Tax Analysis

KPMG View - Tax perspective

Dear Valued Clients,

The 2023/24 Budget was presented today in times where the economy is looking at recovering post pandemic. The Minister read his fourth budget under the current 5 year mandate.

Taxation of individuals clearly stole the show with a reform to the basis of how income tax is calculated. Mauritius finally moves to a progressive tax system, deemed to be a much fairer system. Even though we already had three rates at which income for individuals was being taxed, i.e., at 10%, 12.5% and 15%, taxpayers were only hit by the highest rate based on their monthly remuneration. This system also gave rise to an anomaly where individuals suffered a sudden relative increase in tax when moving salary bands.

The progressive tax system means the different rates are applicable based on an income slicing method. This also means an automatic increase in disposable income. This incremental method is being introduced in style with eleven different tax rates ranging from 0% to 20%.

Solidarity levy has been the trending topic every budget ever since the increase to 25%. There was much speculation again this year and we are glad that the solidarity levy has been abolished as per our consistent requests in pre-budget proposals.

Increasing the partial exemption rate to 95% for Collective Investment Schemes and Closed End Funds means they are being effectively taxed at 0.75%. This sends a clear message to Funds that Mauritius wishes to maintain its competitiveness as an IFC. This will definitely encourage more debt funds to structure through Mauritius.

The taxation of banks has also been aligned where the incentive system has been ended. Banks will now pay tax at 15% on all chargeable income above MUR 1.5 bn. Where the special levy rate is currently dependent on a threshold of MUR 1.2 bn, the budget announces that all banks will pay the levy at 5.5% irrespective of their operating income.

Mauritius also wants to position itself as an ESG-rated investment destination platform and is looking at encouraging such types of investments. ESG-related projects will be eligible for the Premium Investor Certificate Scheme.

Mauritius introduced the Qualified Domestic Minimum Top up Tax (QMDTT) under the local law last year. However, the Government has not provided a timeline for implementation of the QMDTT in this budget. The delay in adoption of the GloBE rules may result in Mauritius enterprises of impacted multinationals groups being subject to top-up taxes in countries who have opted for early adoption of the rules. The next one or two years will be crucial time for Mauritius to review its tax incentives and tax holidays such that they are still fit for purpose post GloBE rules. We recommend that the Government monitors the international tax developments and ensure timely implementation of the QMDTT. The Government should also review and update its suite of industry incentives to ensure Mauritius remains competitive in attracting and retaining investments.

Global Business & Regulatory

Global Business

Amendments to reinforce the existing AML/CFT framework

— The Financial Services Act will be amended to give the Financial Services Commission the power to take enforcement actions in case of breach of AML/CFT legislation and power to take sanctions for other non compliances.

Variable Capital Company (VCC)

— Extension of scope of VCC to allow their use for family offices and wealth management.

Private Banking

— Introduction of a Wealth Manager and Family Officer licence under Private Banking.

Digital Rupee

— Digital rupee to be rolled out in November 2023 on a pilot basis.

Regulatory

Acquisition of land/immovable property by non citizens

Smart City Scheme and Property Development Scheme

— Non citizens holding an occupation permit, permanent resident permit or a resident permit will be allowed to acquire one plot of serviced land not exceeding 2,100m2, in Smart City Scheme and Property Development Scheme (PDS), up to 30 June 2026, instead of 30 June 2024, subject to conditions.

PDS Project relating to Senior Living

— Non citizens will be given Residence Permit on acquisition of a property in a PDS relating to a senior living provided that:

(i) the acquisition price exceeds USD 200,000; and

(ii) the non-citizen is aged above 50 years old.

Sustainable City Scheme

— Non citizens will allowed to acquire residential property in a sustainable city.

— The non citizen and his family will be granted a resident permit on acquisition of property of a minimum price of USD 375,000 under the Sustainable City Scheme.

Outside existing schemes

— Non citizens who are resident in Mauritius may acquire residential property outside of existing schemes (such as smart city scheme and property development scheme), subject to conditions including payment of an additional registration duty of 10%.

Occupation Permit (OP)

— Salary threshold for professional OP reduced from MUR60,000 to MUR30,000.

— OP holders will no longer be required to have a local bank account.

— The Young Professional OP will be opened to all fields of study.

— An applicant for an OP will be allowed a business visa of 120 days without having to leave Mauritius.

— A silent is consent provision of 4 weeks will be introduced for registration of foreign professionals with professional bodies including the medical, dental and veterinary councils.

Regulatory

Work Permit

— Work permit applications will be made solely on the National e-licensing platform;

— Introduction of a silent is consent principle of 4 weeks for work permits applications;

— The ratio of foreign to local employees is being removed for specific sectors; and

— Non-citizens on a tourist or business visa will be allowed to apply for a work permit

Premium Investor Certificate

— The Premium Investor Certificate (PIC) was introduced in 2021 and allows companies investing at least MUR500m in certain specific sectors to benefit from negotiable incentives.

— The PIC will be extended to cover.

- investors taking over or acquiring the whole or part of a Government undertaking including by way of acquisition of shares in a Government-owned company.
- Investments linked to production of materials for renewable energy technologies.

Companies Act

— Company will be required to send its annual report to shareholders at least 21 days, instead of 14 days, prior to annual meeting.

Women empowerment

— Listed companies shall have a minimum of 25% of women on their boards.

— Mandatory creche facilities by employers with over 250 staff.

Unique Identification Number

— Implementation of a unique identification number, which will be used across all government agencies, for each business and company.

Corporate Tax

Corporate Tax

Tax incentives

— Increase in;

- Partial exemption on interest earned by a Collective Investment Scheme and Closed End Fund from 80% to 95%.
- Tax deduction from 200% to 300% to companies employing disabled individuals on the emoluments paid to the individuals.

— Profits derived from sale of aviation fuel to an airline will be considered as export of goods and benefit from concessionary tax rate of 3%.

— Double deduction on;

- Costs incurred by new campuses or local training institutions partnering with their African counterparts
- Expenditure incurred by a local company participating in financing, sponsoring or marketing and/or distribution of an approved film project produced at least 90% in Mauritius, under the Film Rebate Scheme, intended for theatrical or media streaming release
- Cost of setting up a childcare centre to companies
- Emoluments paid by companies to newly-employed women or women who have been unemployed for at least one year under the Prime a L'emploi scheme

Telephony Service Providers

— Solidarity levy applicable on Turnover component reduced from 1.5% to 1%.

— Companies who has made a loss still required to pay the levy at 1%.

Taxation of Banks

— The incentive tax rate of 5% (third tax band) has been removed.

— The tax rates of Banks as from YOA 2022/2023 will be as follows;

- Chargeable income up to MUR1.5 Billion – 5%
- Chargeable income above MUR1.5 Billion – 15%

Corporate Tax

Manufacturing companies

— Investment tax credit of 15% over 3 years on new plant and machinery (excluding motor cars) is extended up to financial year 2025/2026.

— Unrelieved tax credit may be carried forward over 10 years.

— Clarification provided that manufacturing companies producing both alcoholic and non-alcoholic drinks can claim the investment tax credit on expenditure on plant and machinery used exclusively in production of non-alcoholic drinks.

— Double deduction in respect of expenditure incurred on market research and product development will no longer be restricted to the African market. However, this incentive is restricted to companies having annual turnover not exceeding MUR500 million.

— Companies manufacturing medical devices will benefit from a reduced tax rate of 3%.

Tax exemption on interest income extended to

- Bonds, debentures or sukuks issued by an overseas entity to finance renewable energy projects approved by the MRA;
- Bonds to finance renewable energy projects is extended to all sustainable projects.

Donations made to NGOs

— Triple deduction on donations made by companies to NGOs involved in

- Supporting persons with health issues and disabilities, protection of street children and rehabilitation programmes up to MUR1 million;
- Animal welfare and protection

Tax Deduction at Source (TDS)

— Introduction of TDS on payments made;

- By insurance companies to panel beaters and spray painters for repairs of motor vehicles of policy holders – 3%
- To Interior Decorator/Designer – 5%

— Exemption from TDS on fees paid to Management companies and Investment advisor licensed by FSC.

Personal Tax

Personal Tax

Introduction of progressive tax system

— All income will be taxed incrementally i.e. the chargeable income will be divided into different revenue brackets.

— Each bracket will have a specific tax rate starting at 0% and will be capped at a maximum of 20% as detailed in Appendix 1.

Abolishment of Solidarity Levy

— It is proposed that an individual will not be required to pay solidarity levy at the rate of 25% on its leviable income exceeding MUR3 Million (capped at 10% of net income including local dividend).

VAT
& Other taxes

Value Added Tax (VAT)

Special levy on Banks

- Alignment of special levy to 5.5% for all banks irrespective of operating income amount.

E-Invoicing System

- MRA to launch a portal to test the Electronic Billing Systems by vendors and ensure invoices are in a standard e-invoicing format.

VAT Refund

- Limit for cost of construction of MUR3 Million for VAT refund on residential building, house or apartment re-introduced; and
- Name and address of persons not in business to be specified on invoices issued by VAT registered persons, upon request, to facilitate VAT refund.

VAT Exemption

- Event organisers now exempt from payment of VAT on accommodation costs instead of being eligible to a VAT refund; and
- Construction of a purpose-built building for the provision of primary and secondary education now exempt from VAT.

Credit for input tax

- Clarification that credit for input tax shall be claimed as from date of voluntary registration.

Other taxes

Home Ownership Scheme (HOS) and Home Loan Payment Scheme (HLPS)

— Refund of 5% under the HOS and the HLPS extended to 30 June 2024.

Negative excise tax (refund) on purchase of electric car

— Refund of 10% (up to a maximum of MUR200,000) of the value at importation of electric motor car or electric motor vehicle for transport of goods, extended up to 30 June 2024.

Transfer of shares

— For transfer of shares (in a company holding immovable property) exceeding MUR200,000 in value and requiring a supporting certificate from a professional Accountant, the duty/taxes (e.g registration duty and land transfer tax) will be levied either on the value declared in the deed of transfer or in the certificate, whichever is the higher. Currently, the levy is on the value in the certificate.

— When a person is acquiring more than 20% of the share capital in a company and an option has been made to be taxed on the value of shares transferred, a description of immovable property held in the company together with a site plan should be given at time of registration of the deed of transfer.

— The process of objection following an assessment on value of shares transferred will apply equally to the transferee and transferor if the latter is subject to land transfer tax on the transaction..

Tax Administration

Tax Administration

Re-introduction of Tax Arrears Payment Scheme (TASS)

— Taxpayers registering under TASS by 31 December 2023 will benefit from full waiver of penalties and interest of tax arrears due under the Income Tax Act, the VAT Act and the Gambling Regulatory Authority Act provided the arrears are paid in full by 31 March 2024.

— Where assessments are pending before the Assessment Review Committee, the Supreme Court or Judicial Committee of the Privy Council, taxpayers may avail of the scheme by withdrawing the case before these institutions.

Re-introduction of Arrears Payment Scheme under Registrar- General's Department

— Full waiver of penalties and interest of tax arrears due as at 31 May 2023 will be granted where settlements are made on or before 31 March 2024.

Waiver of COVID-19 levy

— All outstanding debts of the COVID-19 levy as at 20 January 2023 inclusive of penalties and interest will be waived.

Statement of Financial transactions by virtual asset service provider and issuer of initial token offerings

— An annual disclosure to the MRA in relation to a transaction made by an individual, a société or succession exceeding MUR250,000 or transactions exceeding in aggregate Mur2 Million in a year; the thresholds for a corporate will be MUR 500,000 and MUR4 Million respectively.

Enlistment of Technical Experts

— The MRA may have recourse to the services of an expert in a technical field to determine the tax liability of a taxpayer.

Review of Tax Appeal System

— Necessary legislative amendments will be made to improve the current tax appeal procedures to make it more effective and efficient.

Presumptive Tax

— Provisions relating to the administration of the presumptive system of income tax will be revised.

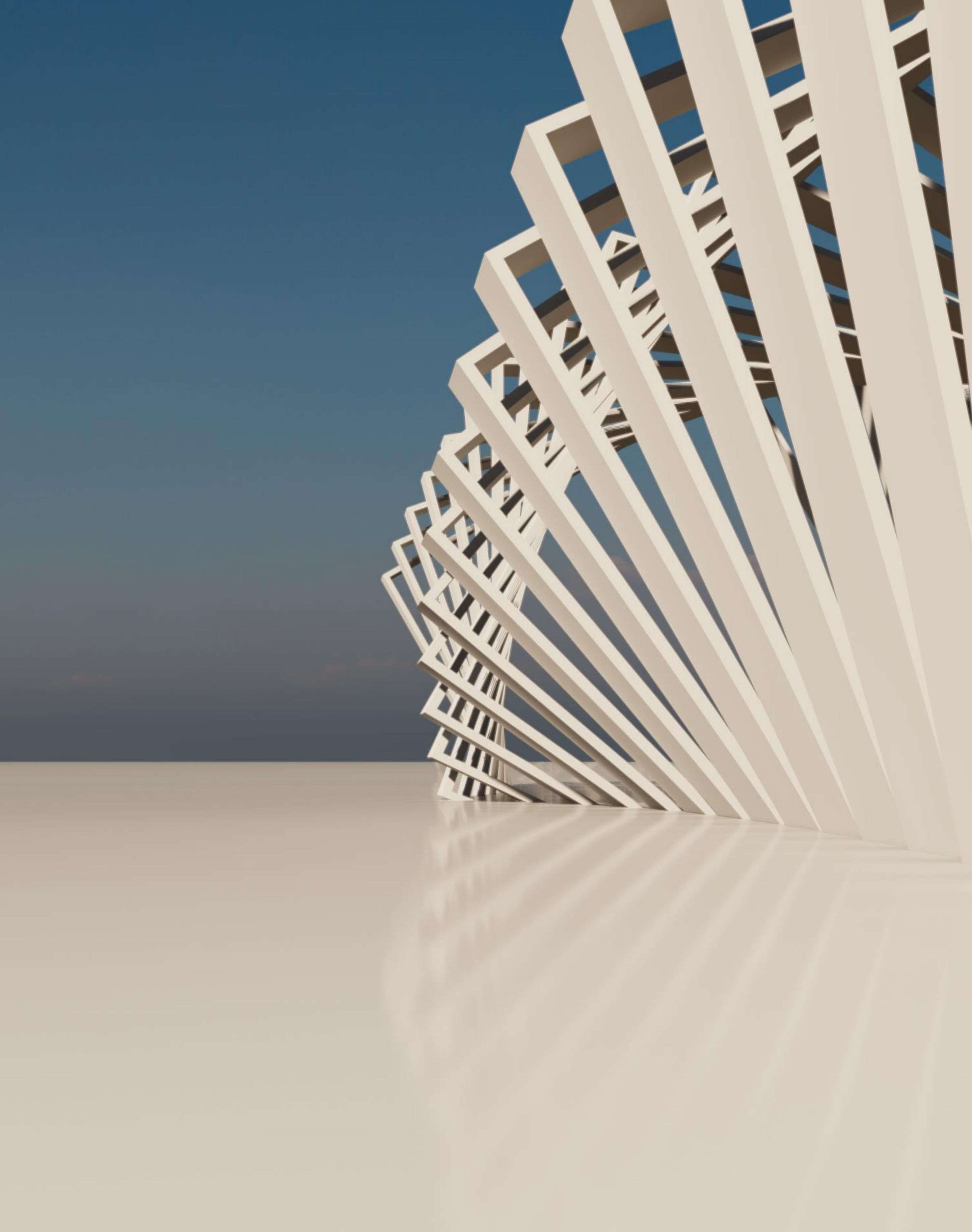
Tax Administration

Power to require information by MRA

— It will be clarified that the provisions of the Information and Communication Technologies Act and the Data Protection Act will not apply to information requested by MRA under Section 123 of the Income Tax Act.

— The MRA will also be allowed to request additional information from a bank if a benefit payable by the MRA has been credited in a wrong bank account.

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 2023/2024 and is subject to Finance Act.

Proposed Tax Band Rates for Income Year ending 30 June 2024		
Tax Rate	**An individual having an annual chargeable income:**	**Description**
0%	MUR0 - MUR390,000	No tax
2%	MUR390,001 - MUR430,000	Pay 2% on surplus income between MUR390,001 and MUR430,000
4%	MUR430,001 - MUR470,000	Pay 4% on surplus income between MUR430,001 and MUR470,000
6%	MUR470,001 - MUR530,000	Pay 6% on surplus income between MUR470,001 and MUR530,000
8%	MUR530,001 - MUR590,000	Pay 8% on surplus income between MUR530,001 and MUR590,000
10%	MUR590,001 - MUR890,000	Pay 10% on surplus income between MUR590,001 and MUR890,000
12%	MUR890,001 - MUR1,190,000	Pay 12% on surplus income between MUR890,001 and MUR1,190,000
14%	MUR1,190,001 - MUR1,490,000	Pay 14% on surplus income between MUR1,190,001 and MUR1,490,000
16%	MUR1,490,001 - MUR1,890,000	Pay 16% on surplus income between MUR1,490,001 and MUR1,890,000
18%	MUR1,890,001 - MUR2,390,000	Pay 18% on surplus income between MUR1,890,001 and MUR2,390,000
20%	Above MUR2,390,000	Pay 20% on surplus income above MUR2,390,000

Previously, an individual was taxed as set out in the table below:

Tax Rates for Income Year ended 30 June 2023	
An individual having an annual net income:	
• Not exceeding MUR700,000	10%
• Between MUR700,000 and MUR975,000	12.5%
• Exceeding MUR975,000	15%

Appendix 1: Tax Rate Card (cont.)

Solidarity Levy		
Income year	**1 July 2023 to 30 June 2024**	**1 July 2022 to 30 June 2023**
Chargeable income plus local dividends in excess of MUR3 Million	Abolished	25% on leviable income exceeding MUR3 Million (capped at 10% of net income including local dividend)

Exemptions/Deductions/Reliefs - Personal		
Income year	**1 July 2023 to 30 June 2024**	**1 July 2022 to 30 June 2023**
Relief for Medical insurance premium or contribution		
An individual and his first dependent each	MUR25,000	MUR25,000
Each other dependent	MUR20,000	MUR20,000
Additional Exemption on		
Contribution to personal pension scheme	MUR50,000	MUR50,000
Donations made to charitable institutions	MUR50,000	MUR50,000

Appendix 1: Tax Rate Card (cont.)

Exemptions/Deductions/Reliefs – Personal		
Income year	**1 July 2023 to 30 June 2024**	**1 July 2022 to 30 June 2023**
Tuition fee exemption (per dependent child) [Note 1]	MUR500,000	MUR500,000
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 MUR500,000, irrespective of the place of study and total income of the household and it covers both undergraduate and postgraduate courses
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 2: Income Tax Computation

Example 1 - Hypothetical Tax Calculation		
Period covered	**12 months to 30.06.24**	**12 months to 30.06.23**
	MUR	**MUR**
Annual Salary	975,000	975,000
Petrol or Travelling Allowance	240,000	240,000
Total Income	**1,215,000**	**1,215,000**
Less Exempt Income (See Note 1)	(240,000)	(240,000)
Total Net Income	975,000	975,000
Less Deductions		
IET (category C) (See Note 2)	(0)	(515,000)
Relief for medical insurance contribution (See Note 3)	(70,000)	(70,000)
Relief for the wages paid during a year to household employees (see Note 4)	(30,000)	(30,000)
Exemptions for donations and pension scheme (See Note 5)	(100,000)	(100,000)
Chargeable income	775,000	260,000
Tax at below rates and 12.5% respectively:		
- First MUR390,000 @ 0% = MUR 0		
- Next MUR40,000 @ 2% = MUR800		
- Next MUR40,000 @ 4% = MUR1,600		
- Next MUR60,000 @ 6% = MUR3,600		
- Next MUR60,000 @ 8% = MUR4,800		
- Remaining MUR185,000 @ 10% = MUR18,500		
Tax liability	**29,300**	**32,500**
CSG	**29,250**	**29,250**
Total tax and contributions payable	**58,550**	**61,750**
Disposable income	**1,156,450**	**1,153,250**
Decrease in tax payable	**(3,200)**	
Effective tax rate	**6%**	**6%**

Appendix 2: Income Tax Computation (cont.)

Calculations based on the following assumptions

1. Actual petrol or travelling allowance paid or 25% of the monthly basic salary up to a maximum of MUR20,000, whichever is lesser, provided that the employee makes use of a private car registered in his own name for attending duty and for the performance of the duties of his office or employment
2. Individual married with two dependents, claiming exemption for only the two dependent children
3. Claiming relief for medical insurance contribution for the two dependents (MUR25,000 each for self and first dependent and MUR20,000 for the second dependent)
4. Wages of MUR50,000 paid during the year to household employees (relief available up to MUR30,000, provided compliance with social security contributions)
5. Maximum exemption is MUR50,000 each for donations and pension scheme

Appendix 2: Income Tax Computation (cont.)

Example 2 - Hypothetical Tax Calculation		
Period covered	**12 months to 30.06.24**	**12 months to 30.06.23**
	MUR	**MUR**
Annual Salary	5,000,000	5,000,000
Petrol or Travelling Allowance	240,000	240,000
Local Dividend Income	500,000	500,000
Total Income	**5,740,000**	**5,740,000**
Less Exempt Income (See Note 1 in Example 1)	(240,000)	(240,000)
Less Local Dividend Income	(500,000)	(500,000)
Total Net Income	5,000,000	5,000,000
Less Deductions		
IET (category C) (See Note 2 in Example 1)	(0)	(515,000)
Relief for medical insurance contribution (See Note 3 in Example1)	(70,000)	(70,000)
Relief for the wages paid during a year to household employees (see Note 4 in Example 1)	(30,000)	(30,000)
Exemptions for donations and pension scheme (See Note 5 in Example 1)	(100,000)	(100,000)
Chargeable income	4,800,000	4,285,000
Tax at below rates and 15% respectively:		
- First MUR390,000 @ 0% = MUR 0		
- Next MUR40,000 @ 2% = MUR800		
- Next MUR40,000 @ 4% = MUR1,600		
- Next MUR60,000 @ 6% = MUR3,600		
- Next MUR60,000 @ 8% = MUR4,800		
- Next MUR300,000 @ 10% = MUR30,000		
- Next MUR300,000 @ 12% = MUR36,000		
- Next MUR300,000 @ 14% = MUR42,000		
- Next MUR400,000 @ 16% = MUR64,000		
- Next MUR500,000 @ 18% = MUR90,000		
- Remaining MUR2,410,000 @ 20% = MUR482,000		
Tax liability	**754,800**	**642,750**
Solidarity Levy	**Not applicable**	**446,250**
CSG	**150,000**	**150,000**
Total tax and contributions payable	**904,800**	**1,239,000**
Disposable income	**4,835,200**	**4,501,000**
Decrease in tax payable	**(334,200)**	
Effective tax rate	**18%**	**25%**

Contact us

Wasoudeo Balloo
Partner, Head of Tax

T: (+230) 406 9891
M: (+230) 5940 2367
E: wballoo@kpmg.mu

Kevin Mees
Senior Manager, Tax

T: (+230) 406 9768
M: (+230) 5772 5480
E: kmees1@kpmg.com

Pechal Chundydyal
Manager, Tax

T: (+230) 406 9845
M: (+230) 5817 3470
E: pchundydyal@Kpmg.mu

Joshita Lutchoomun
Manager, Tax

T: (+230) 406 9850
M: (+230) 5833 8346
E: jlutchoomun@kpmg.mu

Aashna Bye Ramsaib
Manager, Tax

T: (+230) 406 9899
M: (+230) 5986 5118
E: aramsaib@kpmg.com

kpmg.com/socialmedia

kpmg.com/app