

Axis Budget Brief 2022/2023

With the people,
for the people

Axis Fiduciary Ltd
T. (230) 403 2500
E. info@axis.mu



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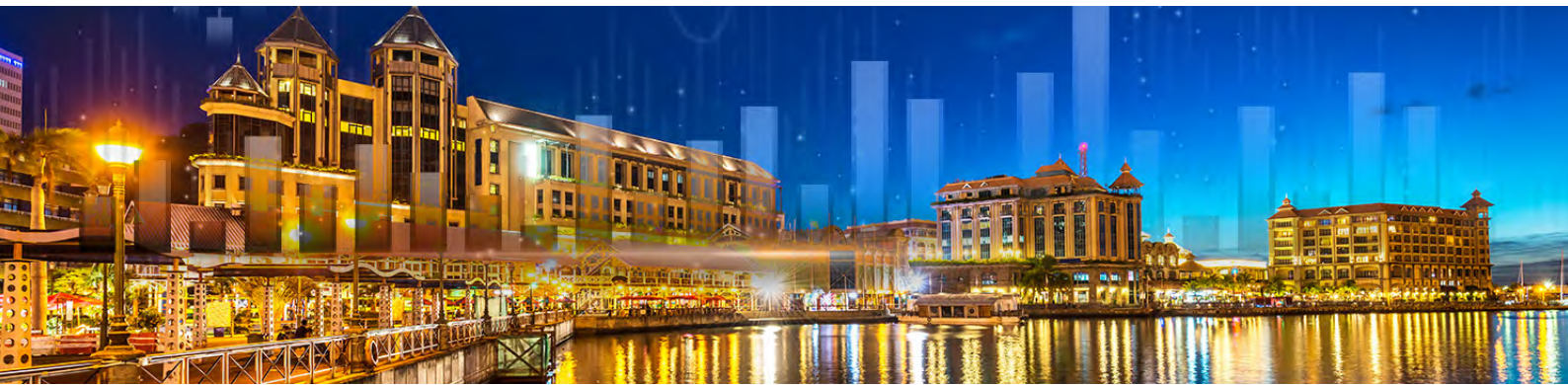
Dr The Honourable Renganaden Padayachy, Minister of Finance, Economic Planning and Development presented the National Budget 2022 – 2023, his third Budget on Tuesday 07 June 2022.

This Budget titled “**With The People, For the People**”, is one of blossoming hope, as Mauritius slowly but surely emerges from the global pandemic. Indeed, economic fundamentals are showing a marked improvement in 2022 with GDP, exports of goods & services, investment rate, foreign direct investment and tourist arrivals on the increase whilst unemployment, public sector and government debt are on a downward trend.

The Budget aims to set the foundation for a resurgence of the economy to pre-pandemic levels whilst continuing to show solidarity to the people of Mauritius to mitigate the effects of the increase in cost of living as a result of supply chain disruptions, the war in Ukraine and the recent lockdowns in China. It hinges on the following three pillars:

- 1 > Strengthening the Economic Growth and show Resilience to Future Shocks;
- 2 > Accelerating the Transition to a Sustainable and Inclusive Development Model; and
- 3 > Investing in People.

We are very pleased to provide a summary of the budgetary provisions in respect of the financial services sector below with a special focus on global business, business facilitation and taxation. A comprehensive note will be circulated once the Finance Act is passed by the National Assembly.



1 FINANCIAL SERVICES SECTOR

Mauritius intends to build on the arduous work and unwavering effort which successfully lead to the exit of the country from the FATF, EU and UK grey/blacklists. Despite the challenges, the financial services sector demonstrated strong resilience and recorded a growth rate of 4.2 percent last year and the Government is keen to continue the momentum. In this regard, there was a notable announcement that there will be a convergence of the domestic and the global business regime. This will go a long way to reinforce the reputation of Mauritius as an International Financial Centre of Substance and complete the process of integration which began in 2001. The following additional budgetary measures were announced:

- The Bank of Mauritius together with the Bank of China will launch a regional Renminbi Clearing Centre this year;
- The Bank of Mauritius will collaborate with the National Payments Corporation of India for the issuance of 'RuPay' cards and Indian QR Code in Mauritius;
- The Financial Services Commission ('FSC') will revamp its framework to enable Re-Insurance companies to set up operations in Mauritius.
- Specific licences such as "Global Headquarters Administration", "Global Shared services" and "Global treasury activities" will be removed from the scope of "financial services" under the Financial Services Act and a separate section for regulation of global activities in line with FATF requirements will be created;
- The FSC will be empowered to initiate regulatory actions against individuals who have in effect been performing the functions of an officer although they have not been formally approved by the FSC.
- A Settlement Committee for the purpose of assessing the possibility for early resolution of disciplinary matters with a licensee.
- The Financial Services Institute will become an awarding body to cater for specialist training in the sector.
- The Companies Act will be amended to remove the temporary time extension provided because of Covid-19 and reinstate the statutory and filing requirements for registered companies
- The Companies Act will be further amended to prevent companies from being both registered in Mauritius and in another jurisdiction at the same time.
- The Registrar of Companies will be allowed to remove a company from the Register of companies where there is no other reason for the company to continue its existence.
- The restoration of a company to the Register will be eased in case it was still carrying on business at the time of removal by the Registrar of Companies.
- Reinstate the application of Section 162 of the Companies Act relating to duty of directors on insolvency subject to such conditions as may be prescribed.
- The Banking Act will be amended to modify the criteria for the BOM to grant an in-principle approval for an application of a banking licence.
- The BOM may open accounts and accept deposits for the purpose of issuing digital currency.

2 ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM

The budget highlighted the strong resilience of the financial services industry in the face of the crisis and the fact that Mauritius is now out of the FATF grey list, EU and UK blacklists. The government wishes to consolidate the country's position as an international financial center of repute and amendments will be made to the legislative framework for the prevention of money laundering and combating the financing of terrorism. The following additional measures have been announced:

- In order to ensure capacity building of AML professionals, the BOM and the FSC will renew their one-year graduate training programme on AML, targeting 100 graduates;
- A Financial Crime Commission will also be set up to ensure effective coordination in the fight against financial crimes.
- The Financial Intelligence and Anti-Money Laundering Act will be amended to harmonise provisions of the Act by including combatting proliferation financing under its scope, in line with Financial Action Task Force (FATF) requirements.
- The United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act will be amended to define "international terrorism".
- The Prevention of Corruption Act will also be amended to cater for offenses:
 - relating to foreign bribery which will cover the definitions of foreign bribery and foreign public official; and
 - regarding the non-deductibility of bribes from turnover or income when filing and submitting tax returns with the MRA.
- The Virtual Asset and Initial Token Offering Services Act will be amended to allow:
 - the FSC and investigatory authorities to make use of software/digital tools in carrying out supervision and investigation; and
 - information obtained by the FSC and investigatory authorities from such software/digital tools to be admissible as evidence for purposes of a criminal investigation, prosecution or other related criminal or civil court proceedings.
- The Securities Act will be amended to :
 - extend the regulatory functions of an Official exchange to allow for investigations of market abuse cases involving issuers on securities exchanges; and
 - delete references made to sections of the Act which have been repealed.
- The Banking Act will be amended to require the signature of a declaration of confidentiality by any person who intends to carry out due diligence on a financial institution, with a view to acquiring a shareholding in that financial institution.
- To increase the functionalities of the Central KYC system and the Central Accounts Registry which has been established by the BOM, with a view to facilitating collection, verification, validation and extraction of KYC records.
- The Bank of Mauritius Act will be amended to increase the functionalities of the Central KYC system and the Central Accounts Registry established by the BOM, with a view to facilitating collection, verification, validation and extraction of KYC records.

3 FISCAL MEASURES



(a) Domestic Taxation

The fiscal measures taken in the budget 2022/23, are positively geared towards protecting the purchasing power of the people. Except for the usual tax increase on alcohol and cigarettes, other taxes either remain unchanged or even decreased. The salient tax measures are as hereunder:

- Progressive taxation has been extended to individuals earning up to Rs 975,000 in a fiscal year.
- As from July 2022, an individual earning up to Rs 700,000 will be taxed at 10%, and those earning between Rs 700,000 to Rs 975,000 will be taxed at 12.5%
- The allowable deduction/exemption on the following items have been increased:
 - In respect of a dependent child pursuing tertiary studies from 225,000 to Rs 500,000
 - Medical insurance allowance increases by Rs 5,000
 - Contribution to personal pension schemes increases by Rs 20,000
 - Donations to charitable institutions increase by Rs 20,000
 - Maximum allowance deduction for petrol or traveling allowance increase to Rs 20,000
 - Additional deductions on the amount incurred to purchase manufactured products from a small enterprise by a large manufacturer increased to 25%
- An Income tax holiday of 8 years has been extended to newly incorporated freeport operators making an investment of at least Rs 50M subject to prescribed conditions.
- Penalties imposed on SMEs remaining outstanding as at 25 Mar 2022 for late submission of income tax returns and late payment of income tax during the years 2020 and 2021 will be waived.



(b) International Taxation

- The concept of a global minimum tax will be introduced in our legislation, and a minimum tax rate of 15% will be applicable to companies' resident in Mauritius forming part of multinational enterprises groups having a global annual revenue of EUR 750M and above.
- The income Tax Act will include a provision to allow Mauritius to implement the internationally agreed standards to prevent base erosion and profit shifting.



(c) Tax Administration

- Reintroduction of Tax arrears payment scheme, whereby a full waiver of penalties and interest will be given provided that all tax has been settled by 31 Mar 2023, subject to conditions being met.
- Tax Deduction at source has been extended to include payment made in respect of consultancy fees, security services, cleaning services, pest management services and payments made by insurance companies to motor surveyors and mechanics for repairs of motor vehicles of policyholders.
- The Mauritius Revenue Authority will be allowed to request information from a foundation or trust to enable the Authority to make an assessment, collect tax or comply with the request for the exchange of information under a Double taxation avoidance agreement.

4 BUSINESS FACILITATION

In line with its objective to maintain the status of business-friendly jurisdiction and an international financial center of choice, Mauritius is furthering its efforts to improve and simplify the regulations for the conduct of business in Mauritius. Mauritius is also leaving no stone unturned to continue attracting investments in its real estate sector and entice high-net-worth individuals. The following measures were announced:

- Henceforth, no cost will apply to start a business and incorporate a domestic company in Mauritius and the Bank of Mauritius will ensure that a bank account can be opened within 1 week.
- The current requirement for high-net-worth individuals and families will be reviewed to a minimum portfolio of USD 5 million per management family office.
- Holders of Global Headquarters Administration licence will be provided work and residence permits for 5 executives and the latter's dependents.
- A residential property acquired by more than one non-citizen under 'fractional ownership' will be eligible to apply for the status of residency provided that the investment by each non-citizen exceeds USD 375,000.
- Holders of Residence Permits will be given the opportunity, upon applications, to acquire a residential property of a minimum of USD 350 000 outside the existing schemes, subject to a 10 percent contribution made to the Solidarity Fund.
- To expedite the issuance of work permits, a Work Permit Committee to be chaired by the Prime Minister will be set up.
- The foreign employer of the holder of a Premium Visa will not, in respect of that employee, be subject to the payment of (i) corporate tax under the Income Tax Act; and (ii) social contribution under the Social Contribution and Social Benefits Act.
- Entrepreneurs and students completing their studies will be able to benefit from the premium visa.
- To accommodate ultrahigh net worth passengers, personalized facilities will be offered by Airport Holdings Ltd. The services will comprise handling of private jets and transfers from the airport to hotels by helicopter.
- There will be an introduction of a Business Regulatory Reform Bill to facilitate business on the island.