipment for harvesting sugar cane of small planters
- Development of a National Biomass framework for the use of sugar cane biomass, including cane trash, for electricity generation
- Assistance of the World Bank to provide strategic policy options for making the sugar cane industry sustainable, in the medium and long term
- Benefit of price of Rs 25,000 per ton of sugar for the first 60 tons of sugar for crop 2019

Apiculture

- Development of new bee-keeping zones at River Tamaka and Palma

Farming

- Provision for the rehabilitation of pig rearing sites at St Martin and Bassin Requin
- Setting up of a heifer farm for cattle breeding in Melrose and livestock farm next to the heifer farm
- Setting up of a farm for sheep and goat breeding at Salazie

SECTORAL MEASURES

MANUFACTURING

- Extending the “Support for Trade Promotion & Marketing” scheme for another year
- Restructure and conversion of the Investment Support Programme Committee into a company, namely, ISP Limited
- Develop a Textile City on 80 hectares of land in Madagascar
- Allocation of Rs120 million to maintain expert competitiveness in Europe
- Economic Development Board seeking for investors and strategic partners to help companies in financial difficulty

FINANCIAL SERVICES

- Establishing a new framework for fund administration and fund management
- Revamping the existing Special Purpose Fund regime to ease access to new markets
- FSC entering into an agreement with the Gujarat International Finance Tec-City to recognise Mauritian licensed funds and management companies as qualified to operate in the Gujarat jurisdiction
- Diversifying the product base of our International Financial Centre (IFC) with the introduction of:
 - An umbrella licence for wealth management activities
 - A scheme for headquartering of ‘e-commerce’ activities
 - A framework for Green Finance in line with the ‘Marrakech Pledge’
 - New trading platform at the Stock Exchange of Mauritius to allow medium sized profitable enterprises that do not qualify for listing on the official and DEM markets to raise capital and trade their shares
- Setting up of a ‘single-window system’ at the FSC to allow for submission of documents for financial services and global business applications
- FSC to explore the convergence of Private Banking and Wealth Management licences
- Introduction of the Scheme for the Head Quartering of E-Commerce activities in Mauritius
- To make Mauritius a Fintech hub in the region the FSC will:
 - establish a regime for Robotics and AI enabled financial advisory services
 - Introduce a new licence for Fintech Service providers
 - Encourage self-regulation for Fintech activities in consultation with the United Nations Office on Drugs and Crime
 - Introduce the use of e-signatures and e-licences on a pilot basis
 - Create Crowd Funding as a new licensable activity
- Strengthening of the regulatory framework to fight fraud through financial crime commission
- Development of a financial data handling code of conduct
- Introduction of an industry-wide Practice Notes with respect to handling clients’ requests
- A fine not exceeding Rs5 million on a licensed auditor for breach of the Financial Reporting Act or any rule, code, guidelines or auditing standards.

SECTORAL MEASURES

TOURISM & LEISURE

- Allocation of Rs 535 million to the MTPA and an additional Rs 160 million to redynamise the Shanghai and Kenya routes.
- Building of a Passenger Cruise Terminal Building with shopping and other facilities to cater for some 4,000 Cruise as well as Inter-Island passengers
- Incentivise the development of marinas
- Revival of the Special Incentive Scheme which provides grants of up to Rs 200,000 to Meetings Incentives Conferences and Exhibitions (MICE) promoters and wedding planners
- Construction of a new road to connect airport to Mahebourg to promote the development of Mahebourg as a tourist village

OCEAN ECONOMY

- Setting up of online and physical fish auction market as an interface between local fishermen, fishing companies and buyers both local and international
- Refurbishment of existing storage facilities to cater for low Sulphur Heavy Fuel Oil
- The Mauritius Ports Authority to allow ship-to-ship bunkering
- Setting up of a Cooperative Seafood Processing Unit
- Grant of Rs 25,000 for setting up ornamental fish breeding farms
- Increase of Grant to fishermen cooperatives to purchase outboard engines and fishing nets from Rs 60,000 to Rs 80,000

BUSINESS FACILITATION

- Coming up with a new business facilitation bill which will amend 26 legislations
- National Authentication Framework providing users a unique ID and password to access, through a single window, any e-government service
- 'Require-Once Principle' to request information from the public where such information is already available within government

FISCAL MEASURES

INDIVIDUALS

Income Exemption Threshold

Category of income tax payer	2019/20 Rs	2018/19 Rs
Individual with no dependent	310,000	305,000
Individual with one dependent	420,000	415,000
Individual with two dependents	500,000	480,000
Individual with three dependents	550,000	525,000
Individual with four or more dependents	600,000	555,000
Retired/disabled person with no dependent	360,000	355,000
Retired/disabled person with dependents	470,000	465,000

Income tax rate

- The tax rate of an individual who derives annual net income of up to Rs 700,000 is 10%.
- Employees with average cumulative emoluments below Rs 53,845 in a month will be subject to 10% PAYE.

FISCAL MEASURES

INDIVIDUALS

Negative Income tax/Special allowance

- Household employers will be given the option to either pay the NPF/NSF contribution on a monthly basis or continue to pay NPF/NSF contribution at the end of the year, but they must submit quarterly statement to MRA.
- All employees will be required to submit their returns to MRA electronically and pay via-e-payment.

Deduction for Tertiary Education

- Deduction in respect of a dependent child who is pursuing tertiary studies will be extended to a maximum of 4 dependents

Relief for medical or Health Insurance Premium

- An individual will be allowed to claim up to Rs 10,000 as relief for a 4th dependent.

Peer-to-Peer lending

- Interest income received by an individual from peer-to-peer lending will be subject to income tax at the rate of 3%.
- Any bad debt and fees payable to the peer-to-peer operator will be deductible from the taxable interest income.
- No TDS will be applied to peer-to-peer interest income.

Solidarity levy

- Lump sum income received by a person through pension, death gratuity, compensation for death or injury will be excluded from the computation of solidarity levy but shall include an individual's share of income in a Société or Succession. This will be effective as from 1st July 2017.

FISCAL MEASURES

CORPORATE

Tax holidays

- *Innovation Box Regime*
 - A newly set-up company involved in innovation-driven activities will benefit a tax holiday of 8 years on income derived from its intellectual property assets developed in Mauritius.
 - Existing companies will benefit from the 8 years income tax holiday on income derived from intellectual property assets developed after 10th June 2019.
 - To benefit from income tax holiday, companies will have to satisfy pre-defined substantial activities requirements in compliance with the Base Erosion and Profit Shifting (BEPS).
- *E-Commerce Platform*
 - A 5-year tax holiday for companies setting up an e-commerce platform before 30 June 2025
- *Peer-To-Peer Lending*
 - A 5-year tax holiday granted to a peer-to-peer lending operator starting operation before 31 December 2020
- *Newly set up company developing a marina*
 - A 8-year tax holiday granted to the above Company
- *Bunkering*
 - A 4-year tax holiday granted on income derived from bunkering of low Sulphur Heavy Fuel Oil

FISCAL MEASURES

CORPORATE

Accelerated depreciation

- Capital expenditure incurred on plant and machinery may be fully expensed if the amount does not exceed Rs 60,000

Taxation of banks

- The rate of the levy will be increased from 4% to 4.5 % of operating income for banks having operating income of more than Rs 1.2 billion in a year.
- Income derived by banks from Global Business Companies will be exempted from the levy under the VAT Act
- The levy is not tax deductible for corporate tax purposes.
- No foreign tax credit will be allowed.
- A reduced tax rate of 5% is applicable on the chargeable income of a bank in excess of its chargeable income in the base year (year of assessment 2017/2018) if the bank grants at least 5% of its new banking facilities to:
 - SMEs in Mauritius;
 - enterprises engaged in agriculture, manufacturing or production of renewable energy in Mauritius; or
 - Operators in African or Asian countries

SME

- Enterprises engaged in manufacturing or trading of goods having annual turnover not exceeding Rs 10 Million can opt to pay 1% of its turnover as final income tax or file normal income tax return.

Freeport Regime

- A freeport operator or private freeport developer engaged in the manufacture of goods will be liable to income tax at the rate of 3% on profits derived from the sale of goods on the local market.
- Existing manufacturing companies will have to meet the following substance criteria:
 - Employ a minimum of 5 employees and
 - Incur an annual expenditure exceeding Rs 3.5 million
- Freeport operators will be liable to pay CSR on sale of goods in the local market.

FISCAL MEASURES

CORPORATE

Carry forward of Unrelieved Tax losses

- Accumulated losses may be carried forward on change in the ownership of manufacturing companies provided it is in the public interest. This will be effective as from 1 July 2018.

Tax Deduction Expenditure

- 150 % of expenditure incurred on cleaning, renovation and establishment works by hotels participating in a national campaign of cleanliness and embellishment of the whole islands
- A business can deduct twice the amount invested in a fast charger for an electric car from its taxable income.

VALUE ADDED TAX

VAT Rate

Cooking gas for domestic use by household in cylinders <12 kg	Zero rated
Vermicelli, toukmaria, Linseed, Sagoo, Appalam, Mustard Seed and Sesame seed	Vat removed
Specialised compression garments used for medical purposes	Vat removed
Printed materials bearing airlines insignia, publicity materials and uniforms	Exempt
Transport fares of passengers by light rail	Zero rated
Bread	Zero rated from 01.03.19
Construction of marinas	Exempt
Management of insurance schemes	Exempt

FISCAL MEASURES

VALUE ADDED TAX

VAT Refund

- Under the Voucher Scheme, tourists who spend a minimum of Rs1,600 on Mauritian handicraft products are eligible to a discount voucher of Rs200.
- On accommodation costs for events with at least 100 foreign attendees staying for a minimum of 3 nights

OTHER TAXES

Excise Duty

- Reduction in the price (per litre) of mogas from Rs 47 to Rs 44 and of diesel from Rs 38 to Rs 35 as from 11 June 2019

Registration Duties

- Exemption for first-time buyer on the first Rs 2.5 million of the value of base land not exceeding 20 perches, to build a house
- Exemption for first-time buyer of an existing house or apartment of up to Rs 5 million
- No registration duty on a secured housing loan for an amount not exceeding Rs 2.5 million

FISCAL MEASURES

GENERAL

- **Voluntary disclosure of Income**

- Foreign assets undeclared income held in a bank overseas or used to purchase foreign assets disclosure on or before 31st March 2020 under the scheme will be subject to tax on the disclosed chargeable income at the rate of 15 % free from any penalty and interest.
- No penalties and interests for SMEs with turnover not exceeding Rs 50 million to regularize any undeclared or under-declared income

- **Arrears Payment Scheme**

SMEs having any tax arrears as at 10 June 2019 will not be subject to any penalties or interest if the tax is paid on or before 31 March 2020.

- **Assessment Review Committee (ARC)**

ARC may proceed with hearing of an appeal in case the aggrieved tax payer not submitting his statement of case or other documents on ground of reasonable cause.

- **Income tax**

The legal provision relating to the arm's length test will be amended to provide more clarity about its application.

- **VAT**

Where there is a splitting of a business entity into different entities to avoid registration for VAT purposes, each entity will be required to be compulsorily registered for VAT.



FIRM PROFILE

Nexia Baker & Arenson (“Nexia”) is an independent audit, accounting and business advisory firm with a solid track record in delivering outstanding professional services since 2001 in Mauritius. Nexia is a member of Nexia International, a top 10 global network of independent accounting and consulting firms with more than 580 offices in over 100 countries.

When you choose a Nexia firm, you get a more responsive, more personal, partner-led service, across the world. Nexia is a highly active network that drives quality and facilitates collaboration to enable its member firms to provide effective local and global solutions.

No matter how big you are, public or private, and in what industries or sectors you do business, we will provide services and advice that constantly add value to your business.

Contact persons

Swaraj Ochit	Senior Partner
Jean Michel Chung	Partner
Nitin Sobnack	Partner
Irshad Mallam-Hassam	Partner
Pran Boolaky	Partner
Kader Mungly	Tax Director

Nexia Baker & Arenson

Telephone	: (230) 207 0600
Fax	: (230) 210 7878
Email	: nexiamtius@intnet.mu
Website	: www.nexia.mu