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MAURITIUS 2016-2017 BUDGET BRIEF

The Minister of Finance and Economic development has presented his 2016/2017 Budget this evening focused on ushering in ‘A New Era of Development’: a balanced act bent on breaking away with the past to focus on entrepreneurship, innovation, business facilitation, public sector reform and macroeconomic stability among others so as to steer the Mauritian economy to new heights. We are pleased to provide you with this summary that focuses on the key measures in respect of Financial Services, Business Facilitation and Tax.

Hon. Pravind Jugnauth announced his intention to reach out to new markets within the financial services sector which includes the possibility for Global Business Category 2 companies to invest in listed securities in Mauritius as well as the issuance of a new Global Legal Advisory Licence to cater for reputed international law firms to set up their regional offices and operations in Mauritius. The Mauritian jurisdiction will also be made more attractive to High Net Worth Individuals who will be able to benefit from residency through the introduction of an Overseas Family Corporation product. The Financial Services commission will also be empowered to issue a ‘Treasury management Centre License’ as well as an ‘Investment Banking and Corporate Advisory License’. Mindful of the opportunities that lie in the jurisdiction being used for the registration of Intellectual Property (IP), the Government will modernize and consolidate the legal and regulatory framework and adhere to a number of international organisations involved in the promotion and protection of IP. Last but not least, the Government will also continue its endeavors for Mauritius to develop into a full-fledged arbitration centre in the region.

A number of fiscal incentives in the form of tax holidays (between 5-8 years) will be introduced in order to promote existing as well as the new sub-segments (above) of the financial services sector. This is in line with creating more substance in Mauritius and deepening financial services industry. These include companies offering Global Headquarters Administration, Treasury Management Centre services, Asset and Fund Managers managing a minimum asset base of USD 100 million, Foreign Ultra High Net Worth Individuals’ investing a minimum of USD 25 million in Mauritius, Global Law firms which set up their regional offices in Mauritius to provide legal advisory and international arbitration services to global business clients, investment banks and Overseas Family Corporations licensed by the FSC. In some cases, the tax holiday even extends to personal income tax.

The budget dedicates a whole section on business facilitation and includes a raft of measures aimed at cutting red tape and bureaucracy. It recognizes that obtaining approvals and permits to start and grow a business is unnecessarily complex, lengthy and onerous. The Finance Minister announced that burdensome paper work will be kicked out of the system and an e-licensing platform will be set up to provide a single point of entry for applications for permits and licenses. A standardized centralized online KYC database will be also introduced for the non-bank financial services sector to facilitate the execution of transactions. A Silent Agreement principle is being introduced and the Board of Investment will be able to issue the necessary clearances and approvals for a business to start operation in cases where the statutory deadlines for processing applications have lapsed. A novel approach in the form of a Regulatory Sandbox License (RSL) will be introduced to allow companies to invest in innovative projects within an agreed set of terms and conditions, even in the absence of a formal licensing framework. The property market will be further opened to allow foreigners to purchase an apartment and business spaces in buildings. The government will make full use of economic diplomacy to unlock new opportunities for Mauritian businesses and aims to finalize a Comprehensive Economic Cooperation and Partnership Agreement (CECPA) including a Preferential Trade Agreement with India. It will also continue to build on the country’s Africa strategy with the establishment of Special Economic Zones in Senegal, Madagascar and Ghana.

On the fiscal front apart from hikes for the usual suspects (alcohol and cigarettes), it is effectively a no tax budget with VAT and Corporate tax being kept at the rate of 15%. Although there were some fears of the introduction of capital gains tax, it was a relief that the status quo was maintained. In order to expedite tax appeal cases exceeding Rs. 10 million, an Alternative Dispute Resolution mechanism at the Mauritius Revenue Authority will be set-up.

The combination of the fiscal and non-fiscal measures will ensure that Mauritius remain a very competitive jurisdiction and will continue to appeal to international investors and clients.

Please do not hesitate to contact us for more information on the 2016/2017 National Budget.

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