



Nexia
Baker & Arenson

BUDGET BRIEF 2017 / 2018

**'RISING TO THE CHALLENGE
OF OUR AMBITIONS'**

We have set out in this document the main measures announced by the 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

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OBJECTIVES OF THE BUDGET

The main objective of the budget is about “RISING TO THE CHALLENGE OF OUR AMBITIONS”. This Budget focuses on five central challenges.:

1. Fostering higher growth for more and better jobs
2. Investing massively in the infrastructure of the future
3. Improving quality of life of our people
4. Ushering in a new social Paradigm
5. Consolidating macro-economic fundamentals

Therefore the challenges remain: Investment, growth, employment and social objectives

ECONOMIC REVIEW

The real GDP growth rate, public sector debt situation and budget deficit are summarized below:

Details	2017/18 %	2016/17 %
GDP growth rate	4.1	4.1
Public sector debt/GDP ratio (Measured by IMF standards)	63.0	62.8
Budget deficit	3.2	3.5

SECTORAL MEASURES

SME'S

- Setting up of an e-platform to provide visibility of SME products.
- Contribution of Rs5,000 by the government towards the costs of membership in the “made in Moris” label.
- Introduction of an Export financing facility to assist manufacturing enterprises.
- Interest rate on DBM loans to micro enterprises reduced from 6% to 3%.
- Implementation of a new scheme of solar PV for small commercial businesses.
- Provision of Rs 100m over the next three years for the implementation of the 10-year plan for the SME Sector.
- Setting up of SME Mauritius to replace SMEDA.

AGRI BUSINESS

Sugar

- Financing facilities will be made available under LEMS for the replacement of old lorries which are used for carrying harvested canes.
- Introduction of Drone technology in agriculture.

Non-sugar

- Encouraging the use of Biomass by the Independent Power Producers (IPPS).
- Establishing Macadamia plantations as a new export niche.

SECTORAL MEASURES

AGRI BUSINESS

Tea

- Increase of 6% in the price of green tea leaves supplied to tea manufacturers as from the current crop 2016/2017.
- Setting of up of greenhouses exempted from Building & land use permit.
- Planters will benefit from SME scheme provided by Maubank and other commercial banks.
- Subsidy on CCTV cameras to planters of food crops.

Livestock production

- National Biosecurity and contingency plan for notifiable animal diseases.
- Provision of Rs18m for improving animal diseases surveillance and establishing animal health laboratory facilities.
- Writing off of outstanding loan balances for pig breeders on a case to case basis.

Bio- Farming

- Financing of all costs associated to holders of a bio- Farming Development certificate who wish to acquire the international organic label for their farm produce.

SECTORAL MEASURES

MANUFACTURING

- Establishment of a speed to market scheme for the export of jewellery, medical devices, fruits, flowers, vegetables and chilled fish.
- Introduction of an Innovation Box Regime for intellectual property assets developed in Mauritius.
- Amendments to the existing Clinical Trials Acts to allow testing of medical devices.
- Extension of the work permit policy to 8 years for expatriate workers.
- A special economic zone will be inaugurated in Senegal.
- Land on preferential terms will be secured in Ivory coast.
- An innovator occupation permit scheme will be established.

FINANCIAL SERVICES

- A blue print focussing on the vision for the Global business sector over the next 10 years.
- GBC I company must fulfil at least two of the six criteria of the FSC to demonstrate substance.
- Amendment to the Companies Act 2001 to allow Islamic Financial Institution and Islamic Banks to adopt accounting standards issued by the Accounting and Auditing organisation for Islamic Financial Institution.
- Setting up of an international capital market by the Stock Exchange of Mauritius with Euroclear which would attract Government and corporates from Africa and other regions to issue multi-currency bond in Mauritius.
- Legal obligations on special purpose funds will be aligned with those of GBC I companies.
- Creation of a Regional Fintech Association by the EDB and other stakeholders.
- Setting up of rules by FSC for regulating Fintech activities.
- Minimum capital requirement of banks will be raised from Rs200m to Rs400m.

SECTORAL MEASURES

TOURISM & LEISURE

- Coming of KLM in Mauritius will further open air access to Netherlands and other European countries.
- Air Mauritius will operate additional flights to Singapore.
- Promotion of “Bush” and “Beach” Tourism of Kenya and Mauritius by MTPA.
- Entitlement of Rs200 discount on a minimum purchase of Rs1000 of Mauritian handicraft products by tourist.
- Introduction of gaming machines within the premises of hotels for non-residents and foreigners only.
- Non citizen acquiring a residential property for an amount below USD500,000 will be entitled to a multi-entry visa for a maximum of 180 days per year for a consecutive period of 5 years.

OCEAN ECONOMY

- Extension of validity of fishing rights permit from 1 year to 5 years for fishing vessels flying the Mauritian flag, subject to all their catch being unloaded and processed in Mauritius.
- Upgrading and equip the “Maison des pêcheurs” at Cap Malheureux, Tamarin and Mahebourg.
- Setting up of sea- based coral farms.
- Setting up of a Maritime Training Institute focussing on training for jobs on cruise ships and in the maritime sector.

SECTORAL MEASURES

ICT/BPO

- Prices of International Private Leased Circuits (IPLC) and Global Multiprotocol Label Switching (MPLS) services will be lowered by at least 15% as from 1st July 2017.
- Amendment to the Data Protection Act to comply with the new EV data protection regulation effective May 2018.
- Introduction of a cloud computing integrated platform.
- Creation of “MauriCloud” for digital issuance and verification of documents and certificates.
- Amendment to the employment legislation to allow employees to work at home.

BUSINESS FACILITATION

- Cost of extension of high tension networks for commercial projects will be reduced by 50%.
- Elimination of processing fees for new applications for all customers excluding parcelling of Land and Property Development Schemes projects.
- Plan approvals from CEB, CWA or the Waste Water Authority will not be required when applying for a Building and Land use permit in Morcellement and well-networked zones.
- High tech machines and equipment brought by an investor from abroad will now be considered as part of the minimum investment of USD100,000 required to obtain an occupation permit.

FISCAL MEASURES

INDIVIDUALS

- The income tax rate on income of individuals has remained unchanged at 15%.
- Income Exemption Threshold increased as follows:

Category of income tax payer	2017/18 Rs	2016/17 Rs
Individual with no dependent	300,000	295,000
Individual with one dependent	410,000	405,000
Individual with two dependents	475,000	465,000
Individual with three dependents	520,000	505,000
Individual with four or more dependents (NEW)	550,000	505,000
Retired/disabled person with no dependent	350,000	345,000
Retired/disabled person with dependents	460,000	455,000

FISCAL MEASURES

Solidarity Levy on resident individual

- Chargeable income plus dividends in excess of Rs3.5m will be subject to a Solidarity levy of 5% of that excess.

Mauritian Diaspora

- The 10 year tax holiday on local source income that can be claimed by a person under Mauritian Diaspora scheme.

Negative Income Tax

- Introduction of a negative income tax for full time employees earning Rs 9,900 or less in a month, as from 01 January 2018.

Monthly earnings Rs	Monthly financial support Rs
5,000	1,000
5,000 – 7,000	800
7,001 – 9,000	500
9,001 – 9,750	250
9,751 – 9,900	100

First payment will be made by MRA on or before 30 August 2018 in respect of the 6 months period January to June 2018.

FISCAL MEASURES

Other Exemptions And Reliefs

Reliefs	2017/18 Rs	2016/17 Rs
Deduction for household employees	30,000	-
Relief for medical/health insurance in respect of:		
- tax payer	15,000	12,000
- First dependent	15,000	12,000
- Each of two additional dependents	10,000	6,000

Exempt income

- Financial assistance provided by Government to disabled persons under the National Pension Act
- Interest income derived from debentures issued to finance renewable energy projects

FISCAL MEASURES

CORPORATE

	Corporate tax rate	
	2017/18	2016/17
Profits derived by any company from exportation of goods	3%	15%
Profits derived by other companies, not benefiting any tax holiday	15%	15%

Income Tax Holiday

- 8- year income tax holiday granted to a company engaged in the:
 - (i) manufacture of pharmaceutical products, medical devices and high-tech products provided it is incorporated after 8 June 2017; and
 - (ii) exploitation and use of Deep Ocean Water for air conditioning

FISCAL MEASURES

Tax incentives for Research and Development (R&D)

- (i) accelerated depreciation of 50% on capital expenditure incurred on R&D, ie investment cost is fully amortised in 2 years.
- (ii) double deduction (ie an additional 100%) in respect of staff costs, consumable items, computer software directly in R&D, and subcontracted R&D.
- (iii) expenditures not related to existing trade or business will be allowed as an expense, provided R&D is carried out in Mauritius.

Double Tax Deduction

A company will be allowed to set off against taxable profits twice the expenditures incurred in respect of:

- (i) deep ocean water air conditioning bill for 5 consecutive years.
- (ii) Acquisition and setting up of a water desalination plant.

Unrelieved income tax losses

Unrelieved income tax losses of a manufacturing company will not lapse upon a change of more than 50% in its shareholding if the change is deemed to be in the public interest and conditions relating to safeguard of employment.

Exempt Income

Interest income derived by companies from debentures issued to finance renewable energy projects.

FISCAL MEASURES

VALUE ADDED TAX

- Security patrolling and monitoring system forming part of an overall burglar alarm system will also be zero-rated.
- Vat exemption on construction of a building by a third party purposely and exclusively for lease to the provider of tertiary education.
- Vat exemption extended to a company engaged in the building of a charitable institution. Vat can now be clawed back if the building is put to another use.

COMPANY UNDER SPECIAL ADMINISTRATION

- For a company under Special Administration, surcharges in respect of contribution due to the NPF, NSF; and Levy are no longer payable. Also applies to undertaking taken other by government owned company from an insurance company or its subsidiaries, retrospectively as from 2015.
- Outstanding corporate tax, VAT and PAYE will be waived if deemed to be in the public interest.

REGISTRAR GENERAL DEPARTMENT

- Reintroduction for one year of the Arrears payment Scheme.
- The Registration Duty exemption granted on a secured housing loan of up to Rs2m is also applicable on a loan agreement drawn up by a notary.

FISCAL MEASURES

PROPERTY TAXES

Registration duty

- Exemption from registration duty on transfer of immovable property to be used for qualifying companies engaged in high-tech manufacturing activities.
- No registration duty payable by a small planter for lease/sublease of agricultural land not exceeding 10 hectares.
- No registration duty for lease/sublease of immovable property for operating a health institution as from December 2016.
- Amendment to the Land (Duties and Taxes), Act to allow remission or refund on transfer of Leasehold Rights in State Land where:
 - (i) there is no effective change in ownership of an asset
 - (ii) an application is made for an existing exemption within one year from the registration of the deed.
 - (iii) several documents are required to be registered in order to complete a transaction or in relation to the same subject leading to multiplicity of taxation.
- Exemption of registration duty to a first time buyer of an ex-CHA residence or of a residence originally acquired from the NHDC even if the property is on leasehold land or in a complex not governed by a “règlement de copropriété”.
- Exemption of registration duty for a company under Special Administration on the transfer of assets where the proceeds will be used to repay policy holders or depositors.

FISCAL MEASURES

Land transfer tax

- Exemption of land transfer tax to companies engaged in high-tech manufacturing activities.
- Exemption of tax on transfer of Leasehold Rights in State Lands on first acquisition of an immovable property under the investment Hotel Scheme now extended to cover a resale.
- Amendment to the Land (Duties and Taxes), Act to allow remission or refund on transfer of Leasehold Rights in State Land where:
 - (i) there is no effective change in ownership of an asset.
 - (ii) an application is made for an existing exemption within one year from the registration of the deed.
 - (iii) several documents are required to be registered in order to complete a transaction or in relation to the same subject leading to multiplicity of taxation.
- Exemption of transfer taxes for a company under Special Administration on the transfer of assets where the proceeds will be used to repay policy holders or depositors.

CUSTOMS DUTY

- Removal of custom duty on importation of:
 - (i) All animal feed, except poultry feed and pet feed; and
 - (ii) certain equipment used by job contractors
- Exemption of custom duty on Knocked-Down imported for a Smart City project provided that a 20% local value addition is incorporated therein.
- Increase of the exemption value of articles imported by post and courier services to Rs 3,000.
- Exemption of custom duty on the purchase of a 15 seater motor vehicle (van) by a Trade Union Confederation.

FISCAL MEASURES

EXCISE DUTY

- Exemption for any vessel engaged in the delivery of bunker fuel within the port limit.
- The following rates of excise duty will be applicable with effect from 09 June 2017:

Alcoholic Products:

	Current	New
	Rs.	Rs.
Beer (per litre)	37.70	39.60
Spirit cooler (per litre)	49.20	51.70
Fruit wine (per litre)	30.60	32.10
Made wine (per litre)	65.50	68.80
Wine of grapes (per litre)		
In bulk for bottling purposes	105.30	110.60
In bottle	184.80	194
Champagne (per litre)	880	924
Rum (per litre of absolute alcohol)	518.10	544
Cane spirits (per litre of absolute alcohol)	518.10	544
Whisky (per litre of absolute alcohol)		
In bulk for bottling purposes	1,001	1,051
In bottle	1,600.50	1,680
Liqueur (per litre of absolute alcohol)	352	369.60

FISCAL MEASURES

Tobacco Products:

	Current Rs.	New Rs.
Cigars (per kg)	16,056	17,662
Cigarillos (per thousand)	9,375	10,313
Cigarettes (per thousand)	4,646	5,111

TAX ADMINISTRATION:

Value added tax

- Maximum penalty for the failure to submit tax return and pay tax increased from Rs50,000 to Rs100,000.
- Provisions for the adjustment in respect of a bad debt in the tax return for the taxable period during which it is written off.
- Introduction of penalty provision to cater for failure to use or for tampering with an Electronic Fiscal Device.
- Imposition of a penalty on owners of advertising structures evading payment of the advertising structure fee.

FISCAL MEASURES

Tax Administration: General

- **Tax Arrears payment Scheme**

- Apply to assessment raised or a tax return submitted before 1 July 2015.
- 100% of interest and penalties will be waived if tax payer agrees by 31 March 2018 to settle and full amount settled by 31 May 2018

- **Expeditions Dispute resolution of Tax Scheme (EDRTS)**

- EDRTS will be re-introduced for another year.
- Target Settlement of disputes of less than Rs10m.
- By allowing MRA to review Assessment where tax payer could not lodge objection for non payment of 30% or 10%.

- **Registration of Tax Agent**

- MRA will provide for registration of Tax Agent.
- Member of the Maritime Institute of professional Accountants or a member of the Bar Council will be deemed to registered.
- Individual who is not an accountant or a lawyer will be registered under certain conditions.

- **Alternative Tax Dispute resolution Panel (ATDRP)**

ATDRP will be allowed to review:

- Assessment raised by MRA under the Gambling Regulatory Authority Act.
- Assessment raised by MRA in respect of PAYE and TDS.
- Decisions taken by MRA provided amount involved exceeds Rs10m.

FISCAL MEASURES

Tax Administration: General

- **Assessment Review Committee (ARC)**

- The Mauritius Revenue Act will be amended to provide for any written representation to be accompanied by written statement of case and a witness statement.
- ARC will fix hearing within two months of representation and decision within four weeks of hearing.

Tax Administration: Income Tax

- **Annual statement of financial transactions**

- The Income Tax Act will be amended to empower MRA to request from banks, insurance companies and non-bank deposit taking institution, an annual statement of financial transactions in cases where a transaction by any person exceeds Rs500,000 or if the aggregate amount of deposit in an income year exceeds Rs4m.

- **Obligation to furnish information**

- Necessary amendments will be made to legislations to ensure that the obligation on a person to furnish data and information at the request of MRA.

- **Annual statement of Dividends paid by Companies.**

- Companies to submit to MRA a list of individual receiving dividends exceeding Rs100,000.

FISCAL MEASURES

Tax Administration: Income Tax

• **Tax Deduction at Source (TDS)**

- No TDS on royalty derived by a Mauritian from an artistic or literary work.
- Société or Succession will not be required to operate TDS if turnover does not exceed Rs6m.
- TDS of 15% will be withheld on director fees paid to the employer of the director instead of deducting PAYE on the director himself.
- Company awarding contract for construction works will have to operate TDS irrespective turnover level.

• **Statement of Assets and liabilities by High Net Worth Individuals**

- Non-citizens who are tax resident in Mauritius will not be required to submit the statement.
- To also disclose assets of spouse and dependent children of taxpayer.
- Assets costing less than Rs200,000 will be excluded.
- No requirement to submit statement every year but need to report major additions.
- Disclosure of wrong information will constitute an offence under the law.

• **Electronic filling of tax returns**

- All companies to file income tax returns and pay tax electronically.
- Employer to submit PAYE return and remit tax withheld electronically.

• **Employees to provide National Identity card Number (NICN)**

- Employees will be required to provide NICN to his/her employer.

• **Purchase of immovable property, motor vehicle or pleasure craft**

- No compulsory filing of income tax return for person acquiring high value immovable property, a motor vehicle or pleasure craft.

• **Contribution to superannuation fund**

- Introduction of anti-avoidance provision to disallow contribution to superannuation fund providing unreasonable benefits to selected employees.

FISCAL MEASURES

Tax Administration: Income Tax

- **Transitional provisions for definition of residence with respect to individuals**
 - The 270 days criterion reduced to 225 days for income years ending 30 June 2016 and 2017.
- **Filing of income tax return on purchase of immovable property motor vehicle or pleasure craft**
 - No compulsory filing of income tax return.
- **Deduction of contributions made to a superannuation Fund**
 - Anti-avoidance provision is being re-introduced to disallow contribution to superannuation Fund providing unreasonable benefit.
- **Application of withholding tax on pension and other emoluments.**
 - Pensions or other emoluments may be received net of PAYE of 15%.

FIRM PROFILE

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Whenever you do business in a foreign country, local advice and expertise are vital. As a client of a Nexia International member firm, you will receive the guidance you need and the attention you deserve at a price you can afford.

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