Mauritius Budget Highlights 2023-2024

To Dare and To Care

2 June 2023

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KPMG View

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Unwinding past trials with lower tax rates, welfare benefits and business micro facilitation measures: is it all only about economics after all?

The economic context in which the Minister of Finance presented the 2023-2024 Budget speech entitled "To Dare and To Care", stands in sheer contrast with the conditions that prevailed during the recent past budgets. The Covid-19 pandemic and a year later the Russia-Ukraine war, created unprecedented and successive strains on the economy. The past budgets were exceptional in the sense that Government had to support both the people and businesses through the crisis, such support amounting to 32% of GDP. Tonight's budget indicated clearly that the country has fully recovered, with a projected GDP growth of 8%, a budget deficit of 2.9% and a Gross Public Sector debt of 71.5%. The measure announced in this Budget would bring an additional 2 percentage points in GDP growth. While this is commendable, the forecast international reserves in USD terms is increasing however by only 4.8%.

A dominance of welfare economics

The much awaited relief from households indeed materialised with a drop in fuel prices and a drop in personal income taxes across the board with the abolition of the Solidarity Levy and the reform of the income tax rates into a progressive scale with a top rate of 20%. The dominance of welfare economics in the philosophy of our minister is marked by continued measures around inclusiveness, well-being and employability of under-represented groups. There were various measures to improve the access to health benefits and education to those in special needs. Furthermore, low income groups are being supported by an increase in minimum wage to Rs 15,000. Gender equality at board level of listed companies is being addressed with the requirement for Boards of listed companies to have at least 25% of women. Access to the workplace for working mothers will be further promoted with the obligation on employers with more than 250 staff to have a child care facility.

Driving competitiveness

In response to a crying need for more qualified human capital in our quest for a modern business environment that is digitally powered and connected, government announced the lowering of the income threshold for an occupation permit to Rs 30,000 with no limiting conditions on the fields of qualification, nor any ratio of foreign to local workers. The skills migration policy will also be enhanced by the "silent is consent" principle for the approval of work permits, on a centralised e-Licensing platform. The digitalisation of the country is being pursued with the recognition of E-signatures and the introduction of a Unique Identification Number for companies for tax, licensing and administrative needs.

Key sector measures aimed at facilitating business and competitiveness include the streamlining of licences for tourism operators and a beneficial tax rate of 3% for producers of medical devices. In the financial services sector, there are a number of measures which reinforce many aspects of activities falling under the purview of the FSC. These include the increase in the scope of services of Variable Capital Companies, to extend their use for family offices and wealth management, and enhanced requirements to improve the national AML/CFT framework. However, the banking sector seems to be a net loser, with an increase in levy on their profits.

KPMG View (cont.)

The green agenda

The budget has holistically touched on the COP26 commitments by covering some measures towards our target of achieving 60% of renewable energy by 2030. The measures for a greener economy and decarbonisation in the manufacturing sector is a continuation of past budget measures. Such initiatives relate to recycling of PEP and reuse of wastewater. The use of electric vehicles is encouraged by extending the negative excise duty scheme and the introduction of Electric Vehicles Regulations have been announced. The investment in infrastructure addresses the pressing challenges related to flood prone areas and beach erosion resulting from climate change.

Wide coverage and spending in health, transport and education infrastructure include the continued expansion of the Metro network from St Pierre to La Vigie. Significant investment is planned for the extension and upgrade the road network which is not unusual in any pre-election year.

In Conclusion

Public revenue is forecast to increase due to higher Income tax from corporates (+Rs 6bn), higher VAT collections on goods and services (+Rs 12bn) and higher duties on Tobacco and Alcohol (+Rs 2bn). On the expenditure side the biggest increases are noted in the Financial and fiscal affairs (+Rs4bn), Public order and safety (+Rs 2bn) and Social Protection (+Rs7bn) . The customary increase in pensions and old age benefits is adding Rs5bn to the annual public expenditure.

On the face of it, everyone comes out a winner; which appears to have been the intended course of action for 2023-2024. However, there is "no free lunch" and the reader's mind is cast into the future as all deficits would have a delayed price tag in the years to come.

KPMG
Ebène, Mauritius
02 June 2023

Economic Analysis

Driving competitiveness

Announcement of measures supporting the need for more qualified human capital in our quest for a modern business environment and key sector initiatives to facilitate business and competitiveness.

Key statistics

Real GDP
+8.7% in 2022
+3.4% in 2021

Current Account
% of GDP
-7.6% in 2022-23
-12.0% in 2021-22

FDI
MUR27.7bn in 2022
MUR18.5 billion in 2021

o/w **Real estate FDI**
MUR15.4bn in 2022
MUR8.9 billion in 2021

Tourist arrival
c.1 million in 2022
c.180,000 in 2021

Gross tourism earnings
MUR64.8bn in 2022
MUR15.3 billion in 2021

Sources: Mauritius Budget speech 2023/2024, Bank of Mauritius

Measures announced

Business facilitation

- Unique identification number for companies encompassing business registration, VAT, tax and employee number.
- Streamlining of 38 existing licences for tourism-related activities.
- Support to SMEs through (i) increase in grants, (ii) extension of existing loan & support schemes up to June 2024, and (iii) extension of employment scheme.
- Opening of economy to foreign talents by lowering of income threshold for occupation permit to MUR30k for professionals and streamlining the process for application of work permits.

Key sectoral measures

- Support to the agricultural sector through (i) public investments of MUR2 billion, (ii) increase of grants for purchase of equipment (iii) introduction of new loan schemes by DBM and (iv) incentives to support the cane industry.
- Boosting the export sector with extension of numerous schemes and reduction in port charges.
- Facilitate setting up of Special Economic Zones to position Mauritius as gateway for African markets.
- Beneficial tax rate of 3% for producers of medical devices.
- New set of legislative amendments to reinforce existing AML/CFT legal framework while removing some categories of financial institutions from FIAMLA.
- Extending the scope of the Variable Capital Companies to allow their use for family offices and wealth management.
- New framework for Electronic Money Institutions.
- Introduction of a Wealth Manager and Family Office Licence to extend offering of Mauritius IFC.
- Rolling out of the Digital rupee on pilot basis in November 2023.
- 25% increase in Promotion and Destination Marketing budget of MTPA to increase tourism arrivals.
- Support medical tourism and silver economy by supporting medical patients and retirees through premium visa.
- MUR7.7 billion in construction of new runway project at Plaine Corail airport in Rodrigues.
- Series of measures under the Gambling Regulatory Authority on horse racing, licensing and registration and prohibitions.
- Measures have been announced to boost food security on blue, livestock and crop sectors.

The green agenda (1/2)

The government reaffirmed its commitment to the transition to a green economy by announcing a series of measures touching holistically our Cop26 commitments.

Key statistics

Our Cop26 Commitments

- Reduce gas emission By 40% by 2030
- 60% of green energy in our energy mix by 2030
- Phasing out coal in electricity generation before 2030
- Circular economy involving 70% of landfills' waste by 2030
- Encouraging the use of electric vehicles
- Promoting smart agriculture and island wide tree planting program

Measures announced

Reducing gas emissions

- Sensitization campaigns on energy efficiency initiatives with respect to lighting, air conditioning, electric motors and labelling.
- Mandatory energy labelling for television sets, washer dryers and tumble dryers.
- Guidelines for energy efficiency and conservation will be developed for the industrial and commercial sectors.
- Solar powered street lighting will be installed across the island to replace LED and other lighting.

Achieving 60% of green energy in our energy mix by 2030 / Phasing out of coal in electricity generation

- Funds have been allocated for the operationalisation of the Biomass Framework and cane trash and woody biomass will be renumerated at MUR3.5/kWh.
- CEB will implement a series of measures including the introduction of renewable schemes for hotels, commercial centres, shopping malls and the agricultural sector, extending the carbon neutral scheme for the ICT sector, solar PV systems installations, developing a Pump Storage hydropower plant and setting up a 1MW Thermal Energy Conversion power plant.
- Other initiatives include the installation of solar PV on rooftop of 200 state schools and the Airports of Mauritius, the extension of the Green Loan scheme to SMEs for the production of electricity and the preparation of a strategic plan for green hydrogen.
- To support the decarbonisation of the manufacturing sector, a 50% waiver on the increase in electricity prices for the next two years for companies moving towards 100% renewable energy and a 75% subsidy for the conduct of energy audits will be provided.
- CIDB Act will be amended to provide for a new category of registration for foreign contractors implementing utility scale renewable energy projects.

Promoting circular economy

- To encourage recycling of plastic bottles and aluminium cans, a deposit-refund scheme has been introduced and the refund rate was doubled for locally recycled PET bottles.
- Investment is planned into sewage infrastructure projects and refurbishment of wastewater treatment plants.
- The use of tertiary treated effluents for irrigation of lawns, gold courses and other green spaces will be encouraged.

The green agenda (2/2)

Key statistics

Renewable energy

40% in Mauritius by 2025
COP26 target: 60% by 2030

Energy Efficiency Target

+10%
By 2030 with 2019 as base year

Electric Vehicles

0.18%
of total vehicles in Mauritius as at April 2023

Environmental Performance Index

44.8 for Mauritius for FY 2022

Sources: EDB Mauritius Website, NLTA Mauritius & EPI Website

Measures announced

Encouraging the use of electric vehicles

- 30% subsidy up to a maximum of MUR3.5m on the purchase of electric buses by bus companies and a loan at a concessional rate of 2% for the purchase of electric buses.
- Negative Excise Duty of 10% for individuals purchasing an electric vehicle will be extended up to June 2024.
- Encouraging cycling by including cycle lanes in new roads.
- An Electric Vehicles Regulation to regulate the installation of charging infrastructure, connection to electricity grids, access to public charging points amongst others.

Smart Agriculture and tree planting programmes

- A 1 million Tree Plantation Programme has been launched.

Financial services sector initiatives

- The exemption of interest income derived from bonds to finance renewable energy projects is being extended to all sustainable projects.
- The Bank of Mauritius will develop a Carbon Trading framework for both blue and green credits.
- ESG-related projects will be included under the Premium Investor Certificate Scheme.

Green-Certified Destination

- The Tourism Authority will be reformed with a focus on fostering sustainable tourism development.

Measures against Climate Change

- Flood mitigation measures through drain projects with MUR3bn investments across the country are planned as part of the wider flood mitigation programme.
- Budget of MUR1.6bn has been earmarked for projects to address climate change.
- MUR278m has been allocated for beach rehabilitation works and cleaning of lagoons amongst other measures.

Clean water and sanitation

- Grants were allocated to increase household storage and encourage rain water harvesting.
- Construction and upgrade of existing infrastructure is planned: defective pipes, water treatment plants, service reservoirs.
- Water Resource Bill for efficient management of water resources.

A dominance of welfare economics (1/2)

The much awaited relief for households and continued measures around inclusiveness, well-being and employability of under-represented groups.

Key statistics

Unemployment (% of total labour force)

7.7 in Mauritius for FY 2022

Population aged +65

+65 12% in Mauritius

Labour force female (% of total labor force)

39.9% in Mauritius

Sources: IMF &The World Bank.

Measures announced

Putting people in the forefront

- Minimum wage of MUR15k and review of all basic pensions to MUR11k as from 1 July 2023.
- One-off grant of MUR20k to everyone reaching 18 years as from 1 January 2023.
- Reinforcement of regulatory framework for residential care institutions for victims of domestic violence and foster care.
- Development of Central Data Repository for improved coordination of interventions across government agencies and NGOs for protection and care of victims.
- Review of income threshold for inclusion in National Database for Vulnerable Groups and Social Register of Mauritius.
- Allowance of MUR1k monthly to individuals who have contracted loans of up to MUR5m for the purchase of their home, and Home Ownership Scheme and the Home Loan Scheme extended for another year.

Increasing purchasing power

- Removing VAT on 15 key items of everyday consumption.
- Reduction in price of “mogas” from MUR74.10 to MUR69 / L.
- Petrol allowance increased to MUR 3k.
- Increasing CSG Income Allowance to MUR2k for those earning up to MUR25k monthly.
- Abolition of the Solidarity Levy and adoption of progressive tax scale.

Women empowerment and child care

- Promotion of women entrepreneurship with a 10% increase in margin of preference for women owned Micro, Small and Medium Enterprises (MSMEs).
- Gender equality with a minimum of 25% of women on Board of listed companies.
- Enhanced access to childcare and inclusive workplace, including companies employing more than 250 employees to provide workplace-based child facilities.
- Increased allowance for children with special needs and under foster care and extension of child allowance to all basic retirement pension beneficiaries.

A dominance of welfare economics (2/2)

Key statistics

Human Development Index

0.8

Happiness Index

5.9 in Mauritius
(Ranking 59 out of 134 countries)

Fertility rate

1.4 in Mauritius

Sources: IMF, The World Bank, The United Nations, The Global Economy

Measures announced

Women empowerment and child care (cont.)

- CSG child allowance of MUR2k for children aged up to 3 years.
- Household income ceiling to quality for multiple birth allowance revised to MUR390k per annum.

Promoting learning and development

- Provision of free pre-primary education as from the 1st of January 2024.
- Training of 2000 individuals in fields such as agro-industry, construction, ICT/BPO, health and social care and renewable energy and increase in teaching staff in primary and secondary schools, as well as special needs schools.
- MUR600m provided for the construction, upgrading and maintenance of school infrastructure.

Improving the quality of life

- Vaccination of 80,000 individuals between 9 and 15 years against HPV.
- Budget of MUR2.2 billion for the modernisation of health infrastructure, namely through implementation of e-Health system as from July 2023 and acquisition of modern high-tech equipment.
- Full treatment costs coverage for medical treatment not available locally or treatment in local private hospitals for child cancer patients.
- Reinforcement of police force and judiciary through appointment of new judges and magistrates to create safe environment.
- New stand-alone leave of 5 days for workers who have experienced a pregnancy loss and possibility to use 10 days of sick leaves for children / parents / grand parents with health issues.

Promoting sports

- Investments in construction and upgrading of sports infrastructures (swimming pools, soccer pitches, football grounds, health tracks) and community wellness centers.
- Supporting athletes through allocation of MUR 53m for participation in Indian Ocean Island Games 2023, and incentivising high level athletes by providing a monthly allowance of MUR 30k over one year to prepare for Games and special cash prizes incentives.

Safeguarding the artistic and culture heritage

- Extending support to the professional and registered local artists through grants and state recognition allowances.
- Elimination of VAT on musical instruments.
- Introduction of a pension scheme for retired registered artists.
- Creation, revalorisation and protection of cultural landscape of Mauritius.

Budget Financials

Revenues

MUR179.2bn

16.9% increase

Main drivers of revenue

Taxes on income, profit, goods & services

MUR156.2bn

87.2% of total revenue

Social Contributions

MUR13.1bn

7.3% of total revenue

Expenditures

MUR200.2bn

12.8% increase

Main application of expenditure

Social protection

MUR67.6bn

33.8% of total expenditure

General public services

MUR59.5bn

29.7% of total expenditure

Public Sector Debt

MUR485.3bn

As at June, 2023

Projected to rise to

MUR516.5bn

As at June, 2024

Public sector gross debt is planned to increase by MUR31.2 billion. As a percentage of GDP, this figure is planned to decrease from 79% to 71.5%

Lifting standard and quality of living

	Housing	Education	Health	Social protection
2022-2023	MUR2.7bn	MUR19.3bn	MUR15.8bn	MUR60.7bn
rising to	+ 25%	+ 6%	+ 3%	+ 11%
2023-2024	MUR3.4bn	MUR20.4bn	MUR16.3bn	MUR67.6bn

How do we compare

Education Expenditure per capita

Singapore	South Africa	Mauritius
MUR83,037	MUR17,562	MUR15,965

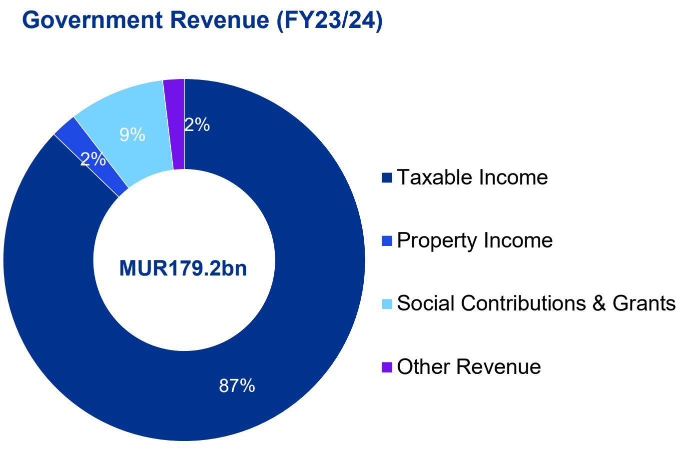
Health Expenditure per capita

Singapore	Mauritius	South Africa
MUR96,004	MUR12,732	MUR9,958

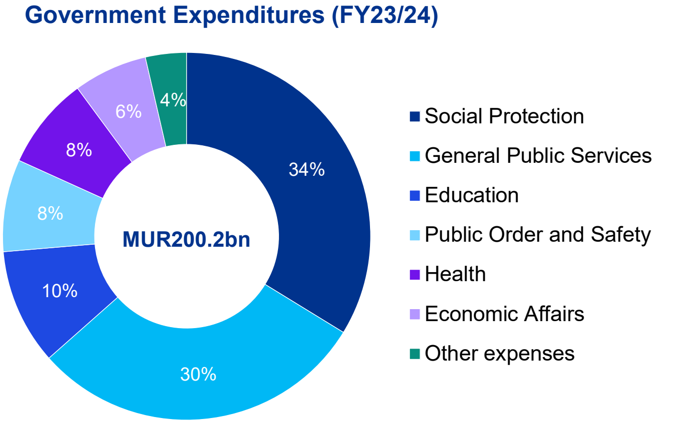
Sources: Singapore Budget 2023/2024, South Africa Budget review 2023, Mauritius Budget speech 2023/2024

Economic Outlook

Economic Outlook (1/3)



The Mauritian Government forecasts revenue of MUR179.2 billion for FY23/24. Revenue drivers mainly include (i) 'Taxable Income' of MUR156.2 billion (87%), (ii) 'Social Contributions and Grants' of MUR15.3 billion (9%), (iii) 'Property Income' of MUR4.2 billion (2%) and (iv) 'Other Revenue' of MUR3.4 billion (2%).

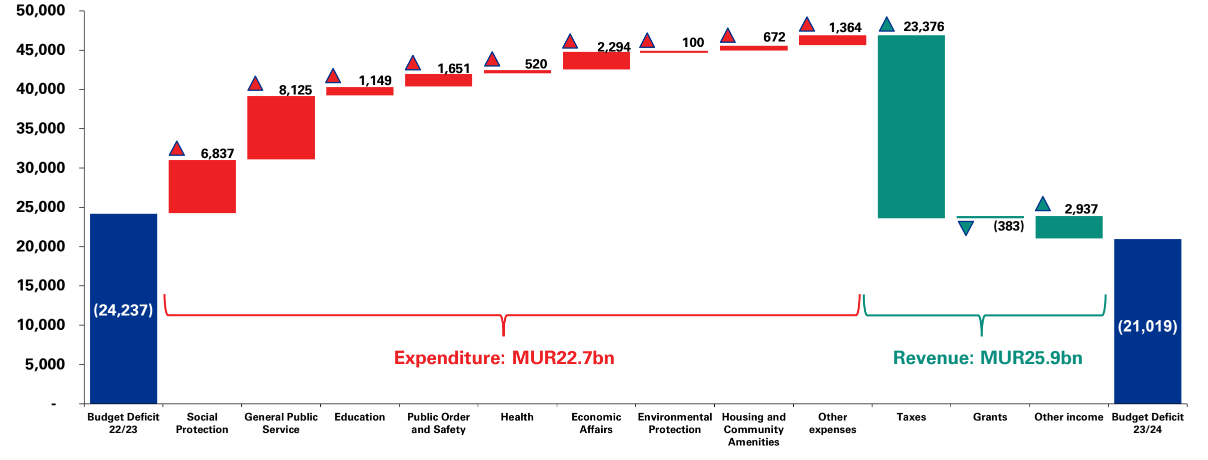


Government expenditures are expected to increase by MUR22.7 billion for FY23/24, representing an increase of 12.8% from MUR177.5 billion expensed in FY22/23. The most significant expenditures consist of (i) 'Social Protection' of MUR67.6 billion (34%), (ii) 'General Public Services' of MUR59.5 billion (30%), (iii) 'Education' of MUR20.4 billion (10%), (iv) 'Health' of MUR16.3 billion (8%) and (v) 'Public Order and Safety' of MUR16.3 billion (8%).

Amount in MUR'billion	Budget 22/23	Actual 22/23	Variance
Revenue	150.0	153.2	3.2
Expenditure	172.9	177.5	4.6
Budget surplus / (deficit)	**(22.9)**	**(24.3)**	**(1.4)**
As % of GDP	*-4.0%*	*-3.9%*	*0.1%*

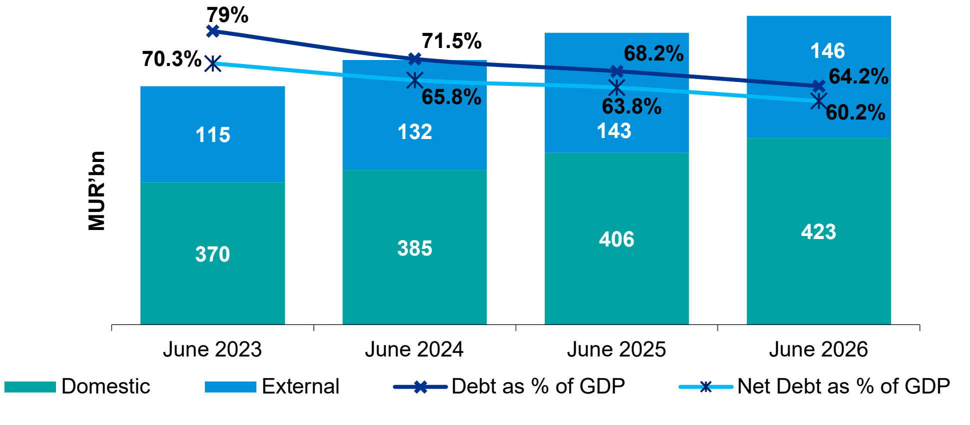
Economic Outlook (2/3)

Government Budget Deficit (2022/23 - 2023/24)



- The overall budget deficit is projected at MUR21.1 billion for 2024, translating into a 13.3% decrease compared to 2023. This is primarily driven by an increase of MUR25.9 billion in revenue, of which MUR23.4 billion will be from taxes on goods sold and services. Grants and other income, inclusive of social contribution are budgeted at MUR22.9 billion (MUR20.4 billion in 2023).
- In terms of expenditure, an increase of MUR6.8 billion in social protection costs has been budgeted to account for the increase in old age pension. Furthermore, an increase of MUR8.1 billion in general public services costs has been earmarked for financial and fiscal affairs.
- As a result, the budget deficit of 4% for FY23 is projected to decrease to 2.9% in FY24.

Debt analysis - June 2023 to June 2026



- Public sector debt is expected to increase over the next three years, driven by an increase in domestic debt levels from MUR370 billion in FY23 to MUR423 billion in FY26.
- Additionally, economic output is expected to increase over the coming years, resulting in a fall in gross debt to GDP ratio from 79% in FY23 to 64.2% in FY26.

Economic Outlook (3/3)

Budget Estimates	Unit	2022/23	2023/24	2024/25	2025/26
Real GDP growth	%	8.0	8.0	5.0	5.0
Investment rate	%	20.9	21.3	21.5	21.7
GDP Deflator	% change	9.0	9.0	6.0	5.0
Budget Deficit	% of GDP	(3.9)	(2.9)	(2.9)	(2.9)
Public Sector Net Debt	% of GDP	79.0	71.5	68.2	64.2
Unemployment rate	%	7.7	-	-	-

Economic trend & outlook

- **The Minister of Finance expects an 8% growth in GDP in FY24 compared to 4.6% forecasted by the IMF.** This outlook is primarily driven by the continued progress in the tourism sector with the expected number of tourists to be close to pre-pandemic level.
- Over the medium term, the construction sector is expected to boost the economy through the implementation of a number of projects such as construction of social housing units, implementation of drain infrastructure projects, extension of the Metro Express, the expansion of the road networks, construction of hospitals and upgrading of schools.
- The manufacturing sector is projected to expand at a higher pace compared to previous years, driven by food processing activities and other manufacturing activities in line with the Government's import substitution strategy.
- Growth in the renewable energy sector is likely to accelerate to achieve the target of 60% of the electricity mix generated from renewable sources by 2030.
- This medium term growth outlook is, however, exposed to downside factors such as uncertainties from the Ukraine war, persistent core inflation, required monetary policy tightening, increasing sovereign debt distress and financial constraints, and geopolitical fragmentation.
- **On the basis of the above continuing economic recovery, the overall budget deficit is expected to be 3.9% and projected to decline to 2.9% in FY24 and FY25 respectively.** This will be primarily driven by the introduction of reform in the tax system and new revenue raising measures, whilst on the expenditure side, the government will prioritise the implementation of projects in a timely manner to avoid cost overruns.
- In addition to reducing the budget deficit to a sustainable level, the Government also aims to enhance overall macroeconomic stability by putting the Debt to GDP ratio on a declining trend.

KPMG

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%**

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