



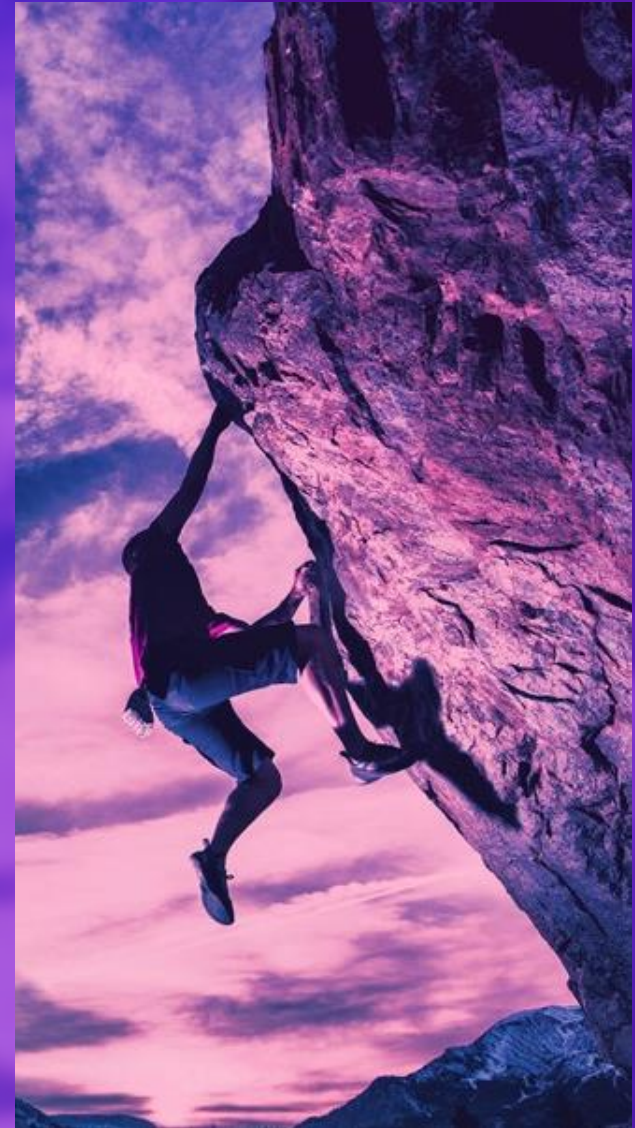
# Finance Bill 2022

## Key tax changes

July 2022

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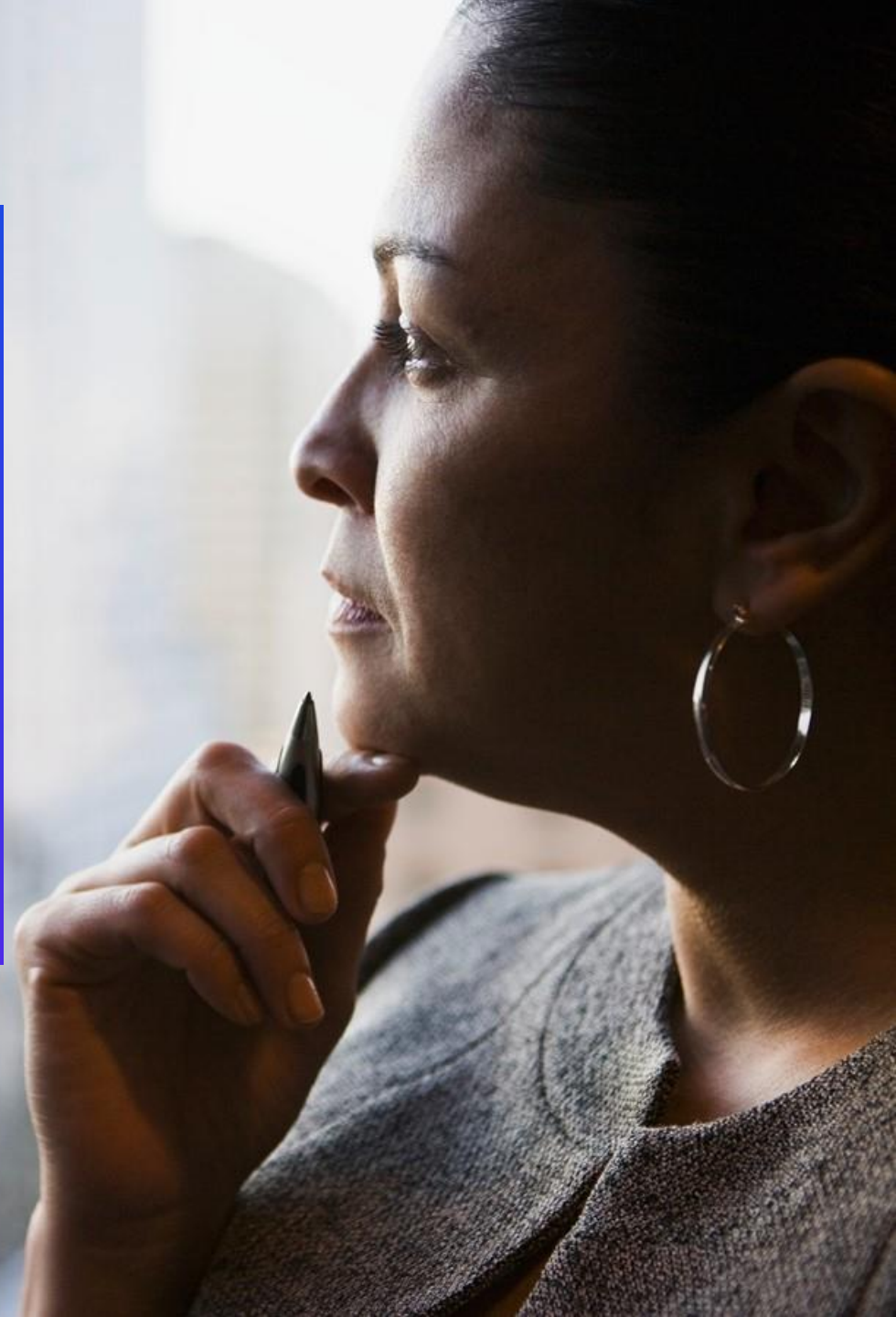


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# Foreword





# Foreword

Dear Valued Clients,

The Finance (Miscellaneous Provisions) Bill 2022 (“the Bill”) has been released for consultation. This draft legislation incorporates the measures announced by the Honourable Minister of Finance in his Budget Speech on 7 June 2022.

This Alert covers the key tax measures contained in the Bill which are still subject to changes following parliamentary debates.

Aligning with OECD’s BEPS 2.0, we note the introduction of a domestic top-up tax for companies part of an international group with a consolidated turnover of EUR 750 million or more. However, the Bill does not expand on how this will be applied. We expect that full details will be given through regulations. We hope that players from across the Industry are consulted prior to these regulations being issued.

Again, with a view to implement OECD’s BEPS 2.0 recommendations, powers have been given to the Minister of Finance to issue Regulations on internationally agreed policies to address the tax challenges arising from digitalisation of the economy.

The Budget had announced that non-resident employers having their employee working remotely from Mauritius would not be fiscally caught in Mauritius in respect of duties performed by that employee in Mauritius. This clarification was very welcome. However, the Bill does not inspire the same level of confidence. In fact, section 74A(2) of the Bill is contradictory and brings in confusion. We expect this to be a drafting error and hope the Finance Act rectifies this as soon as possible to avoid any uncertainties.

Moreover in terms of recommendations made in the budget on developing an ESG framework, preparing carbon credit trading framework and issuing sustainable bonds, no such measures were included in the Bill. However, considering the growing importance that ESG has been recently taking globally, we expect the Mauritius Government to be working on such framework which would be implemented in due course.

With no major changes last year on the personal tax front, this year’s Bill announces a further income tax bracket at 12.5% affirming our willingness to adopt a more progressive tax system. After the latest Budget, there were much speculations as to whether the different tax bands would be applied to everyone such that only the top slice of income being taxed at the highest rate of 15%.

# Foreword (cont.)

It is now clear that individuals will still be taxed at one rate of tax with no income slicing. So, we continue to have progressive tax rates with the anomaly that those moving up the tax bands following a salary increase may find themselves with comparatively lower additional disposable income compared to the increase in their gross pay.

Re-introduction of the Tax Arrears Settlement Scheme (TASS) and expedition of cases at ARC allow businesses to focus on their core activities rather than spending resources discussing with institutions regarding unsettled tax amounts. This is, however, a restricted window of opportunity for taxpayers to regularize their tax affairs as it will only be applicable until the end of this year.

Citizens will continue to benefit the 5% refund under the Home Ownership Scheme and the Home Loan Payment Scheme, encouraging families to still embark on the construction of their home despite the rise in prices of construction materials.

To encourage a “greener” Mauritius, Government will introduce a 10% refund on the value of imported electric motor car or motor vehicle for transportation of goods. This refund is however restricted to individuals only. To be more impactful, we would have expected this measure to apply to corporate buyers as well.

A number of measures pertaining to non-residents including acquisition of residential property outside existing schemes, residency permit on acquisition of residential property by more than one non-citizen, residency permit for 5 executives and their dependents working for companies holding global headquarter licence and threshold for minimum portfolio under family office licence, which were announced during the Budget are omitted from the Finance Bill. We expect such measures to be enacted through regulations.

I hope you find this Alert informative. Feel free to contact us for any queries you may have.

Regards,



**Wasoudeo Balloo**  
Partner, Head of Tax  
KPMG in Mauritius

# Corporate Tax



# Corporate Tax

Key measures	Effective Date
<p><b>BEPS 2.0 Global Minimum Tax (GMT) - Local top up tax</b></p> <ul style="list-style-type: none"> <li>A company forming part of an MNE group with global annual revenues of at least €750 million which is liable to pay Top-up Tax, may be required to compute a Qualified Domestic Minimum top-up tax in Mauritius.</li> <li>Top-up Tax and Qualified Domestic Minimum top-up tax have the same definition as Global Anti-Base Erosion (GloBE) Rules developed by the OECD.</li> </ul> <p><b>Taxation of Digital Economy</b></p> <ul style="list-style-type: none"> <li>Powers have been given to the Minister of Finance to issue Regulations on internationally agreed policies to address the tax challenges arising from digitalisation of the economy</li> </ul>	<p>Date to be fixed by Proclamation</p> <p>Gazette Date</p>
<p><b>Tax incentives</b></p> <ul style="list-style-type: none"> <li>Increase of additional deduction from 10% to 25% to manufacturers with annual turnover exceeding MUR100 million, on the amount incurred to purchase products manufactured locally by small and medium enterprises whose turnover does not exceed MUR100 million.</li> <li>Expenditure incurred during the period starting on 1 July 2021 and ending on 30 June 2022 from SME whose turnover does not exceed MUR100 million, will be eligible for an additional deduction of 10%.</li> </ul>	<p>1 July 2022</p>

# Corporate Tax (cont.)

Key measures	Effective Date
<p><b>Tax incentives (cont.)</b></p> <ul style="list-style-type: none"> <li>• 8-year tax holiday to: <ul style="list-style-type: none"> <li>– innovative agricultural practices under the Integrated Modern Agricultural Morcellement Scheme administered and managed by EDB.</li> <li>– a person engaged in sustainable agricultural practices and registered with EDB</li> <li>– newly set up freeport operator or private freeport developer starting operations after 1 July 2022 and making an investment of at least MUR50 million and complies with substance requirements.</li> </ul> </li> </ul>	<p>Year of Assessment (YOA) commencing 1 July 2023</p>
<p><b>Income derived outside Mauritius</b></p> <ul style="list-style-type: none"> <li>• A new section (S74A) is being added in the Income Tax Act which provides that where a company carrying its business outside of Mauritius but has an employee working remotely from Mauritius, the gross income attributable to the work of that employee shall be deemed to be income derived from Mauritius.</li> <li>• However, S74A(2) provides that the income will not be deemed to be derived from Mauritius unless: <ul style="list-style-type: none"> <li>– Employee is a holder of a premium visa; and</li> <li>– Core business activity of the company is outside Mauritius.</li> </ul> </li> </ul> <p><i>We are of the view that there is a drafting error in the proposed new section as this is not in line with the Budget announcement. We expect that the income will not be considered as derived from Mauritius where the employee is a holder of a premium visa or the core business activity of the company is outside Mauritius. We hope this will be rectified in the Finance Act.</i></p>	<p>Gazette Date</p>



# Corporate Tax (cont.)

Key measures	Effective Date
<p><b>Tax Deducted at Source (TDS)</b></p> <ul style="list-style-type: none"><li>• Introduction of 3% TDS on payments made by:<ul style="list-style-type: none"><li>– a person, other than an individual, to Consultants (other than those specified in Fifth Schedule of ITA such as accountants, tax advisor, legal consultant, barrister, attorney) and to provider of security and cleaning services, and pest management services.</li><li>– insurance companies to motor surveyors and mechanics for repairs of motor vehicles of policy holders</li></ul></li><li>• Increase in rate of TDS on;<ul style="list-style-type: none"><li>– Payments to service providers specified in fifth schedule, from 3% to 5%</li><li>– Rent paid to resident, from 5% to 7.5%</li></ul></li></ul>	3 October 2022

# Personal Tax



# Personal Tax

Key measures		Effective Date								
<b>Introduction of new Personal Tax Rate Band</b> <table><tr><th>An individual having an annual net income</th><th>Rate of income tax</th></tr><tr><td>(a) not exceeding MUR700,000</td><td>10%</td></tr><tr><td>(b) Between MUR700,000 and MUR975,000</td><td>12.5%</td></tr><tr><td>(c) Exceeding MUR975,000</td><td>15%</td></tr></table> <ul style="list-style-type: none"><li>The tax credit of 5% available to an individual deriving a basic salary including compensation not exceeding MUR50,000 in his first month provided that his annual net income does not exceed MUR700,000 has been repealed</li></ul>		An individual having an annual net income	Rate of income tax	(a) not exceeding MUR700,000	10%	(b) Between MUR700,000 and MUR975,000	12.5%	(c) Exceeding MUR975,000	15%	Income Year 1 July 2022
An individual having an annual net income	Rate of income tax									
(a) not exceeding MUR700,000	10%									
(b) Between MUR700,000 and MUR975,000	12.5%									
(c) Exceeding MUR975,000	15%									
<b>Petrol or Travelling allowance</b> <ul style="list-style-type: none"><li>Maximum allowable deduction increased from MUR11,500 to MUR20,000 for employees using their private car for performance of duties</li></ul>		Income Year 1 July 2022								

# Personal Tax (cont.)

Key measures	Effective Date						
<p><b>Relief for medical insurance premium or contribution</b></p> <ul style="list-style-type: none"> <li>Increase in the maximum allowable deduction for medical insurance premiums as follows:</li> </ul> <table> <tr> <th></th><th>MUR</th></tr> <tr> <td>Self / 1<sup>st</sup> Dependent</td><td>25,000</td></tr> <tr> <td>Each other dependent</td><td>20,000</td></tr> </table>		MUR	Self / 1 <sup>st</sup> Dependent	25,000	Each other dependent	20,000	Income Year 1 July 2022
	MUR						
Self / 1 <sup>st</sup> Dependent	25,000						
Each other dependent	20,000						
<p><b>Solidarity Levy – PAYE</b></p> <ul style="list-style-type: none"> <li>An individual who has not submitted an Employee Declaration Form and derives emoluments including pension in relation to past employment or annuity, pension or other similar payment not exceeding MUR 230,769 in a month may request his employer or the person responsible for the payment to deduct PAYE for solidarity levy</li> <li>The request to withhold PAYE will remain applicable until it is revoked by the person or the Director-General</li> </ul>	Income Year 1 July 2022						



# Personal Tax (cont.)

Key measures	Effective Date
<b>Additional exemption in respect of dependent child pursuing undergraduate and postgraduate courses</b> <ul style="list-style-type: none"><li>• Increase in the maximum exemption threshold from MUR225,000 to MUR500,000 for both undergraduate and postgraduate courses</li></ul>	Income Year 1 July 2022
<b>Contribution to approved personal pension schemes</b> <ul style="list-style-type: none"><li>• Maximum allowable deduction for contributions made to an individual pension scheme approved by the Financial Services Commission under the Insurance Act for self has been increased to MUR50,000</li></ul>	Income Year 1 July 2022
<b>Donation to Charitable Institutions</b> <ul style="list-style-type: none"><li>• Maximum allowable deduction for donations made to a charitable institution and religious body has been increased to MUR50,000</li></ul>	Income Year 1 July 2022

# Personal Tax (cont.)

Key measures	Effective Date
<p><b>Angel investor allowance</b></p> <ul style="list-style-type: none"><li>• Relief of 50%, by way of deduction from net income, on a minimum amount of investment of MUR100,000 to the seed capital of a qualifying start-up Small and Medium Enterprise. Investment should be by way of acquisition of shares made by angel investors</li><li>• Maximum allowable deduction for investment made by angel investors of MUR500,000 subject to meeting certain conditions</li><li>• Any unrelieved amount in an income year may be carried forward and deducted against net income of the 2 succeeding years</li></ul>	Income Year 1 July 2022

# Value Added Tax



# Value Added Tax

Key measures	Effective Date
<b>VAT Registration</b> <ul style="list-style-type: none"> <li>MRA empowered to register taxable persons where they have failed to compulsorily register under the VAT Act.</li> <li>Names, BRN and VAT Registration Number of VAT registered persons will be published on MRA website and updated on quarterly basis.</li> </ul>	Gazette date
<b>E-publication in case of failure to submit VAT Returns</b> <ul style="list-style-type: none"> <li>MRA to publish, with prior notification, name and address of VAT registered person in case of failure to submit VAT return.</li> <li>Publication will be made not less than three months after due date to submit VAT return.</li> <li>VAT registered person will have seven days upon notice of publication to submit the VAT return.</li> </ul>	Gazette date
<b>Objection and Appeal at ARC</b> <ul style="list-style-type: none"> <li>Objection against MRA's decision may be lapsed due to failure to submit requested information.</li> <li>These information will not be allowed to be submitted upon appeal to ARC.</li> </ul>	Gazette date



# Value Added Tax (cont.)

Key measures	Effective Date
<p><b>E-invoicing system</b></p> <ul style="list-style-type: none"> <li>• Introduction of an e-invoicing system allowing businesses to register all invoices and issue fiscal invoices (i.e. invoice bearing data or mark to confirm registration on the e-invoicing system) to customers.</li> <li>• Obligation to acquire necessary equipment and software for issue of fiscal invoices by persons carrying out specific business activities or persons given notice to do so by MRA.</li> <li>• Non-VAT registered persons or persons making exclusively exempt supplies may be given notice to issue fiscal invoices.</li> <li>• Penalty of MUR10,000 per month or part of the month up to a maximum of MUR200,000 for failure to issue fiscal invoices.</li> </ul>	Gazette date
<p><b>VAT Withholding</b></p> <ul style="list-style-type: none"> <li>• Public sector agency to withhold VAT at specified rates on payment of goods and services procured under a contract.</li> <li>• The VAT withheld will be considered to have been paid by the VAT registered person as VAT for the taxable period immediately following the period in which the deduction is made.</li> </ul>	Gazette date

# Value Added Tax (cont.)

Key measures	Effective Date
<b>VAT Refund on residential building, house or apartment</b> <ul style="list-style-type: none"><li>• No limit in cost of construction or purchase price for construction which will be started or purchase to be made as from 31 July 2022.</li><li>• Floor area of the residential building, house or apartment should not exceed 1,800 square feet.</li><li>• MRA to proceed with VAT refund not later than 30 days from date of receipt of all supporting documents.</li></ul>	Gazette date
<b>VAT Refund to event organisers</b> <ul style="list-style-type: none"><li>• Decrease in minimum number of participants in events from 100 to 50.</li></ul>	Gazette date

# Tax Administration



# Tax Administration

Key measures	Effective Date
<b>International arrangements</b> <ul style="list-style-type: none"> <li>The Income Tax Act 1995 will be amended in order to allow Mauritius to enter into international arrangements for: <ul style="list-style-type: none"> <li>Alternative dispute resolution to resolve cross border tax disputes; or</li> <li>Implementing the internationally agreed standards to avoid base erosion and profit shifting.</li> </ul> </li> </ul>	Gazette date
<b>e-Publication of names of companies not submitting returns</b> <ul style="list-style-type: none"> <li>The Director-General of the MRA will be allowed to publish the name of a company which has not filed its income tax return on the website of the MRA instead of publishing same in the newspapers.</li> <li>Moreover, the notification to the company regarding the publication may be made electronically.</li> </ul>	Gazette date



# Tax Administration(cont.)

Key measures	Effective Date
<p><b>Tax Arrears Settlement Scheme (TASS)</b></p> <ul style="list-style-type: none"> <li>• Re-introduction of the scheme to allow for full waiver of penalties and interest provided that the tax arrears, due as at 7 June 2022, under Income Tax Act, the VAT Act and Gambling Regulatory Authority Act, are paid in full by 31 March 2023 and provided that the taxpayer makes an application to the MRA by 31 December 2022.</li> <li>• Taxpayers having assessments pending on 7 June 2022 before the Assessment Review Committee, the Supreme Court or Judicial Committee of the Privy Council may take advantage of full waiver of penalties and interests under TASS by withdrawing the case before these institutions.</li> <li>• Settlement of any debt amount due to Registrar-General on or before 31 March 2023 will also be covered under this scheme but it will only apply to tax arrears as at 31 May 2022.</li> </ul>	Gazette date
<p><b>Waiver of Penalties</b></p> <ul style="list-style-type: none"> <li>• Penalties imposed on SMEs remaining outstanding as at 25 March 2022 with respect to late submission of income tax returns and late payment of income taxes during the years 2020 and 2021 will be waived.</li> </ul>	Gazette date

# Tax Administration(cont.)

Key measures	Effective Date
<p><b>Expediting cases at ARC</b></p> <ul style="list-style-type: none"><li>• The Mauritius Revenue Authority Act 2004 will be amended to cover the following:<ul style="list-style-type: none"><li>– ARC panel may constitute two persons instead of three persons depending on the nature of the tax appeal case;</li><li>– Replacement of a member by the Chairperson without having to start the case anew subject to approval of the parties to the case;</li><li>– The ARC will be able to conduct a hearing through videoconferencing subject to consent of all parties;</li><li>– Decision based on the statement of case may be given without a hearing subject to consent of the parties</li></ul></li></ul>	Gazette date

# Tax Administration(cont.)

Key measures	Effective Date
<b>Expediting cases at ARC (cont.)</b> <ul style="list-style-type: none"><li>– ARC decision may be given orally on the same day where the issues relate to:<ul style="list-style-type: none"><li>– Failure to file a return or produce documents;</li><li>– Failure to pay the 10% due on objection or 5% due on appeal;</li><li>– Late submission of statement of case; or</li><li>– Party has raised a preliminary point of law before the start of a hearing; and</li></ul></li><li>– One meeting may be scheduled where hearing of representations is called pro forma and the Chairperson or Vice-chairperson considers that the issues raised in the written representations can be resolved through mediation.</li></ul>	Gazette date

# Tax Administration(cont.)

Key measures	Effective Date
<b>Power to request for information- Foundation and Trusts</b> <ul style="list-style-type: none"> <li>• The MRA will be allowed to request information from a Foundation or Trust to enable the Authority to: <ul style="list-style-type: none"> <li>– Make an assessment;</li> <li>– Collect tax; or</li> <li>– Comply with any request for the exchange of information under a Double Taxation Avoidance Agreement.</li> </ul> </li> </ul>	Gazette date
<b>Digital Signatures under Registration Duty Act</b> <ul style="list-style-type: none"> <li>• Acceptance of a deed for registration whereby a secure digital signature has been affixed in conformity with the Electronic Transactions Act.</li> </ul>	Gazette date
<b>Transfer of Shares by a Non-citizen</b> <ul style="list-style-type: none"> <li>• Requirement to present a certificate under the Non-Citizens (Property Restriction) Act where shares in a partnership, societe or a company owning in immovable properties are transferred.</li> </ul>	Gazette date

# Others



# Others

Key measures	Effective Date
<b>Home Ownership Scheme (HOS) &amp; Home Loan Payment Scheme (HLPS)</b> <ul style="list-style-type: none"> <li>• 5% refund under HOS &amp; HLPS have been extended until 30 June 2023.</li> <li>• Property acquired or home loan signed during 12 June 2021 (budget date in 2021) and 30 June 2021 will also qualify under HOS and HLPS</li> </ul>	12 June 2021
<b>Exemption Registration Duty for first time buyers</b> <ul style="list-style-type: none"> <li>• Each spouse married under the regime “corps et bien” will benefit from the exemption of registration duty for first time buyers.</li> </ul>	8 June 2022
<b>Land Transfer Tax – Share buy back</b> <ul style="list-style-type: none"> <li>• The Land (Duties and Taxes) Act will be amended so that registration duty and land transfer tax apply on share buy-back in a company which hold immovable property in Mauritius.</li> </ul>	1 January 2023
<b>Duty and other taxes benefitted under the Premium Investor Certificate</b> <ul style="list-style-type: none"> <li>• Registration duty and other taxes exemption benefitted on land under the Premium Investor Certificate will have to be repaid back if the land is not used.</li> </ul>	Gazette date



# Others (cont.)

Key measures	Effective Date
<b>Exemption - Integrated Modern Agricultural Morcellement Scheme</b> <ul style="list-style-type: none"> <li>Exemption from registration duty under the Integrated Modern Agricultural Morcellement Scheme</li> <li>Exemption from Land Conversion Tax under the Integrated Modern Agricultural Morcellement Scheme where a maximum of 15% of that land is converted into residential or commercial land.</li> </ul>	Gazette date
<b>Exemption from Registration duty – Transit Oriented Scheme</b> <ul style="list-style-type: none"> <li>Exemption from registration duty on lease of land for property developer under the Transit Oriented Scheme as may be approved by the EDB. (page 109 adding)</li> </ul>	Gazette date
<b>Negative Excise duty Scheme</b> <ul style="list-style-type: none"> <li>Claim for refund of 10% (up to a maximum of MUR 200,000) of the value at importation of electric motor car or electric motor vehicle for transport of goods purchased during the period 01 July 2022 to 30 June 2023.</li> </ul>	1 July 2022
<b>Definition of “Small Private Company”</b> <ul style="list-style-type: none"> <li>Annual turnover for small private company increased from MUR 50m to MUR 100m. Such companies will no more be required under the law to have their financial statements audited.</li> </ul>	Gazette date

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The above information has been extracted from the Finance Bill released for consultation on 22 July 2022.

The Bill 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.

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