

BUDGET BRIEF 2020 / 2021

**Our New Normal:
The Economy of Life**



We have set out in this document the main measures announced by the Minister of Finance, Economic Planning and 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.

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OVERVIEW

Our New Normal: The Economy of Life

The theme of the budget "Our New Normal: The Economy of Life" sets a different scene, like a call for emergency given the slowdown of the global economy caused by the pandemic COVID-19. With this spirit, the Minister has clearly identified the construction sector as strategic to kick start the economy most probably with the expectation of a significant multiplier effect that this massive public spending will have on other sectors of the economy. For this purpose, a budget of Rs 40 billion approximately is allocated for the construction industry out of Rs 100 billion earmarked for the economic recovery plan. The Minister equally identifies Agriculture, Local manufacturing, Tourism, Blue economy, Data economy and Financial Services as industries that require support.

While measures have been mentioned to remit comfort to those in the low and medium level income bracket, the Minister has shifted part of the burden on those in the upper income bracket. The sharp increase of the Solidarity Levy from 5% to 25% for resident Mauritius citizen earning in excess of an aggregate amount of Rs 3 million on their emoluments and dividend has come to a surprise as the total taxable rate reaches 40% for the tranche in excess of Rs 3 million. Arguably, this sounds as a drastic departure from the economic mission of making Mauritius a low tax country which has been the overriding strategy underpinning the Mauritius economic success over the past 30 years. This can be seen as a disincentive for local investors to engage their assets into new development projects given the rise to 40% in taxes on their rewards.

Other measures concern the structural reform of the National pension Fund, replaced by the "Contribution Sociale Généralisée (CSG)", whereby employers and employees will contribute to the fund based on the monthly earnings of the employee.

With respect to boosting Foreign Direct Investment, the Budget 2020 mentions a reduction of the investment amount for Permanent Resident or a holder of an immovable property from USD 500,000 to USD 375,000. Similarly, individuals aiming to secure an Occupation Permit only need to show investment of USD 50,000 as compared to USD 100,000 previously.

FISCAL MEASURES

INDIVIDUALS

Income exemption threshold

Category of income tax payer	2020/21 Rs	2019/20 Rs
Individual with no dependent	325,000	310,000
Individual with one dependent	435,000	420,000
Individual with two dependents	515,000	500,000
Individual with three dependents	600,000	550,000
Individual with four or more dependents	680,000	600,000
Retired/disabled person with no dependent	375,000	360,000
Retired/disabled person with dependents	485,000	470,000

Deduction for dependent

- Additional deduction in the range of Rs 80,000 to Rs 110,000 given to taxpayer having a bedridden next of kin in his care. Total number of dependents should not exceed 4.

FISCAL MEASURES

INDIVIDUALS

Solidarity Levy

- The Solidarity Levy payable by resident Mauritian citizen has changed as follows:

Income year	Rate	Solidarity Levy payable on chargeable income plus dividend in excess of
2019 - 2020	5%	Rs 3.5 M
2020 - 2021	25%	Rs 3.0 M

- The Pay As You Earn (PAYE) system will apply to the solidarity levy.
- Income not subject to solidarity levy:
 - Lump sum income received by a person through pension
 - Death gratuity
 - Compensation for death or injury

FISCAL MEASURES

CORPORATE

Tax holidays

- 8 years income tax holiday granted to:
 - Companies engaged in the manufacture of nutraceutical products, and which started operations on or after 4th June 2020.

Solidarity Levy

- Telephony service providers will be subject to the Solidarity Levy as follows:

Profitable company	5 % of annual profit and 1.5% of turnover
Non-profitable company	1.5% of turnover

FISCAL MEASURES

CORPORATE

Accelerated depreciation

- 100% annual allowance on capital expenditure incurred on:
 - Electronic, high precision machinery or equipment
 - Automated equipment
- 50% annual allowance on:
 - Equipment used for eliminating, reducing or transforming industrial wastes

Double tax deduction on investment

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

FISCAL MEASURES

CORPORATE

Alternative Minimum Tax

- Companies carrying on life insurance business will be subject to an Alternative Minimum Tax (AMT) computed at the rate of 10% of profit attributable to shareholders adjusted for capital gains or losses.

Levy on corporates

Company Type (s)	Sectors	% Levy
Company with gross income exceeding Rs 500 M OR Group of companies with gross income exceeding Rs 500 M	<ul style="list-style-type: none">InsuranceFinancial institutionsService providersProperty holding companies	0.30%
	Others	0.10%

FISCAL MEASURES

VALUE ADDED TAX

Exempt goods re-classified as zero-rated

- Unprocessed agricultural and horticultural produce
- Live animals of a kind generally used as, or yielding or producing, food for human consumption other than live poultry
- Transport of passengers by public service vehicles excluding contract buses for the transport of tourists and contract cars
- Medical, hospital and dental services

New items subject to VAT

- Digital and electronic services provided through internet by non-residents for consumption in Mauritius will be subject to VAT.

FISCAL MEASURES

OTHER TAXES

Excise Duty

Sugar sweetened products

- Excise duty on sugar sweetened products will be 6 cents per gram as from 5th June 2020.

Motor Vehicles

- Rebate applicable on motor vehicles in bonded warehouse before 5th June 2020 and cleared from Customs before 30th June 2021.

Motor Vehicles	Customs/Excise Duty Rebate
Motor Cars:	
Up to 1,000 cc	40% of the excise duty payable on the motor car or Rs 100,000, whichever is the lower.
1,001 to 1,600 cc	30% of the excise duty payable on the motor car or Rs 125,000, whichever is the lower.
Others:	
Buses, Double/Single Space Cabin Vehicles and Vans	30% of the customs/excise duty payable on the motor vehicle or Rs 125,000, whichever is the lower.

Customs Duty

- Exemption value of goods imported by post or courier services reduced from Rs 3,000 to Rs 1,000.
- Rate of customs duty on imported sugar will be increased from 80 percent to 100 percent.

FISCAL MEASURES

Property Tax

Newly built dwelling

- Exemption from registration duty on acquisition of a newly built dwelling extended up to 30th June 2022 and the threshold value raised from Rs 6 million to Rs 7 million.
- Exemption also granted on dwelling purchased under vente à terme or vente en l'état futur d'achèvement - VEFA.

Construction of housing projects for Mauritians

- For housing projects of at least 5 residential units registered with the MRA from 01st July 2020 to 31st December 2020, the following exemption will be given:
 - No registration duty and land transfer tax on transfer of freehold bare land for the project, provided the land is transferred before 31st December 2020, and construction work completed before 31st December 2021
 - No land transfer tax on the sale of a residential unit (including by way of VEFA) provided it is made to a Mauritian before 30th June 2022

FISCAL MEASURES

GENERAL

Contribution Sociale Généralisée (CSG)

- The National Pension Fund (NPF) will be replaced by the CSG as from 01st September 2020 and contribution will be as follows:

Monthly employees earnings:	Employee contribution	Employers contribution
Up to Rs50,000	1.5%	3%
Above Rs50,000	3%	6%

FISCAL MEASURES

TAX ADMINISTRATION

Income tax

- Income tax refund by MRA will be standardized to 60 days for all taxpayers.

Assessment Review Committee (ARC)

- Repeated failure to attend ARC, without reasonable cause, may lead to case being struck out.

Customs Act

- Principal officers of a company may be personally liable for any taxes due by the company.

Customs Tariff Act

- The rate of exchange to be used for valuation purposes will, henceforth be posted on the website of the MRA.

Value Added Tax Act

- Transactions not at arm's length will be valued at market value for VAT purposes.
- The MRA will be empowered to request a VAT registered person, supplying both taxable and exempt supply, to apply an alternative basis of apportionment for input tax.
- Administrator, executor, receiver or liquidator appointed to manage or wind up the business of a taxable person will have 15 days to inform the MRA of their appointment.
- VAT refund in respect of residential building for an amount less than Rs 25,000 in a quarter can now be claimed, provided Vat paid during a quarter and the preceding 3 quarters do not exceed Rs 25,000.

SECTORAL MEASURES

CONSTRUCTION SECTOR

- Building and Land Use Permit (BLUP) fees have been waived for construction of pharmaceutical manufacturing factories, food processing plants and warehouses.
- Online application for all Building and Land Use Permit (BLUP) will be mandatory.
- Payment of VAT, for Government contract in relation to construction works, will be the receipt date instead of invoice date.
- Contractors will be paid within 28 days instead of 56 days for Government projects of up to Rs 300 million and retention amount will be paid within 6 months instead of 12 months.
- Public projects with investments of less than Rs 300 million and where pre-qualification is not required by Central Procurement Board, will be opened to Mauritian companies only.

SECTORAL MEASURES

AGRICULTURAL SECTOR

- A centralised digital Land Bank of State and Private Agricultural Land under Landscape (Mauritius) Ltd will be publicly accessible.
- A small planter having up to 10 acres of agricultural land will be allowed to convert up to 10% of his land for residential or commercial purpose, subject to Landscape (Mauritius) Ltd approval.
- Subsidy for the purchase of potatoes and onions seeds increased from Rs 5,000 to Rs 25,000 per ton.
- A grant of 50% of the cost of permanent netting structures will be provided to orchard owners under the Fruit Protection Scheme.
- The annual premium payable in respect of the Crop Loss Compensation Scheme operated by the Small Farmers Welfare Fund will be waived.
- The insurance premium payable to the Sugar Insurance Fund Board by planters producing up to 60 tons of sugar for Crop 2020 will be waived.
- Guaranteed price of Rs 25,000 per ton for the first 60 tons of sugar.
- The Mauritius Cane Industry Authority (MCIA) will meet the shortfall arising from the suspension of CESS payments for Crop 2020.

SECTORAL MEASURES

AGRICULTURAL SECTOR

- The Development Bank of Mauritius (DBM) will provide loans at the concessional rate of 0.5% per annum to distressed companies affected by COVID-19.
- Loan support schemes from DBM:

➤ New Agricultural Loan Scheme

Up to Rs 5 million to encourage return of abandoned land back under cultivation

➤ Mechanisation Loan Scheme

Up to Rs 1 million for the acquisition of machinery and farm equipment

➤ Seeds and Seedlings Loan Scheme

Up to Rs 1 million to encourage planters to invest in seeds and seedling production

➤ Agro-Industry Loan Scheme

Up to Rs 5 million to invest in the transformation, processing and packaging of agricultural produce

➤ Backyard Gardening Loan Scheme

Up to Rs 25,000 to encourage housewives to have backyard gardening and roof top gardening

SECTORAL MEASURES

MANUFACTURING SECTOR

- Imposition of a minimum shelf space of 10% for locally manufactured goods in supermarkets.
- Ministries and Government bodies will have to acquire a minimum domestic content of 30% in their purchases of goods.
- Double deduction on the cost of acquisition of patents and franchises and also on the costs incurred to comply with international quality standards and norms.
- ISP Ltd will financially support enterprises producing hygienic goods such as sanitizers, PPEs, masks, handwash and medical devices.

SECTORAL MEASURES

EXPORT SECTOR

- Port dues and terminal handling charges for exports will be waived from July to December 2020 and reduced by 50% for the period January to June 2021.
- The Freight Rebate Scheme has been extended for exports to Africa and the Trade Promotion and Marketing Scheme extended to Japan, Australia, Canada and the Middle East.
- The Export Credit Insurance Scheme extended to cover all our exports.
- Government will support the first two years of operation of a “Made in Mauritius” warehouse set-up in Tanzania and Mozambique.
- Companies will benefit from a 50% refund on the costs of certification, testing and accreditation of local laboratories.

SECTORAL MEASURES

TOURISM SECTOR

- An Aparthotels Scheme will be introduced to enable existing hotels to convert part of their accommodation units into serviced apartments that can be sold individually.
- Under the Investment Hotel Scheme, owners will now be allowed to occupy their units for a total period of 90 days instead of 45 days in a year.
- Payment of licence fee to the Tourism Authority and Beach Authority will be exempted for 2 years.
- Rental payment of state lands for hotels will be waived for the upcoming financial year.
- The Hotel Reconstruction and Renovation Scheme rebate of 50% on rental of state lands for hotels will be increased to 100% for two years up to 30th June 2022.

SECTORAL MEASURES

SMEs AND MMEs SECTOR

- The SME Equity Fund Ltd will invest up to Rs 200,000 per project through the crowd lending mechanism.
- The DBM will provide loans of up to Rs 10 million per distress SME and cooperative society at a concessional rate of 0.5% per annum.
- Increase in the one-off grant towards certification under 'Made in Moris' label from Rs 5,000 to a maximum of Rs 50,000.
- SMEs holding the 'Made in Moris' label will benefit from a Margin of Preference of 40% instead of 30% under Public Procurement.
- Creation of a Technology and Innovation Fund to invest up to Rs 2 million as equity in projects recommended by Mauritius Research and Innovation Council.
- The ISP Ltd will subsidise 50% of the factoring fee per invoice for SMEs.
- Public Bodies will pay SMEs within 14 days from date of invoices in respect of supply of goods and services.
- SMEs and cooperative societies will benefit from a grant of 15% on cost of assets of up to a maximum of Rs 150,000 under the DBM Enterprise Modernisation Scheme.
- The Cooperatives Development Fund will provide a grant of up to Rs 50,000 to Cooperative Societies for the purchase of livestock; and acquisition of equipment involved in the production of food items.

SECTORAL MEASURES

FACILITATING EMERGENCE OF NEW SECTOR

COTE D'OR DATA TECHNOLOGY PARK

- Setting up of a new Data Technology Park at Côte d'Or.

BLUE ECONOMY

- A single licence for chartered yacht calls in Mauritius will be introduced encompassing multiple berthing options, rights for helicopter flights and gaming.

SECTORAL MEASURES

BUSINESS FACILITATION

- Online submission of deeds of transfer and other documents for registration will be made mandatory through the Mauritius E-Registry System (MERS) for notaries, banks, insurance companies, leasing companies and new and imported second hand dealers in motor vehicles.
- The minimum investment amount for obtaining an Occupation Permit (OP) will be reduced from USD 100,000 to USD 50,000.
- Spouse of an OP holder will not need a permit to invest and work in Mauritius.
- OP holders will be allowed to bring their parents to live in Mauritius.
- The minimum investment amount for an investor to obtain the status of Permanent Resident or a holder of an immovable property under an existing scheme to obtain the status of Resident will be reduced from USD 500,000 to USD 375,000.
- Non-citizens holders of Residence Permit, Occupation Permit or Permanent Residence Permit will be allowed to acquire one plot of serviced land not exceeding 2,100 m² for residential purposes within smart cities for a period of two years ending 30th June 2022.
- This measure will be open for a period of 2 years ending 30th June 2022. The non-citizens will have to complete the construction of a residential building within a period of 5 years. The total area of all plots of serviced land for sale should not exceed 25% of the land area planned for the construction of residential properties.
- The minimum monthly salary of Rs 30,000 for ICT professionals to obtain an Occupation Permit will be extended to other specified sectors.
- The EDB will set-up a Business Obstacles Alert Mechanism for businesses to report constraints faced in delivery of licences and permits.

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.

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