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Introduction

The Honourable Pravind Kumar Jugnauth, Prime Minister, who also holds the portfolio of finance and economic development presented the 2017/2018 Budget this evening under the theme of ''Rising to the Challenge of our Ambitions''.

The Budget is stated to be one of continuity, building on the thrust of last year's budget which, according to the Honourable Prime Minister, allowed the country to build a strong framework for economic revival. The Honourable Prime Minister stated that economic progress is already visible through the increased growth rate, decrease in employment rate and increase in real growth rate of private investment. He, nonetheless, warned against complacency. He added that the thrust of this budget is to sustain a new era of economic development announced in last year's budget.

We are pleased to provide you with this summary that focuses on the key measures relating to financial services, business facilitation and taxation.

Financial Services

The Minister reaffirmed that the financial services sector represents an important pillar of the economy but that it has nonetheless been subject to major challenges of late, amongst others from the OECD and the European Union. The strategy is to take the global business sector to a new level, based on quality of product offerings rather than on fiscal advantages. Accordingly, Mauritius will strengthen its regulatory stance on substance requirements. Henceforth, Category 1 Global Business Companies will be required to comply with at least 2 out of the 6 additional substance requirements introduced by the Financial Services Commission in 2014. In the same spirit, it has been announced that the tax regime of Global Business companies will undergo a reform to meet the moving goal post of the international community. A Blueprint will be elaborated by the Ministry of Financial Services, Good Governance and Institutional Reforms in collaboration with stakeholders of the industry to shape the vision of the sector for the next 10 years. Other measures include the setting up of a platform for the trading of derivatives and commodities, review of the legal and regulatory framework, strengthening of the AML/CFT framework amongst others.

Investing in Mauritius

The creation of an Economic Development Board (EDB) is announced. The EDB will be tasked, amongst other things, to manage the e-licensing business platform. The EDB will be a one-stop shop for business licensing. The Board of Investment, Enterprise Mauritius, the Financial Services Promotion Agency and the Mauritius Africa Fund will be absorbed into the new entity.

In order to attract foreign investors' innovative entrepreneurial ideas, the Government has announced the introduction of an 'Innovator Occupation Permit' for innovative start-ups with a minimum operational expenditure of 20% for Research and Development purposes; high tech equipment imported into the country by foreign investor will, subject to criteria to be published by the Government, be taken into account for the minimum investment of USD 100,000 required to obtain an Occupation Permit.

Investing in Africa

Recognizing that Africa offers enormous opportunities for cross-border investments, the country will consolidate its footprint on the continent. Joint commissions with Ivory Coast, Ethiopia, Ghana, Kenya, Madagascar and Zambia will be held to enhance Mauritius bilateral co-operation with these countries in various sectors, including trade and investment. A 'Business and investment Platform for Africa' (BIDA) will be established to facilitate joint prospects by Mauritian enterprises in Africa.

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Tax incentives

A number of incentives have been introduced to encourage expenditure on research and development and to promote export of goods manufactured.

The profits derived from the exports of the goods produced locally will now be taxed at 3%. An accelerated capital allowance at the rate of 50% will be introduced on research and development as well as provisions to claim a double deduction on qualifying expenditure. The tax holiday introduced in the last budget has been extended to domestic companies engaged in the manufacturing of pharmaceutical products, medical services, high tech products and income derived from innovative intellectual property assets developed in Mauritius.

Fiscal measures

There has been no change in VAT, corporate and personal income tax rates other than the imposition of a solidarity levy of 5% on High Income Earners. The “Tax Arrears Payment Scheme” is being reintroduced with new terms and conditions that will be announced in due course. A revolutionary negative income tax system is being announced to provide financial support to low-income employees. As usual, tax on alcohol and cigarettes has increased.

Conclusion

The budget appears to be a well-balanced act of calculated restraint and measured action. It contains a number of measures aimed at revitalizing the export sector, increasing foreign direct investments, improving business facilitation and further opening the economy. It also includes a series of provisions to improve the lives of people, especially those at the lower end of the spectrum.