

Budget Speech
2020-2021

Our New Normal: The Economy of Life



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Budget 2020-2021: Budgetary measures for a new normal for the society and the business community

“ At the very outset, the Honourable Minister of Finance, Economic Planning and Development set the scene for his maiden Budget Speech: a budget at ‘a time of unprecedented crisis’, a ‘deep contraction globally and locally’ and a ‘GDP contraction of up to 11 percent this year’ for Mauritius – the worst GDP contraction for the country. The Honourable Minister had the daunting challenge to secure sustainable and inclusive development whilst at the same time ensuring that the standard of living of the population does not become worse.

In this document, we highlight the salient measures the Honourable Minister has announced.

Investment and relaunch programme

The Minister announced measures and strategies in multiple sectors with the objective of giving a fresh start to the Mauritian economy severely impacted from the fall-out of the Covid-19 pandemic.



Construction

The construction industry being described as the engine of recovery, the Minister announced vast public sector programmes including Rs 12 billion for the construction of social housing units, Rs 7.5 billion for the construction of a dam, Rs 9.2 billion to modernise main bus terminals, Rs 5.2 billion to construct new roads and bridges, Rs 5 billion to complete the Metro system and Rs 2.2 billion to be invested in a breakwater, fishing port and cruise terminal. As regards the private sector, a high-level committee chaired by the Honourable Prime Minister will be set up to expedite projects pending at the Economic Development Board worth Rs 62 billion. Building and land use fees for the construction of pharmaceutical manufacturing factories, food processing plants and warehouses will be waived, and foreign buyers will be able to purchase immovable property through digital powers of attorney.



Agro-industry

In agro-industry, the Minister announced the creation of a National Agri-Food Development Programme to ensure food security and reduce dependence on imports. With 20,000 acres of abandoned land, a digital land bank of State and private agricultural land under Landscape Mauritius will be created to operate as a platform to match demand and supply for land that can be used for food production. The Agricultural Marketing Board will also be given broader responsibilities in preparing and implementing a food production plan, investing in storage facilities and establishing a price guarantee mechanism. To boost the local sugar industry, the Government will guarantee a price of Rs 25,000 per ton for the first 60 tons of sugar, planters producing up to 60 tons will not have to pay the insurance premium to the Sugar Insurance Fund Board for 2020, and customs duty on imported sugar will increase from 80% to 100%.

Investment and relaunch programme

(Continued)



Manufacturing

In order to promote local manufacturing, the Minister announced future legislation imposing quotas in favour of locally manufactured products, a requirement of at least 10% of shelf space for local products in supermarkets, a requirement for Government bodies to have at least 30% of domestic content in their purchases of goods, an extension of investment tax credit on all manufacturing companies and margin of preference on public purchases (20% to all local manufacturing companies and 30% to manufacturing SMEs).



Export-oriented enterprises

Export-oriented enterprises will benefit from a waiver of 100% of port dues and terminal charges for June to December 2020 and of 50% for January to June 2021. Export facilitation schemes have been extended and the enterprises will be exempted from registration duty for the purchase of immovable property. An international firm will also be consulted to review the export model of the textile industry.



Tourism

The tourism sector has ground to a halt with the recent closure of Mauritius' borders and subsequent 2-month national confinement. To revive the industry, the Minister announced that sanitary protocols would be put in place from arrival to departure, support would be provided to the national carrier, the Economic Development Board and Mauritius Tourism Promotion Authority would develop a new branding strategy and a commercial partnership would be entered into with Liverpool Football Club to promote the Mauritius destination as from September 2020. An aparthotel scheme will be established whereby existing hotels may convert and sell part of their units as serviced apartments. Financial relief will come in the form of waiver of licence fees to the Tourism Authority and Beach Authority for 2 years, waiver of rental payment on State land for the upcoming financial year and an extension of the Hotel Reconstruction and Renovation Scheme rebate from 50% to 100% until 30 June 2022.



Technology and innovation

As part of a vision to propel Mauritius into the era of new technologies and innovation, a new data technology park will be created in Cote D'Or.

Investment and relaunch programme

(Continued)



Pharmaceutical and medical sectors

The Government intends to make inroads in pharmaceutical and medical industries. As such, the newly incorporated Mauritius Investment Corporation (MIC), capitalised by Bank of Mauritius (BOM), will invest in the manufacture of pharmaceutical products, medical devices and protective equipment through a public-private enterprise. New regulatory frameworks will be introduced in the form of a Medical Products Regulatory Authority Act, a Human Tissue Act, as well as legislation to govern telemedicine platforms. Research and development centres will be exempt from registration duty when purchasing immovable property in the life sciences sector and from VAT on construction materials and specialized equipment. They will also benefit from double deduction on R&D expenditures.



Blue economy

The MIC will, in order to develop the fishing industry, invest in joint ventures engaged in fishing activities and its value chain. An inland aquaculture scheme will be introduced that will carry an 8-year tax holiday and duty and VAT exemption on equipment as incentives.



Regional economic integration

In order to reinforce Mauritius' partnerships with the rest of Africa, the MIC has earmarked Rs 10 billion to invest in African projects, including special economic zone projects under a government to government framework.

Regulatory and Compliance

The financial services sector, being a key pillar of the economy, formed part of the 'Plan de Relance de L'Investissement et de L'Economie' which was one of the tryptic of the budget. In view of its nature, the sector continues to face challenges and calls for reforms to be made to ensure compliance with international practices and norms.

The Minister put forward the commitment of the Government of Mauritius to address the 5 recommendations of the Financial Action Task Force [FATF] by September 2020 and

announced measures to implement risk-based supervisions, targeted outreach programmes to promote clear understanding of money-laundering and terrorist financing risks, increased reporting of suspicious transactions, targeted financial sanctions in cases of terrorist financing, and timely access to beneficial ownership information. Moreover, a new AML/CFT (Miscellaneous) Bill will be introduced to complement the existing legal framework, and a dedicated and specialized Financial Offences Court will be set up.

Banking and Financial Services

If on one hand the Minister presented measures to safeguard the image of the sector, on the other hand he also alluded to the diversification of the sector to enhance its competitiveness. In line with the 10-year Blueprint project envisioned for Mauritius as an International Financial Centre of repute and substance, new products will be introduced encompassing a Central Bank digital currency, an insurance wrapper, variable capital companies, inaugural sukuk

issuance by the BOM, and Green and Blue Bond Frameworks by the BOM.

The BOM will also develop new frameworks for digital banking, private banking and wealth management by banks. In view of sustaining start-ups and SMEs, a dedicated Venture Capital Market will be set up at the Stock of Exchange of Mauritius.

In addition to the above, a number of amendments will be brought to the:-

- **01** *Financial Services Act to, inter alia:*
 - empower the Financial Services Commission (FSC) to collect information on a conglomerate group, including unregulated entities which would impact on the safety and soundness of the financial group;
 - cater for exemptions for filing of annual financial statements where the FSC is of the opinion that is not applicable.

- **02** *Insurance Scheme Act to, inter alia:*
 - allow for investment for the deposit insurance fund to be outsourced to the BOM;
 - provide for payment of insured deposit by the Mauritius Deposit Insurance Company to apply only when the conservatorship has failed and the financial institution is in compulsory liquidation.

- **03** *Private Pensions Scheme Act to allow for a member of a private pension scheme to transfer the amount of accrued benefits to another private pensions scheme and to also establish a procedure for unclaimed funds under a private pension scheme to be transferred to a special fund which will be set up by the FSC.*

- **04** *Securities Act to impose an obligation the corporate finance advisory to keep and maintain records of debts raised by issuers.*

Fiscal measures

01 > Tax administration

- The time limit for income tax refunds will be 60 days for all taxpayers. This delay will run as from the date all required documentation for the application for refund is received by the Mauritius Revenue Authority.
- The principal officer of a private company will be liable for any taxes due by the company. A principal officer is the executive director or any other person who is entitled to exercise the powers of the board of directors.
- In case of default on deferred payment facilities, or non-submission of cargo report for an aircraft or ship or importation of selected prohibited goods, a period of 28 days will be granted to settle any underpayment in these cases. An aggrieved importer or manufacturer will have a right of appeal against the claim for underpayment.
- Where an administrator, executor, receiver or liquidator is appointed to manage or wind up the business of a taxable person, he will have to inform the Mauritius Revenue Authority within 15 days of his appointment.
- A VAT e-invoicing system will be introduced at a business level on a pilot basis.

02 > Income Tax

- The income exemption threshold is increased for the income year 2020-2021 as follows:
 - 15,000 rupees for a taxpayer with 2 dependents
 - 50,000 rupees for a taxpayer with 3 dependents
 - 80,000 rupees for a taxpayer with 4 or more dependents

03 > Value Added Tax

- It will be clarified that where a transaction is not at arm's length, the market value of the supply must be taken as the taxable value.
- The following exempt goods will become 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; and
 - Medical, hospital and dental services.

- Exemption value of an article (for customs duty and VAT) imported by post or courier services will be reduced to 1,000 rupees.
- Digital and electronic services provided through the internet by non-residents for consumption in Mauritius will be subject to VAT.

04 > Levy on corporations

- Payment of levy on the annual gross income of companies having gross income exceeding 500 million rupees or if the company forms part of a group of companies, the gross income of the group exceeds 500 million rupees.
- The levy will be on the annual income at the rate of:
 - 0.3% for insurance companies, financial institutions, service providers and property holding companies;
 - 0.1% for other companies
- Companies operating in the tourism sector or which hold a Global Business Licence are exempt from the payment of such levy.

05 > Solidarity Levy

- Levy of 5% on the excess of chargeable income plus dividends of a Mauritian citizen will be 25% and applicable as from 3 million rupees annually.
- A lump sum income which is received by way of commutation of pension, death gratuity or as a compensation for death or injury is excluded from the computation of the levy.
- This levy will be paid on the basis of Pay As You Earn (PAYE).

06 > Alternative Minimum Tax

- A company carrying on life insurance business will pay tax based on the existing taxation system or under an alternative minimum tax, whichever is the higher. This alternative minimum tax will be computed at the rate of 10% of profit attributable to shareholders adjusted for capital gains or losses.

Fiscal measures (Continued)

07 Property tax

- The existing scheme which allows a Mauritian acquiring a newly built dwelling house during the period 1 September 2016 to 30 June 2020 for an amount not exceeding 6 million rupees to be eligible to full exemption from registration duty will be extended for 2 years to cover the acquisition of a newly built dwelling house up to 30 June 2022 with the threshold value being raised from 6 million rupees to 7 million rupees.
- A person who acquires a dwelling based on a vente a terme or a vente en l'etat future d'achèvement (VEFA) will also benefit from this exemption.
- No registration duty and land transfer tax will be payable on the transfer of freehold bare land for the construction of a housing estate project provided the land is transferred by 31 December 2020, and the construction is completed before 31 December 2021. The exemption of the land transfer tax will be granted on the sale of a residential unit (including by way of VEFA') provided it is made to a Mauritian before 30 June 2022.
- A person will be considered as a first-time buyer even if he or his spouse is or was (i) the owner of an immoveable property acquired by inheritance where the land is less than 20 perches or (ii) co-owner of an immoveable property acquired by inheritance where their share in that property is less than 20 perches of land.
- Exemption on IT and IT related materials and equipment used for online education
- A taxpayer having a next of kin who is bedridden and under his care will be allowed to claim the next of kin as dependent – provided that the total number of dependents does not exceed 4.
- All recycling activities will be reclassified as a manufacturing activity and will therefore benefit from the various fiscal measures.
- Sugar tax of 3 cents per gram of sugar is increased to 6 cents and will cover locally manufactured and imported non-staple sweetened products (e.g., pastries, ice creams and chocolates).
- Investment tax credit of 15% over 3 years will be extended to all manufacturing companies.
- Companies in the export sector will be exempted from the payment of registration duty and land transfer tax for the purchase of immoveable property.
- An enterprise which has been affected by COVID-19 will be entitled to a double tax deduction on its investment in plant and machinery during the period 1 March 2020 to 30 June 2020.
- Companies operating under the Deferred Duty and tax Scheme and the Mauritius Duty Free Paradise will be allowed to sell their goods on the local market subject to the payment of taxes.
- An inland aquaculture scheme will be introduced with an 8-year tax holiday and duty and VAT exemption on equipment.
- Every citizen will automatically receive a Tax Account Number.

08 Other fiscal measures

- Tax holiday for the first 8 years of operation to the top 500 institutions worldwide to set up a branch campus in Mauritius.
- The same 8-year tax holiday to a company engaged in:
 - the manufacture of nutraceutical products provided that it starts its operations on or after 4 June 2020.
 - the manufacturing of pharmaceutical products, medical devices or high-tech products which has started its operations on or before 8 June 2017

Immigration Related Measures

With the objective to open Mauritius to talents, ideas and knowledge worldwide to address demographic decline, the Minister announced the following amendments to the Occupation and Residence Permits guidelines for Investors, Professionals and Retirees:

- The Work Permit and Residence Permit (RP) shall be combined into one single permit.
- The validity of an Occupation Permit (OP) and a RP for retirees will be lengthened to 10 years renewable.
- The minimum investment amount for obtaining an OP as investor will be reduced from USD 100,000 to USD 50,000.
- There will be no minimum turnover and investment requirement for Innovator OP.
- The spouse of an OP holder will not require a permit to invest or work in Mauritius.
- OP holders will be allowed to bring their parents to live in Mauritius.
- Professionals with an OP and foreign retirees with a RP will be able to invest in other ventures without any shareholding restriction.
- Non-citizens who have a RP under the various real estate schemes will no longer require an OP or Work Permit to invest and work in Mauritius.
- The Permanent RP will be extended from 10 to 20 years. OP and RP holders will be eligible to apply for a Permanent RP if they have held the permit for 3 consecutive years.
- The minimum monthly salary of Rs. 30,000 for ICT professionals to obtain an OP will be extended to other sectors.

Conclusion

To give effect to the budgetary measures, no less than 54 main Acts of Parliament will need to be amended. We shall have a better understanding of how the measures that have been announced will be implemented and to what extent they will impact on the operations of the business community once the relevant Acts are amended. More importantly, there is no doubt that the country as a whole will need to work hard and make sacrifices in order to overcome the damage caused by the pandemic.