Mauritius Budget Highlights 2020/21

June 4, 2020

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Contents

KPMG View

An array of social measures for economic revival

The Minister of Finance, Economic Planning and Development, presented on 4 June 2020 the 2020-2021 budget speech entitled “Our new normal: the economy of life”.

The Government has embarked into the post COVID-19 era with measures presented under a “Plan de Relance de L’Investissement et de L’Economie”, “Major Structural Reforms” and “Securing Sustainable and Inclusive Development”.

As the country navigates its way out of the COVID-19 pandemic with a projected contraction of 11% this year, we also face an ageing population and a high gross public sector debt ratio of 83.4% (net 72.7%).

The budget sets the tone with a high social agenda. There is a continuance of projects and ongoing sector avenues such as the blue economy, consolidation of financial sectors, stimulating the data economy, building of a pharmaceutical industry and promotion of regional partnerships.

The tourism industry received a number of incentives such as the possibility to convert hotels into service apartments which can be sold individually, a two year no-licence fee period for Tourism and Beach Authority operators, a waiver of rental of State land for one year, and the increase in the rebate scheme for renovation and restructuring to 100% until 2022.

Reducing concentration and promoting local manufacturing

Local manufacturers will benefit with supermarkets dedicating at least 10% of shelf space to local produce and government bodies being required to source at least 30% of their supplies as locally produced. In the agricultural sector, a centralized platform will accelerate self-sufficiency.

KPMG View (cont.)

Other measures include land acquisition by Landscope for increased agricultural use as well as additional subsidies to small planters for investment.

Continuing the infrastructure building story amidst the COVID-19 crisis

The significant allocation of more than MUR100 Billion to infrastructure came as a surprise at a time when the bulk of the funding headroom available to the "Grand Argentier" would have perfectly served the wishes of the pro-welfare and socially generous audience to see funds deployed to preserve the uncertain livelihoods and basic needs of the COVID-19 economic victims. One can only deduce that the state has chosen not to nationalize the private sector's decision to sustain employment or has decided that this social decision has to be owned by private sector operators.

Nevertheless, provisions have been made for 34 projects worth MUR62 Billion of which MUR12 Billion for social housing units. The remaining projects budgeted for are the dam at Riviere Des Anguilles, New Urban bus terminals, new roads and bridges as well as a fishing port and a cruise building.

Export, financial and other services

To boost our competitiveness for exports, port dues and handling charges will be reduced by 50% and export companies will be exempted from land transfer tax on the acquisition of immovable property. Given the ranking of Mauritius as a high risk jurisdiction by the EU, it is without surprise that a budget has been earmarked for the implementation of the FATF action plan.

KPMG View (cont.)

At last we are seeing attention being given to the 2017 Blueprint on financial services as part of which the introduction of new enhanced financial products such as digital currency, Insurance Wrapper, Variable Capital Companies, Sukuk, and Green and Blue Bonds are on the agenda. A Venture Capital Market is also being proposed for start-ups and SMEs.

The announced Mauritius Investment Corporation (MIC) to be promoted by the Bank of Mauritius will be positioned to invest in the Pharmaceutical and Blue Economy as new strategic sectors. In the Blue Economy sector, inland aquaculture businesses will further benefit from eight-year tax holidays and duty exemptions. With respect to Africa, it is announced that the MIC will allocate MUR10 Billion of its portfolio for Africa investments in G2G projects.

Structural reforms

The National Pension Fund contribution is being replaced by a progressive formula: “Contribution Sociale Generalisée (CSG)” whereby employees earning up to MUR50,000 will be subject to 1.5% as employee contribution and 3% as employer contribution. For employees earning more than MUR50,000 employee contribution will be 3% and employer contribution 6%. In order to include informal workers as beneficiaries of the CSG, Service Employment Cheques will be introduced as from September 2020.

Opening to the World by attracting talents and expertise

In order to encourage foreign talents to support our local growth, several incentives have been announced, namely simplifying the existing permits and related procedures, extending their validities and providing more flexibility in terms of investments.

The spouse of an Occupation Permit holder and non-citizens under various real estate schemes will now be allowed to work or invest locally.

KPMG View (cont.)

Developing a sustainable future

The Government will continue to invest in landslide stabilisation works, protection of beaches, lagoons and coral reefs, and cleaning of drains, roads, rivers and public sites for a total budget of MUR736 Million.

In terms of health care a number of measures will be implemented within a total budget of MUR12.4 Billion.

The education wallet is budgeted at MUR15 Billion and includes investments in wireless facilities for 155 secondary schools in Mauritius and Rodrigues as well as a national e-learning platform to connect educators of secondary schools.

DBM will also provide financing facilities to households for acquisition of IT equipment for educational purpose.

Taxing the high income earners

High earning Mauritian residents will be subject to higher tax charges due to an increase in the solidarity levy on income in excess of MUR3 Million from 5% to 25%.

Conclusion

This budget comes as a stark reminder of the hard reality of having a Government with limited means driven by a legacy of high public debt. Private sector operators whose businesses have been impacted by COVID-19 would not have received the much awaited relief, at least not until MIC funds are deployed.

Budget Financials & Economic Outlook

Budget Financials

Public Sector Debt

MUR390.1 bn
As at June, 2020

Projected to rise to

MUR390.9 bn
As at June, 2021

Public sector gross debt is planned to increase by MUR755 Million. As a percentage of GDP, this figure is planned to increase from 83.4% to 86.4%

Revenues

MUR162.9 bn
33.8% increase

Main drivers of revenue

MUR90.6 bn
Taxes on income, profit, goods & services (55.6% of total revenue)

MUR60 bn
Exceptional contributions from BoM (36.8% of total revenue)

Expenditures

MUR162.9 bn
1.4% decrease

Main application of expenditure

MUR56.1 bn
General public services (34.4% of total expenditure)

MUR47.8 bn
Social protection (29.3% of total expenditure)

Standard and quality of living

Housing + 8.8%

MUR2.8 bn
2019-2020

rise

MUR3.0 bn
2020-2021

Education – 6.1%

MUR16.8 bn
2019-2020

fall

MUR15.8 bn
2020-2021

Health – 8.7%

MUR13.6 bn
2019-2020

fall

MUR12.4 bn
2020-2021

Social Protection + 12.4%

MUR42.5 bn
2019-2020

rise

MUR47.8 bn
2020-2021

How do we compare

Education Expenditure per capita

Singapore
MUR62,957

South Africa
MUR15,149

Mauritius
MUR12,511

Health Expenditure per capita

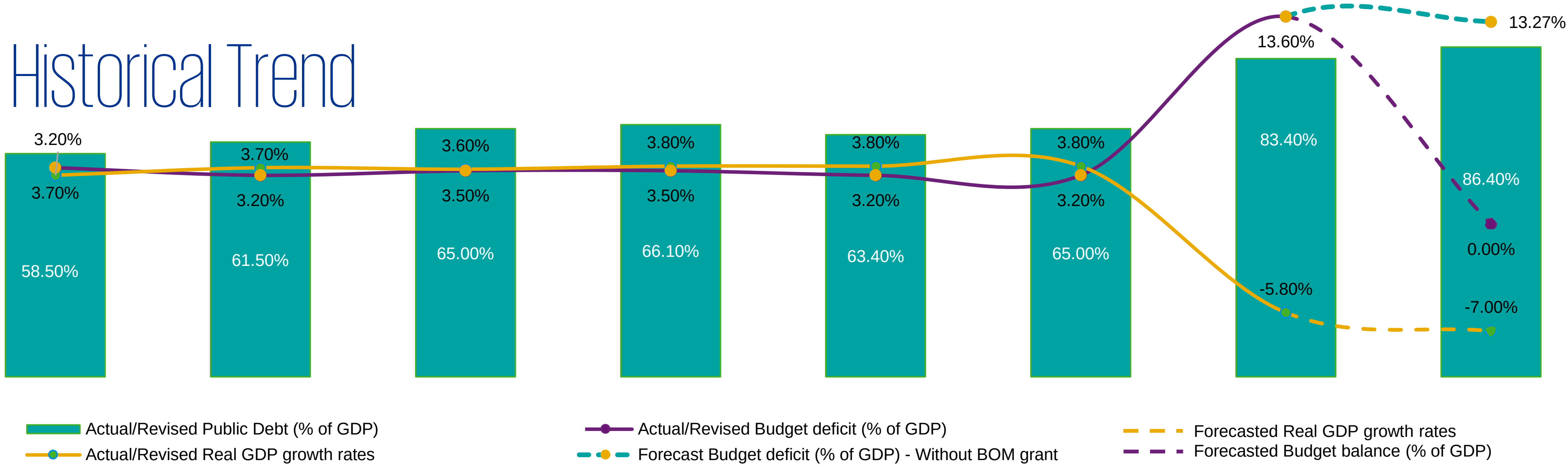
Singapore
MUR56,614

South Africa
MUR8,722

Mauritius
MUR9,784

*Sources: Singapore budget 2020, National Treasury Republic of South Africa budget review 2020, Budget speech 2020-2021 Mauritius

Historical Trend



Key indices

HDI Ranking	63rd	64th	▼	64th	▬	65th	▼	66th	▼	N/A	
WEF Global Comp. ranking	46th	45th	▲	45th	▬	49th	▼	52nd	▼	N/A	
Doing business ranking	28th	32nd	▼	49th	▼	25th	▲	20th	▲	13th	▲
Mo Ibrahim ranking	1st	1st	▬	1st	▬	1st	▬	N/A		N/A	
Economic freedom ranking	10th	15th	▼	21st	▼	21st	▬	25th	▼	N/A	

2014 · 2015/2016 · 2016/2017 · 2017/2018 · 2018/2019 · 2019/2020 · 2020/2021

Notable events

- Change of Government
- Collapse of BAI Group
- Declining investment

- Revised DTAA between Mauritius and India
- Rebound of construction sector due to increase in permits for non-residential buildings
- Private Investment grew for the first time in 5 years

- Reshuffling of the Government cabinet including a new Prime Minister
- Start of construction of light rail system
- Paradise papers leaks
- Sobrinho affair
- Classification of Mauritius as a potentially harmful tax practice by EU

- Revamped Finance Act 2018
- DPA enacted in December 2017
- Unemployment rate dropped due to labour reforms
- ESSAMLG Mutual evaluation finds Mauritius not fully compliant with FATF recommendations
- Blueprint setting out the strategy for the Mauritius International Financial Sector

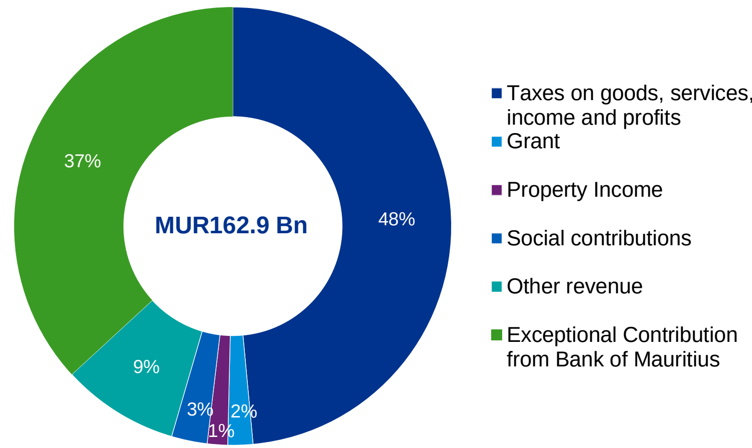
- National Elections: Government stays in power
- Mauritius compliant with EU Tax Good Governance Principles
- First phase of light rail system completed
- UN ordered UK to return Chagos Islands to Mauritius
- Introduction of Workers Right Act 2019

- COVID-19 pandemic outbreak
- Mauritius placed on the list of “Jurisdictions under Increased Monitoring” by the FATF
- Mauritius placed on the list of High Risk Third Countries issued by the EC
- Air Mauritius, the national airline, goes into administration
- National Risk Assessment Public Report published in August 2019

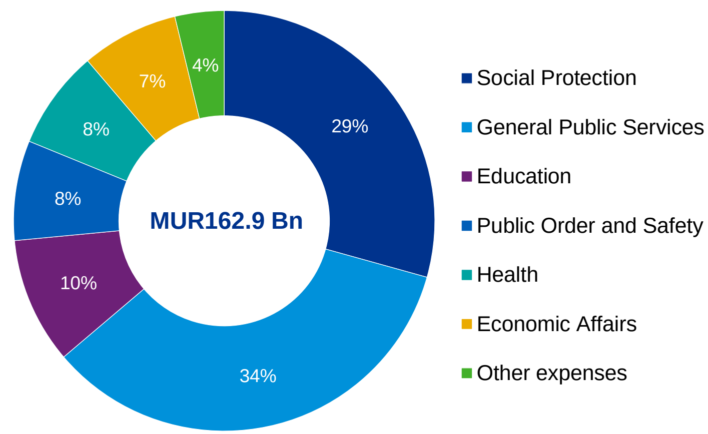
Economic Outlook

Budget Estimates	Unit	2019/20	2020/21	2021/22	2022/23
Real GDP growth	%	(5.8)	(7.0)	4.5	5.0
Investment rate	%	18.6	18.9	19.7	21.2
Inflation rate	%	2.2	4.0	2.5	2.5
Budget Deficit	% GDP	13.6	0	3.0	3.0
Public Sector Debt	% GDP	72.7	78.2	77.7	75.3
Unemployment rate	%	6.7	-	-	-

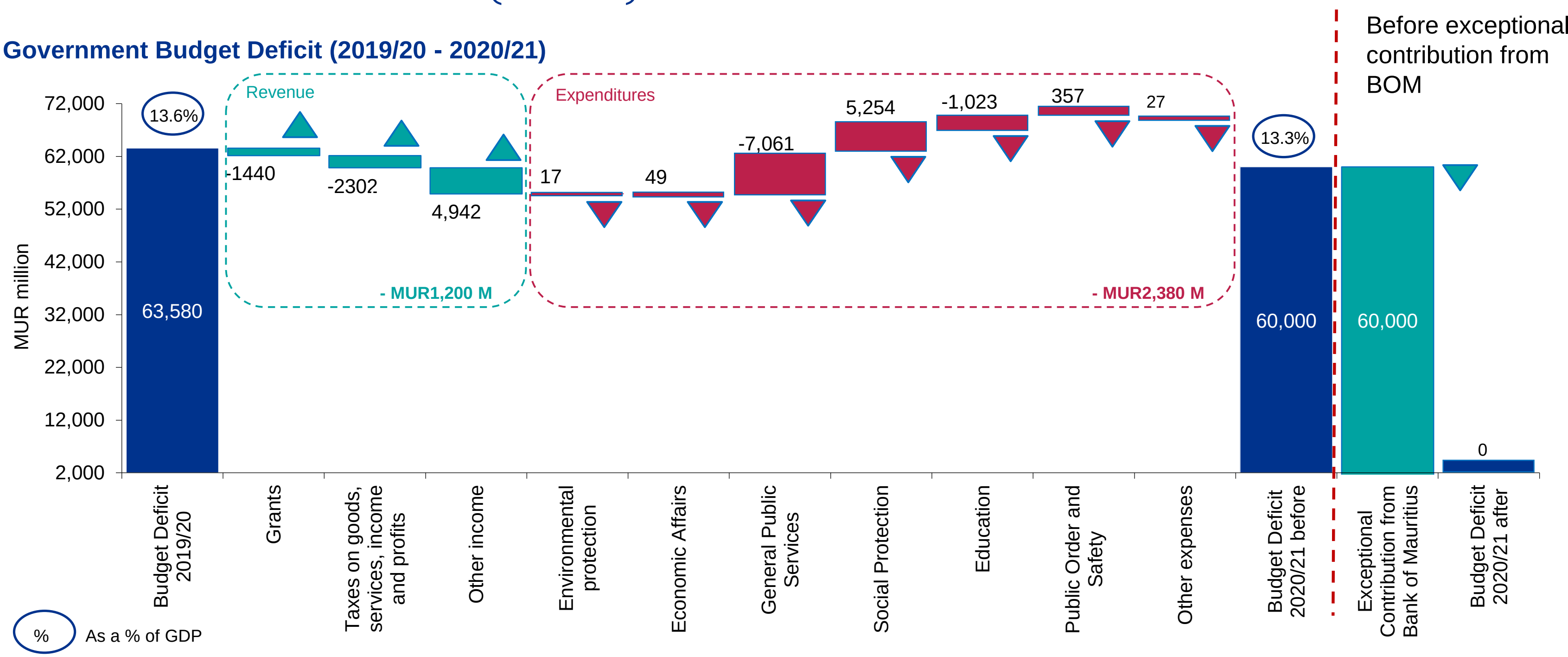
Government Revenue (Jul'20 – Jun'21)



Government Spending (Jul'20 - Jun'21)



Economic Outlook (cont.)



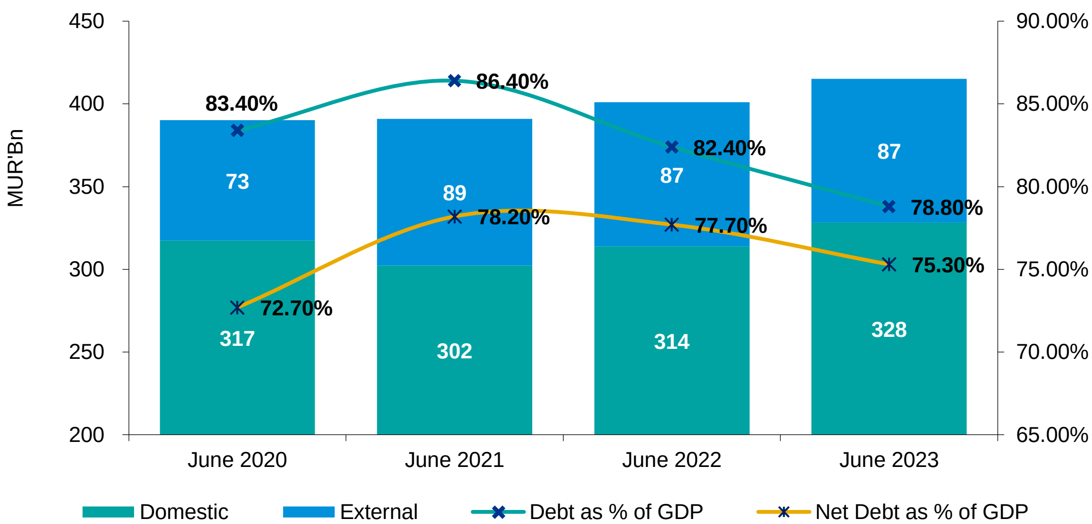
The Budget forecasts Government revenue to be MUR162.9 Billion for the fiscal year 2020/21, increasing by 60.2% from MUR101.7 Billion collected in 2019/20. This is expected to be collected mainly from tax receipts and grants. Tax receipts to Government is expected to represent 48% of revenue, of which 34% of this will be from taxes on goods and services and the remaining 14% will be from taxes on income and profits. Revenue from grants will represent 2% of total Government revenue. The Government has benefitted from an exceptional contribution of MUR60 Billion from the Bank of Mauritius, for the purpose of assisting fiscal measures to stabilise the economy in the wake of the negative impacts of COVID-19.

Budgeted Government expenditure is expected to increase to MUR162.9 Billion for the fiscal year 2020/21, decreasing by 1.4% from MUR165.3 Billion expensed in 2019/20. Spending on social protection and general public services continue to remain the largest categories of expenditure provided in the Budget at just over MUR103.9 Billion, representing a total of 64% of total projected spending. Other expenditures include spending on education, public order & safety, health and economic affairs.

Without the exceptional grant from the Bank of Mauritius, the budget deficit would be MUR60 Billion, representing 13.3% of GDP.

Economic Outlook (cont.)

Debt analysis - June 20 to June 23



The 2020/21 budget unveiled by the Government now estimates a public debt to GDP ratio of 83.40% for the current fiscal year, and projected to increase by 3 percentage points in the next year.

Since the implementation of the COVID-19 Act, the public debt ceiling was removed and it is to be noted that we have gone way beyond the 60% threshold as prescribed by the previous Public Debt Management Act.

Furthermore, calculation of public debt to GDP ratio is now based on gross debt net of cash and cash equivalents, rather than just on gross debt.

Global Business & Regulatory

Global Business & Regulatory

Financial Action Task Force (FATF) Action Plan

- Commitment from the Government to implement the following measures to complete the five remaining recommendations under the FATF by September 2020:
  - Risk-based supervisions in accordance with the recommendations of the FATF;
  - 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;
  - Timely access to beneficial ownership information.
- New Anti Money Laundering (AML) / Combatting the Financing of Terrorism (CFT) Bill will be introduced to complement existing legal
- A dedicated and specialized Financial Offences Court will be set up.

KPMG VIEWS

These measures show that the Government is committed to address the remaining five recommendations to be fully compliant with FATF Action Plan by September 2020. This will avoid Mauritius being on the EU list of high-risk third countries issued by European Commission.

Global Business & Regulatory (cont.)

Occupation/Residence Permits

- Minimum salary of MUR30,000 to be eligible for Occupation Permit (OP) for certain specified sectors
- Work Permit and Residence Permit to be combined into one single permit
- Lengthening the validity of an OP and a Residence Permit for retirees to 10 years renewable
- Minimum investment amount for obtaining an OP will be reduced from USD100,000 to USD50,000
- Minimum turnover and investment requirement (USD40,000) for Innovator Occupation Permit are being removed
- The spouse of an OP holder will not need a permit to invest or work in Mauritius
- OP holders will also be allowed to bring their parents to live in Mauritius
- The Economic Development Board to be the sole agency responsible to determine and recommend applications for the OP
- Professionals with an OP and foreign retirees with a Residence Permit will be able to invest in other ventures without any shareholding restriction
- Non-citizens who have a residence permit under the various real estate schemes will no longer require an Occupation or Work Permit to invest and work in Mauritius
- Permanent Residence Permit will be extended from 10 to 20 years
- OP and Residence Permit holders will be eligible to apply for a Permanent Residence Permit if they have held the permit for three consecutive years.

KPMG

Global Business & Regulatory (cont.)

Occupation/Residence Permits (cont.)

— Non-citizens holders of Residence Permit, Occupation Permit or Permanent Residence Permit will be allowed to acquire one plot of serviced land not exceeding 2,100 m^2 for residential purposes within smart cities subject to certain conditions attached

— Minimum investment amount for an investor to obtain the status of Permanent Resident or a holder of an immovable property under an existing scheme to obtain the status of Resident will be reduced from USD500,000 to USD375,000.

KPMG VIEWS

These measures aim to attract and retain talents in Mauritius, boost the property market and financial services sector, and help global business companies to meet their economic substance test as the measures would help attract expatriates to live and work in Mauritius.

Global Business & Regulatory (cont.)

Diversifying our Financial Services Sector

— Introduction of following financial products in line with the recommendations of the 10-Year Blueprint to enhance the competitiveness of the financial services sector:

- The Central Bank digital currency;
- An Insurance Wrapper;
- Variable Capital Companies;
- An inaugural Sukuk issuance by the Bank of Mauritius;
- Green and Blue Bond frameworks by the Bank of Mauritius.

Corporate Tax

Corporate Tax

Levy on corporates

- Levy to be applicable to companies:
  - with gross annual income exceeding MUR500 Million; or
  - forming part of a group with gross annual income exceeding MUR500 Million.
- Levy payable to be calculated as follows:
  - 0.3% for insurance companies, financial institutions, service providers and property holding companies;
  - 0.1% for other companies.
- Levy not applicable to companies:
  - holding a Global Business License;
  - operating in tourism sector.

Partial Exemption Regime on interest income will not be available to:

- non-bank deposit taking institutions
- money changers
- foreign exchange dealers
- insurance companies
- leasing companies
- companies providing factoring, hire purchase facilities or credit sale facilities.

Eight-year Tax Holidays granted to:

- Companies engaged in the manufacture of nutraceutical products provided it starts its operations on or after 4 June 2020

Corporate Tax (cont.)

Eight year Tax Holidays granted to (cont.):

- Companies engaged in the manufacturing of pharmaceutical products, medical devices or high-tech products, provided it has started or starts its operation on or after 8 June 2017.
- Companies in Blue economy, operating under the newly introduced inland aquaculture scheme
- Top 500 institutions worldwide that set up a branch campus in Mauritius.

Tax Incentives

- Double tax deduction to:
  - Manufacturing companies on the acquisition cost of patents and franchises, including costs incurred to comply with international quality standards and norms;
  - Pharmaceutical companies on R&D expenditures;
  - Companies impacted by COVID-19 on investment in Plant and Machinery, during period 1st March 2020 to 30th June 2020.
- Investment tax credit extended to all Manufacturing companies of 15% over 3 years
- Tax exemption to Mauritius branches of top 500 Institutions in Education sector on IT and IT related materials and equipment for online education
- Full deduction on capital expenditure on electronic, high precision machinery or equipment and automated equipment, in the year incurred
- Accelerated depreciation on Green technology equipment extended to include equipment and machinery used for eliminating, reducing or transforming industrial wastes.

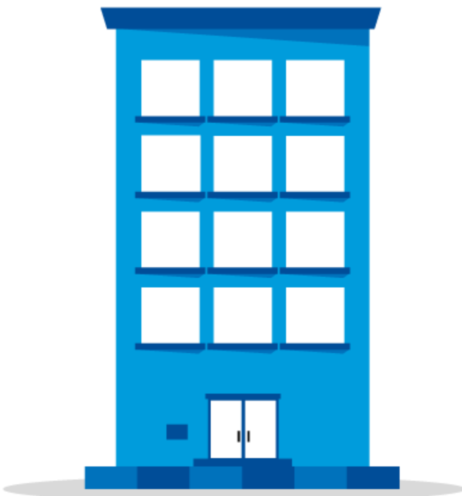
Corporate Tax (cont.)

Solidarity Levy on Telephony Service Providers

— Levy previously extended up to June 2020, will be made permanent.

— Levy applicable for:

- Profitable company: 5% of accounting profit and 1.5% of turnover;
- Loss making company: 1.5% of turnover.



KPMG VIEWS

— Large companies suffer additional burdens, with banks the most impacted by maximum levy rates being introduced in addition to the existing special levy on banks

— New tax holidays limited to companies operating in sectors such as online education, aquaculture and manufacturing of pharmaceutical and nutraceutical products, however more tax incentives could have been provided to benefit companies specifically impacted by COVID-19 crisis in line with globally adopted tax measures

— Solidarity levy on telephony service providers now also applicable even if company is loss-making.

Personal Tax

Personal Tax

Solidarity Levy

— Increase in solidarity levy rate from 5% to 25% on leviable income in excess of MUR3 Million instead of MUR3.5 Million as from 1 July 2020 for Mauritian citizens

— The levy will be payable under the Pay As You Earn (PAYE) system.

Contribution Sociale Généralisée (CSG)

— As from 1 September 2020, The National Pension Fund is being abolished and replaced by a new system, the Contribution Sociale Généralisée

— Under the CSG, the contribution will be as follows:

Monthly salary	Employee	Employer
≤ MUR50,000	1.5%	3%
> MUR50,000	3%	6%

— The CSG will also be applicable to self employed individuals.

Income Exemption Threshold

— Effective as from 1 July 2020, the Income Exemption Threshold for all categories will be increased by amounts ranging from MUR15,000 to MUR80,000 as detailed in Appendix 1.

Deduction for bedridden dependent

— Additional annual deduction ranging between MUR80,000 and MUR110,000 can be claimed by a taxpayer who has a bedridden next of kin as dependent provided that his/her total number of dependents does not exceed four.

Personal Tax (cont.)

KPMG VIEWS

- —Currently, the solidarity levy of 5% applies to tax residents. It appears that the solidarity levy of 25% applies only to Mauritian citizens. It is not clear whether the 5% levy will still be applicable to non citizens who are tax resident. We expect that the Finance Bill will bring clarity.
- —Based on illustration in Appendix 2 of our rate card, the effective tax rate of a Mauritian citizen earning a total income of MUR8 Million based on assumptions included therein will be increased from 17% to 32%.
- —We expect that this levy will be temporary so that it does not deter Mauritian citizens living abroad from returning and retain talents in Mauritius.
- —The introduction of CSG will have significant impact for both the employee and employer.
- —The monthly contributions of an employee earning a monthly salary of MUR60,000 will increase from MUR562 to MUR1,800. For the same employee, the employer contribution will increase from MUR1,124 to MUR3,600.
- —This will result in a significant increase in wage cost and hence the cost of doing business.

Indirect Taxes

VAT & Other Taxes

Construction sector – the engine of our economy

— Payment of VAT as from receipt date instead of invoice date for Government contracts in relation to construction works

— VAT of less than MUR25,000 now claimable on residential building to allow persons in the lower income brackets whose construction works span over a long period to benefit from VAT refund.

VAT Exemption extended to:

— Construction materials and specialised equipment purchased by medical R&D Centres

— Equipment purchased by persons under a new inland aquaculture scheme.

Digital and Electronic Services

— Digital and electronic services provided through internet by non-residents for consumption in Mauritius will be subject to VAT.

Alignment with international best practices

— VAT registration at time of business registration and company incorporation.

Goods previously Exempt now Zero-rated

— Unprocessed agricultural and horticultural produce

— Live animals used for human consumption except live poultry

— Transport of passengers by public service vehicles excluding contract buses for the transport of tourists and contact cars

— Medical, hospital and dental services.

VAT Administration

— Enforcement of the arm's length principle whereby VAT will be applied on the market value of supplies

VAT & Other Taxes (cont.)

VAT Administration (cont.)

—MRA empowered to request an alternative basis of apportionment for input tax for projects spanning over several years for VAT registered persons having both exempt and taxable supplies

—MRA to be informed of the appointment of an administrator, executor, receiver or liquidator to manage or wind up the business of a taxable person

—Introduction of a VAT e-invoicing system to enhance tax compliance.

KPMG VIEWS

—The option to pay VAT to the MRA based on payment receipt date rather than invoice date could have been extended to other sectors with a view to ease cash flow of companies during this crisis period.

—There is an attempt by the Government to tax global digital businesses. We expect more guidance on how this will be implemented.

—To further encourage the "Made in Moris" label, certain items could have been made zero-rated.

VAT & Other Taxes (cont.)

Property Taxes

- Exemption from registration duty on acquisition of newly-built dwellings for Mauritians extended by two years and for a threshold value of MUR7 Million
- Exemption from land transfer tax to a promoter undertaking construction of projects under the house estate scheme extended to exempt residential units of up to MUR7 Million
- First-time buyer registration duty exemption extended to cover inherited land area of less than 20 perches.

Customs Duty

- Value of an article imported by post or courier services that is exempt from customs duty and VAT is being reduced from MUR3,000 to MUR1,000
- Customs duty rate on imported sugar increased from 80% to 100%.

Excise Duty

- Doubled sugar tax to 6 cents per gram on sugar sweetened beverages, along with an extension of the scope of products the sugar tax covers
- Rebate on the amount of customs/excise duty payable to be granted on motor vehicles, subject to satisfying certain conditions and varying depending on the category of motor vehicle.

Duty Free Shops

- Duty Free Shops and Deferred Duty and Tax Scheme shops allowed to sell goods on the local market of limitless quantity but subject to payment of duties and taxes.

VAT & Other Taxes (cont.)

Other exemptions

- Exemption from registration duty and land transfer tax for the purchase of immovable property for companies engaged in certification, testing and accreditation of local laboratories
- Exemption from registration duty on acquisition of immovable property in the life sciences sector.

KPMG VIEWS

- The proposed extension of exemptions shows that the Government is taking concrete measures to help the economy get back on its feet in the wake of the disastrous COVID-19 pandemic.
- Exemptions given to companies engaged in local laboratories and the life sciences sector should encourage more investors to pursue research and development ventures in Mauritius.
- However, reduction in customs and VAT exemptions on imported goods and newly imposed VAT on digitally purchased goods, will discourage customers from buying abroad and encourage local purchases.
- It remains to be seen whether these measures will suffice to help boost the economy in the intended way.

Tax Administration

Tax Administration

Income Tax

- Standard 60 days time limit to effect income tax refunds from the date of application and submission of all documents to MRA
- E-services platform further developed to improve service delivery to taxpayers.

Customs

- Principal Officer (executive director or board member) shall be liable to any taxes due by a private company
- Time frame of 28 days for importers/manufacturers to settle any underpayment of duties, excise duties, taxes and penalties has been extended to cover:
  - default on deferred payment facilities;
  - non-submission of cargo report for an aircraft or ship;
  - importation of selected prohibited goods.
- Goods imported in multiple consignments / shipments will be given the same tariff as its finished goods
- Customs declaration (Bill of Entry) made in respect of imports will be regarded as a self-assessment
- Penalty for failure to present a cargo report reviewed to MUR500 per day up to a maximum of MUR5,000
- Public notice given by MRA Customs on suspension of imported goods if suspected of infringement of industrial property rights.

Customs Tariff

- Exchange rate used for valuation purposes to be posted on MRA website.

Tax Administration (cont.)

Mauritius Revenue Authority

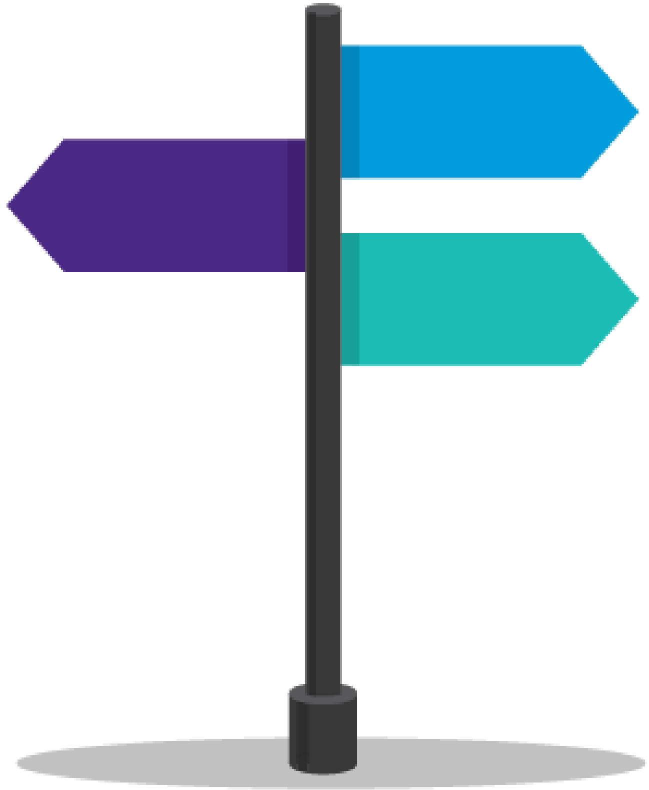
— Where aggrieved parties fail to appear before the Assessment Review Committee, their cases will be struck out except in cases of illness or any other reasonable cause.

Registrar-General's Department

— Exemption of registration duty for an individual registered on the Social Register of Mauritius for the acquisition of residential unit from the National Empowerment Foundation.

KPMG VIEWS

More certainty on the time frame for tax refunds from the MRA is a welcomed measure, especially during this crisis period where many businesses have major cash flow difficulties.



Appendices

APPENDIX 1

Tax Rate Card

This Tax Card is based on current tax legislation as updated by the proposals set out as per the Budget 2020/2021 and is subject to Finance Act.

Income Exemption Threshold		
Year of Assessment	**2020/2021**	**2019/2020**
Income year	1 July 2020 to 30 June 2021	1 July 2019 to 30 June 2020
	MUR	**MUR**
Category A	325,000	310,000
Category B	435,000	420,000
Category C	515,000	500,000
Category D	600,000	550,000
Category E	680,000	600,000
Category F	375,000	360,000
Category G	485,000	470,000

Category:

A. An individual with no dependent

B. An individual with one dependent only

C. An individual with two dependents only

D. An individual with three dependents only

E. An individual with four or more dependents

F. A retired/disabled person with no dependent

G. A retired/disabled person with dependents

Exemptions/ Deductions/Reliefs – Personal		
Year of Assessment	**2020/2021**	**2019/2020**
Income year	1 July 2020 to 30 June 2021	1 July 2019 to 30 June 2020
Tuition fee exemption (per dependent child) [Note 1]	MUR175,000 or MUR200,000	MUR175,000 or MUR200,000
Lump sum received as commutation of pension and retiring allowance [Note 2]	MUR2.5 Million	MUR2.5 Million

Note

1. An individual is entitled to a deduction of MUR175,000 for a dependent pursuing tertiary studies in Mauritius and a deduction of MUR200,000 if the dependent is studying abroad.
2. The exemption threshold on lump sum has remained same as last year. The lump sum relates to severance allowance, pension or retiring allowance.

APPENDIX 1

Tax Rate Card (cont.)

This Tax Card is based on current tax legislation as updated by the proposals set out as per the Budget 2020/2021 and is subject to Finance Act.

Tax Band Rate		
Year of Assessment	**2020/2021**	**2019/2020**
Income year	1 July 2020 to 30 June 2021	1 July 2019 to 30 June 2020
Individual deriving an annual net income of up to MUR 700,000 [MUR700,000 for 2019/20] [Note 3]	Tax at 10%	Tax at 10%
Individual deriving an annual net income above MUR 700,000 [MUR700,000 for 2019/20]	Tax at 15%	Tax at 15%

Note

3. An individual deriving a basic salary including compensation not exceeding MUR50,000 in his first month, will benefit from a tax credit of 5% of his chargeable income, provided that his annual net income does not exceed MUR700,000 and hence be taxed at 10%.

Exemptions/ Deductions/Reliefs – Personal		
Year of Assessment	**2020/2021**	**2019/2020**
Period Ended	1 July 2020 to 30 June 2021	1 July 2019 to 30 June 2020
Flat rate on chargeable income plus dividends in excess of MUR3 Million [MUR3.5 Million for 2019/20] [Note 4]	25% on leviable income exceeding MUR3 Million	5% on leviable income exceeding MUR3.5 Million

Note

4. A Mauritian citizen tax resident having a chargeable income plus dividends in excess of MUR3 Million will be required to pay a Solidarity Levy equivalent to 25% of that excess. For example, an individual who has received, during an income year, total chargeable income amounting to MUR2 Million as well as MUR2 Million as dividends, will have to pay a levy of 25% on MUR1 Million, i.e. MUR250,000 (MUR 25,000 in 2019/20).

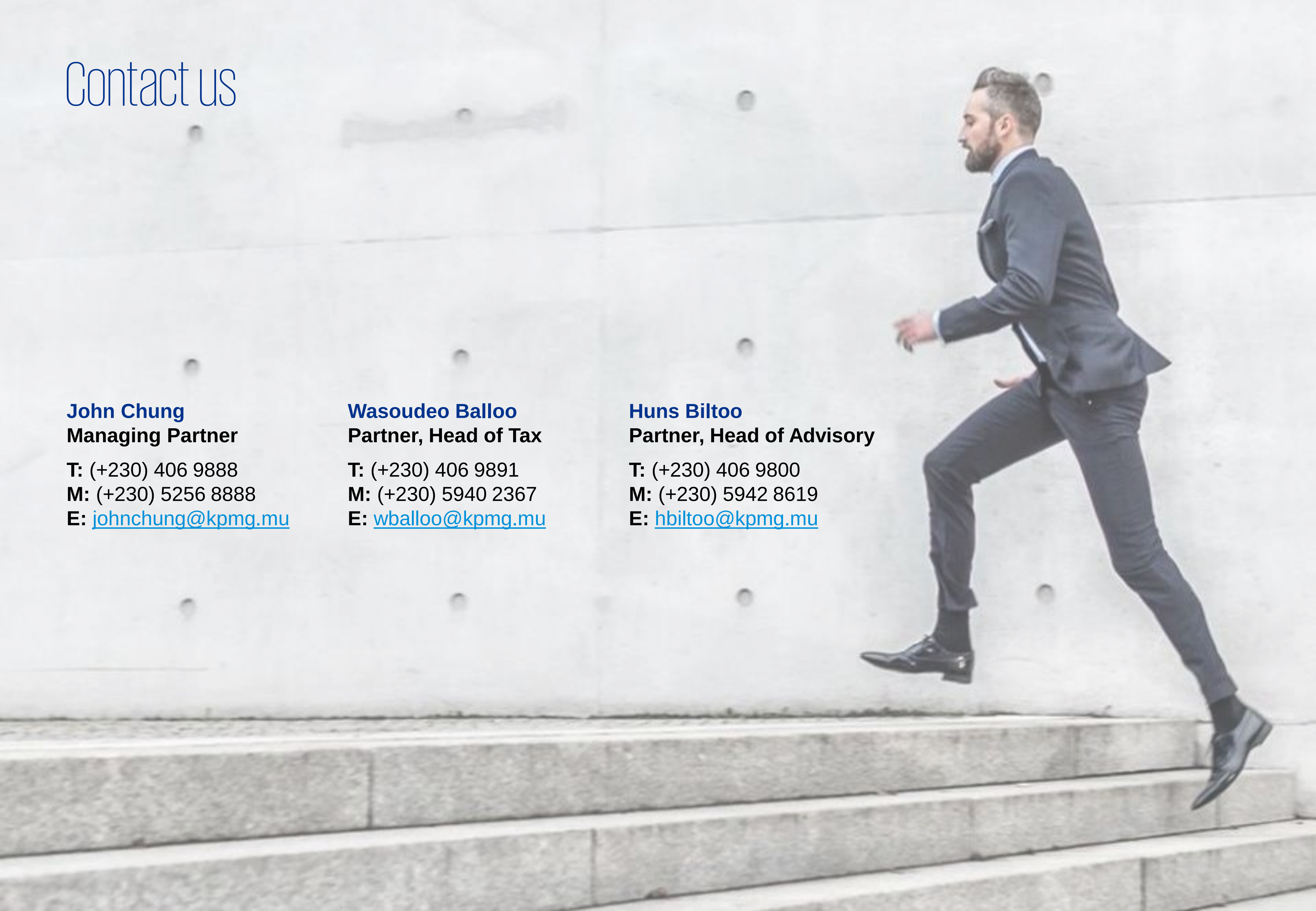
APPENDIX 2

Income Tax Computation

HYPOTHETICAL TAX CALCULATION		
Period covered	**12 months to 30.06.21**	**12 months to 30.06.20**
	MUR	**MUR**
Emoluments	6,000,000	6,000,000
Interest Income (See Note 1)	10,000	10,000
Dividend Income (See Note 2)	2,000,000	2,000,000
Total Income	**8,010,000**	**8,010,000**
Less Exempt Income	(2,010,000)	(2,010,000)
Total Net Income	6,000,000	6,000,000
Less Deductions		
IET (category C) (See Note 3)	(515,000)	(500,000)
Relief for medical insurance contribution (See Note 4)	(40,000)	(40,000)
Relief for the wages paid during a year to household employees (see Note 5)	(30,000)	(30,000)
Chargeable income	5,415,000	5,430,000
Tax at 15%	**812,250**	**814,500**
Solidarity levy (See Note 6)	**1,103,750**	**196,500**
CSG/NPF	**180,000**	**6,750**
Total tax and contributions payable	**2,096,000**	**1,017,750**
Increase in tax and contributions payable	**1,078,250**	
Effective tax rate	**35%**	**17%**

Calculations based on the following assumptions

1. Received interest income from Mauritius Bank of MUR10,000.
2. Received local dividend income of MUR2,000,000.
3. Individual married with two dependents, claiming exemption for only the two dependent children
4. Claiming relief for medical insurance contribution for the 2 dependents (MUR15,000 for self and 1st dependent and MUR10,000 for the 2nd dependent)
5. Wages of MUR50,000 paid during the year to household employees (relief available up to MUR30,000, provided compliance with social security contributions)
6. Solidarity Levy of 25% applicable on chargeable income plus dividends in excess of MUR3 Million.



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The above information has been extracted from the budget speech delivered by Dr the Honourable Renganaden Padayachy, Minister of Finance, Economic Planning and Development, to the National Assembly, on 4 June 2020.

The Budget proposals may be amended significantly before enactment. The content of this summary is intended to provide a general guide to the subject matter and should not be regarded as a basis for ascertaining liability to tax or determining investment strategy in specific circumstances. In such cases specialist advice should be taken.