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BUDGET HIGHLIGHTS 2013

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The Minister of Finance and Economic Development, Honorable Xavier Luc Duval, presented his third budget on the 8th of November 2013. The budget although carrying a certain number of innovative measures mainly with respect to social integration and economic empowerment, contains also a number of key measures relating to the Financial Services / Global Business Sector. We have extracted some of the salient features of the budget which might be of interest to you as detailed hereunder:

FISCAL FRAMEWORK

<p>(a) <i>Special levy on Banks:</i> The special levy on banks will be calculated at the rate of 10% on chargeable income for Segment A activities for the years of assessment 2014 and 2015.</p> <p>(b) <i>Private Freeport Development licence holder:</i> Continue to be exempted from tax. However any income derived from the sale on the local market or any specified manufacturing or processing activities will be subject to income tax at the rate of 15%.</p> <p>(c) <i>Shipping income:</i> confirmed to be exempted from income.</p> <p>(d) <i>Companies:</i></p> <ul style="list-style-type: none"> ➤ Those involved exclusively in the provision of e-commerce services to nonresidents of Mauritius will be exempted from VAT on services relating to credit/debit cards issued by non-banking financial institutions. ➤ Companies having a F/yend of 30 June with no tax liability may submit their corporate tax return up to 15 January of the following year. <ul style="list-style-type: none"> ➤ Income tax return for a turnover of up to MUR10 Million will be simplified. 	<p>(e) <i>Payment of Levy, NPF and NSF;</i> Exemption for the payment of such levies for the 24 months of employment for expatriates and their employers has been removed except for those in the Export Oriented Enterprises.</p> <p>(f) <i>Corporate Social Responsibility (CSR):</i></p> <ul style="list-style-type: none"> ➤ The 2% applicable to companies is now extended to Resident Sociétés. ➤ Companies may now use their CSR fund to provide free of charge, crèche and kindergarten facilities for employees earning less than Rs 12,000 per month. <p>(g) <i>Individuals:</i></p> <ul style="list-style-type: none"> ➤ The annual income exemption threshold has been increased by Rs 5000 for each category ➤ The monthly car benefit has been increased to 6.7%. ➤ Accommodation benefit by hotels has been increased by 5%.
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The *Tax Deduction at Source* mechanism has now been extended to the following:

- Certain consultancy and management services.
- Interest payments made by financial institutions and other companies to individuals where such interest is taxable All payments made to non-residents for services performed in Mauritius except where such persons are exempted from tax under a double taxation avoidance agreement.
- Payment of fees to non-residents are now subject to income tax irrespective whether the services are being provided from or outside Mauritius.

Property Taxation

- The Duty payable on the acquisition of a residential property under the Real Estate Scheme (RES) and Integrated Resort Scheme (IRS) has been revised from USD 25,000 to the higher of USD 25,000 or 5% of the transfer value.
- Land transfer tax on resale of residential property under the IRS has been revised from USD 50,000 to the higher of USD 50,000 or 5% of the transfer value. A rate of 10% applicable on transfer of immovable property for a period of less than 5 years will be reduced to 5% as from 1 January 2014.
- Registration duty will be introduced on the transfer of pleasure crafts.
- Current exemption from Land Transfer Tax and Registration duty under the Construction of Housing Estates Scheme is being extended for an additional year to 31 December 2014 provided construction is completed by 31st December 2015 and sale of residential units prior or during construction is effected by way of "Vente en l'Etat Futur d'Achèvement" -VEFA.
- Exemption of Registration duty for purchase of land for implementing a scheme registered before 31 December 2014 where a unit costing less than Rs.4 million in a housing estate of at least 5 units.

Tax Administration

- A Tax Administration Bill will be introduced to address repetitive administrative provisions under the various revenue legislations currently in place.
- The different payment dates for various taxes and remittances to the MRA will be aligned.
- Penalties in connection with registration and stamp duty for late submission of documents will be simplified.
- A simplified income tax return will be implemented for small businesses with a turnover of up to Rs.10 million.

FINANCIAL SERVICES AND REGULATORY FRAMEWORK

The most important change for *GBL1 companies* is now that they are now allowed to acquire IRS/RES property in Mauritius. The Financial Services Act will be amended as well as the enactment of an Investment Promotion (Real Estate Development Scheme) Regulations to cater for this new initiative.

Another initiative is to strengthen the *Regulatory framework and reinforcing the seriousness and good reputation of Mauritius as a Financial Centre* by :

- Setting up of a joint private/public Financial Services Promotion Committee
- Setting up a Serious Fraud Office and a Coordination Committee combating financial crime
- Amending the Bank of Mauritius Act and the Financial Services Act to reinforce their respective regulatory functions.
- Amendment of the Criminal Code to prohibit Ponzi/pyramid schemes
- Extension of the powers of the Financial Services Commission (FSC) to investigate breach of the laws under its administration

The Investment Promotion Act will be amended *to include investment in Initial Public Offerings as a qualifying business activity* for the purpose of granting Permanent Residence in Mauritius .

Another measure being announced is *abolishing the bank guarantee needed for application of Occupation and Residence Permits* as well as revision of fees for permits as an incentive to attract more high calibre professionals to Mauritius.

A number of changes will be brought to the Banking Act, Companies Act, Financial Reporting Act, Insolvency Act, Financial Intelligence and Anti Money Laundering Act.

ICT AND CONNECTIVITY

The government understands that having a modern and efficient infrastructure is key to attracting investment, generate activity and modernize the economy. Mauritius will thus :

- Enhance internet connectivity with East Africa
- Provide additional connection of 50,000 homes to fibre cable.
- Impose a requirement from ISPs to ensure a minimum service level to consumers.

OTHER LAUDABLE BUDGETARY MEASURES

- Development of an Aviation Hub towards creating a world class airport, which will consist of passengers and cargo as well acting as a Centre for maintenance repairs and overhaul for aircrafts.
- Improvement of our existing air services
- Setting up of a Logistics Park
- Implementation of a fast Track Committee to expedite the processing of all permits and approvals concerning major big-impact investment projects
- Creation of a Marine Services Platform to further develop the bunking and shipping related activities.
- Development of Mauritius into a Petroleum Hub.
- Working towards an Ocean Economy
- Host Country Bill for organisations wishing to set up their regional offices here
- Creation of a MUR500m Mauritius-Africa fund and transforming Mauritius into a Gateway to Africa.
- Creation of a central E-Monitoring system to track all applications for Building and Land Use Permits
- Enhancement of the role of Mauritius as a gateway to Africa by organizing several upcoming BOI conferences .

Should you wish to obtain more information/details/clarification on the budgetary measures, please do not hesitate to contact us further.