Realigning expectations

Budget Highlights 2016/17
KPMG in Mauritius

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Foreword

Breaking the myth of high expectations and staying on a stable socio-economic course amidst external uncertainties

The Mauritius Finance Minister, Hon Pravind Jugnauth, delivered the 2016-2017 Budget speech entitled “A new era of development”. This was against a backdrop of prolonged uncertainties in the Eurozone, the recent confirmation of Brexit and a more complex local context. The sum of parts of this Budget shows a derived sense of comfort in aiming for a stable, albeit unspectacular, growth as opposed to an uncertain high growth. It is commendable that the 2016-2017 Budget has maintained the core philosophy Mauritius is known for, which is to maintain a pro-business and social welfare agenda with measures projecting an outlook where GDP growth rate will be 4.1% in 2017 from 3.4% in 2015/16, and targeting a statutory debt of 50% in 2018, down from the current 65%.

Enlarging the space for wealth and economic value creation

A number of measures announced indicate that a key priority of this Budget is to enlarge the space for expansion of economic activity and value creation. In the global business and financial services sector, allowing GBC2 license holders to invest on the stock exchange, and tax holidays to licensed global headquarters as well as global business operators in the Treasury, Asset Management, Legal, Investment Banking and Family Office space are all indications of a country strategy to increase substance and the product proposition of Mauritius as an International Finance Centre.

For the real economy’s manufacturing and construction sectors, key incentive schemes include an 8-year tax holiday for industrial fishing operators based in Mauritius, permit facilitation for building and land use through e-licensing and introduction of the Sand Bag licensing principle; extended tax credits on new investments by manufacturing companies and a 40% subsidy towards Airfreight for textiles for a period of three years. The agricultural processing sector will benefit from the creation Agricultural Land Management System and promotion of tea and agro-processing activities. Similarly, new economic zones such as the creation of gold and diamond exchange, a petroleum hub and platform at Albion and a pharmaceutical village in the south are announced.

In his strategy, the Minister has also positioned the creation of the long term light rail transportation, the Metro Express, as a regional economic regeneration project with the allied infrastructural developments.

Enablement and Empowerment

Mauritius is faced with skill based asymmetries between its labour supply and demand. With a view to address this, the Budget has enumerated a number of measures such as training in technical skills targeted to 4,000 persons for the ICT, Tourism, Para-medical and Construction sectors. Furthermore, there is provision to employ 2,000 persons under the Youth Empowerment Programme. Another key measure includes the placement of 200 qualified engineers in the public sector to enable their professional registration. Consumerism has also been made more affordable through the abolition of duties and tariffs on 368 product lines.

Modernisation and innovation

Modernisation measures noted are the creation of industrial parks with modern production techniques for SME’s, the creation of a regulated E-payments framework via a national payment switch, E-commerce platforms by MEXA and the opening of more WiFi spots. Combined with the planned investments in the country’s broadband infrastructure, these measures are conducive to further Mauritius as an intelligent island.

Foreword (cont'd)

Continuing the social agenda

The Marshall plan to eradicate poverty and develop talents of the deprived which was started by the Government has also been gratified with the increase in subsistence allowance, the introduction of monetary incentives for socially deprived students to complete secondary school education, and the continued focus of the decent housing for all programme.

Public sector efficiency reforms

It is with a lot of appreciation that we welcome the proposed public sector reforms. Measures include the launch of 50 new e-services to increase the interaction between the public and the government, the prospective merger of 11 public sector units, as well as the restructuring, turnaround or revamping of a number of public sector organisations including the MBC, Mauritius Post, NTC, RBSE, Civil Aviation and NTA. A further positive sign was Government's intention to divest from the Casinos.

This Budget's tax proposition

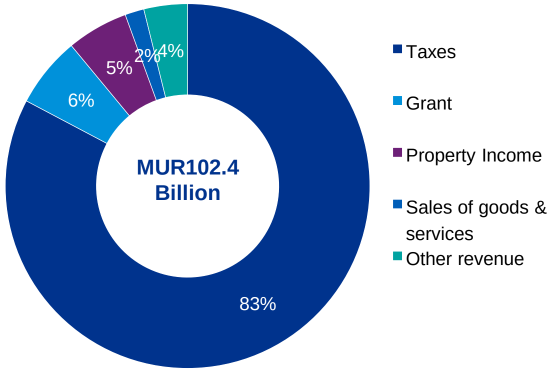
Despite the pressure to adapt to a fast evolving international tax landscape, Mauritius continues have one of the most competitive tax regime in the world. A number of fiscal incentives have been announced to boost the various sectors of the economy. As mentioned above, tax holidays have been introduced to certain companies or investors in the financial services sector creating employment in Mauritius. Such measures are welcomed as they contribute towards building the Mauritius International Financial Centre as a jurisdiction of substance. Duties have been abolished on a number of products such that only few products are now subject to custom duties, which means that Mauritius is therefore well positioned to be a duty free island in the near future. Measures have also been announced to tighten up tax administration. Government did not, however, take this opportunity to provide clarity on how the harmful tax practices as prescribed by the European Union or the OECD Base Erosion Profit Shifting (BEPS) recommendations shall be addressed or implemented.

Prudence may not be impactful but boldness may not always work…

Against all odds, the Minister was able to spare us any tax hikes, bar the usual increases in excise duties applicable to alcoholic and tobacco products. While the cynics may say that we have not been bold enough, the optimists would value this Budget's pragmatic yet conservative approach. During uncertain times and the increasing complexity in our economic environment, investors and economic stakeholders cannot be given a false sense of security or insecurity. Therefore, with the observed set of measures, we feel this has been smartly achieved. The real test though remains the reversal of the lowering growth trend and the country's ability to increase the country's FDI inflows.

Budget Financials

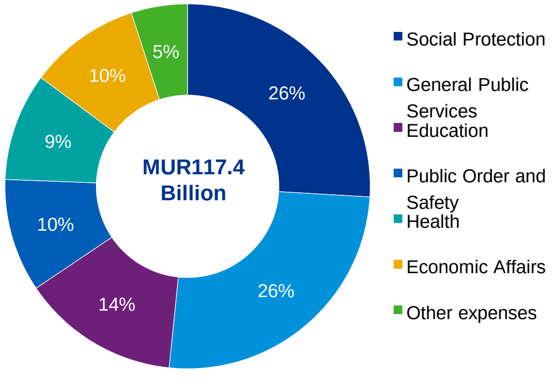
Government Revenue (Jul'16 - Jun'17)



The Budget forecasts government revenue to stand at MUR102.4 Billion for the fiscal year 2016/2017, increasing by 16% from MUR88.2 Billion collected in 2015/2016 driven by budgeted tax receipts and grants receivable from the Government of India.

Tax on goods and services continue to be the biggest contributor to government receipts, expected to represent 54% of the total for 2016/2017. Taxes are projected to account for 82.7% of all government revenue with grants, property income and other revenues accounting for the remaining 17.3%.

Government Spending (Jul'16 - Jun'17)



Budgeted government expenditures will increase to MUR117.4 Billion for the fiscal year 2016/17 from MUR103.2 Billion the previous year.

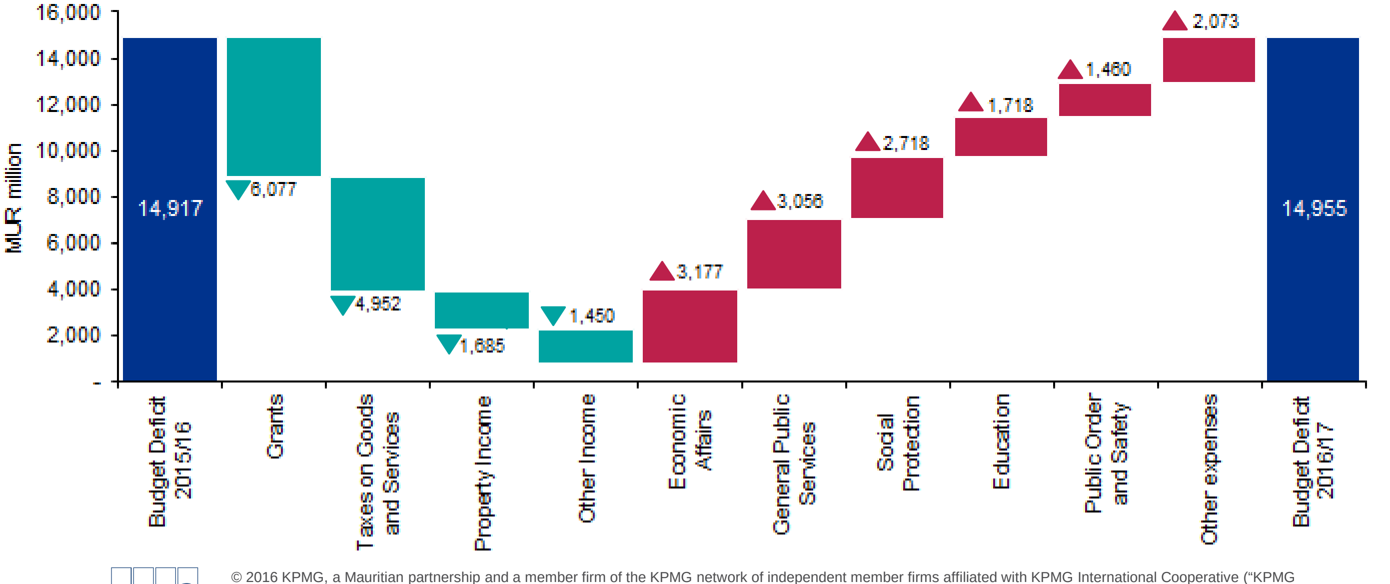
Compensation of government employees continue to remain the largest category of expenditure provided in the Budget at just over MUR60.6 Billion.

Other expenditures include education, public order & safety, health and economic affairs representing 43% of total projected spending.

The overall budget deficit (before net acquisition of financial assets) is forecasted at MUR14.9 Billion i.e. 3.3% of GDP against 3.5% for 2015/16.

Receipts and expenditure are expected to remain mostly at par for the upcoming fiscal year. Increase in government spending will be equally matched by an increase in tax receipts and external grants.

Government Budget Deficit (2015/16 - 2016/17)



Key Announcements

Individuals

- New job opportunities for more than 21,400 young people through new training programs and employment schemes in high demand sectors
- Investment in human capital and digital literacy by providing tablets to primary school, training modules to secondary students, and setting up of a dedicated ICT faculty
- Granting a 5-year tax holiday to foreign high-net worth individuals investing a minimum of USD25 Million in Mauritius
- New measures have been introduced to promote training, including a monthly stipend allowance of MUR5,000 for 4,000 trainees of National Skills Development Programme in sectors like ICT, tourism, nursing, paramedics and construction
- For the safety of individuals, allocation of MUR8.7 Billion to the Police Force for recruitment, training and modernisation of fleet. Other incentives include the Safe City Project with the installation of cameras and removal of VAT on home security and surveillance equipment
- In line with making Mauritius a “Duty Free Island”, customs duty on around 368 tariff lines is being abolished
- Review of taxation of motor cars by lowering excise duty on certain types of vehicles, including “Hybrid” motor cars
- Gender equality is promoted by requiring that public listed companies have at least one woman on their Board of Directors
- Introducing a Deposit Insurance Scheme to protect depositors

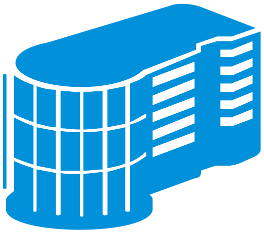
Families and lower income groups

- Investment of MUR3.4 Billion in water supply treatment, storage and distribution infrastructures as well as subsidising the purchase of water tanks
- MUR10.9 Billion is allocated to health care for expansion and renovation of existing hospitals
- Introduction of subsistence allowance as from 1 December 2016 ranging from MUR2,720 to MUR9,520 and cash awards on successful completion of specific levels of schooling for students from poor families
- Measures on decent housing include the launching of a construction programme of at least 800 housing units over the next three years and incentives for the construction and completion of specific units and the rehabilitation programmes of NHDC
- Encouragement of acquisitions and construction through the granting of registration duty for new houses and apartments less than MUR6 Million acquired between 1 September 2016 to 30 June 2020 and bare residential with an acreage less than 20 perches in the first MUR2 Million
- Other incentives include monthly grants under crèche voucher, meal allowances in ZEP areas, reduction in retail price of cooking gas, no registration duty on secured housing loans less than MUR2 Million and increase in threshold for cases referred to the Commission for Protection of Borrowers

Key Announcements

Business Community

- Creation of 4 industrial parks in Highlands, Plaine Magnien, Vuillemin and Coromandel
- Launching a national SME incubator scheme for young entrepreneurs
- Removal of land extent limit restrictions as well as the requirement for minimum sale to Mauritian citizens from the PDS scheme eligibility
- Allowing companies in which non-citizens do not hold more than 25% shareholding to transfer property without PMO approval
- Setting up of a modular near shore mobile oil refinery and onshore storage facilities
- Setting up of a pharmaceutical village to cater for local and African markets
- Allowing GBC2 companies to invest in listed securities
- Setting up of an e-licensing platform for permits and licences
- Setting up of a new Mauritius International Derivatives & Commodities Exchange
- Extending the tax holiday to new qualifying SMEs and those with a turnover of less than MUR10 Million
- Introducing an Air Freight Rebate Scheme which will entail a 40% reduction by the national carrier of air freight cost to Europe
- Signing of agreements with Senegal, Madagascar and Ghana for the establishment of Special Economic Zones
- Mandatory audit firms rotation every 5 years for banks and every 7 years for listed entities. Introduction of penalties and fines on licencees of the FRC
- Setting up of an asset management company to take over non-performing loans from banks which have been secured by residential and commercial property
- Suspending the payment of trade fees for licences of MUR5,000 and below for a period of 3 years for all SMEs except those engaged in gambling and sale of liquor and cigarettes



Public Sector

- Reorganisation of the Development Bank of Mauritius focus on creating and running SME parks and managing government financing schemes for micro enterprises and small establishments
- Restructuring of the National Transport Authority, the Road Development Authority and the Traffic Management Road Safety Unit
- All public sector bodies with accumulated losses and debts will be required to submit their plan to turnaround their financial situation by October 2016
- Encouraging development of mobile applications by start ups to provide information related to Government Services and increase of e-services
- Merging of SMEDA, Enterprise Mauritius and National Women Entrepreneur Council into one organisation
- Incorporation of the Registrar General into the MRA

Corporate Tax

Corporate tax policies remained largely unchanged.

New tax holiday regimes and policies have been introduced for certain organisations in view of promoting growth in the evolving International Financial Centre focusing on substance and value adding activities.

Moreover, as an incentive to players in the Manufacturing sector, investment tax credits are now more accessible to small and medium enterprises to boost capital investments.

Further, CSR Framework has been amended to reflect transparency and enhance efficiency compared to the previous CSR framework in place.

Financial Services Measures

- Tax holiday of 5 years will be provided to organisations holding the following licences issued by FSC subject to meeting employment creation and substance conditions:
  - Treasury Management Centre Licence;
  - Asset and Fund Managers licence;
  - International law firms with a Global Legal Advisory Services Licence and providing international arbitration services to global business clients;
  - Investment Banking and Corporate Advisory Licence;
  - Overseas Family Corporation licence; and
  - Foreign Ultra High Net Worth Individuals' investing a minimum of USD 25 Million in Mauritius.

- Companies holding a Global Headquarters Administration Licence will benefit from a longer tax holiday of 8 years subject to meeting the employment creation and substance conditions.

- GBC2 companies will now be allowed to invest in listed securities. Domestic listed entities will benefit from funding by these GBC2 entities and will accordingly improve liquidity on SEM.

Manufacturing Sector - Investment Tax Credit and unrelieved losses

- Previously, specified manufacturing companies were able to offset its tax liability 5% of investment in new plants and machinery over 3 years subject to a minimum of MUR100 Million investment in a year

- The criteria of minimum capital expenditure of MUR100 Million has now been removed and is applicable to investment made up to financial year 2019/2020

- An enhanced investment tax credit of 15% per annum instead of 5% over 3 years is applicable to Manufacturers of textile, wearing apparels, ships and boats, computers, pharmaceuticals and for film production.

- The enhanced investment tax credit of 15% per annum over 3 years will also apply in respect capital investment made by a company in its subsidiary engaged primarily in the setting up

Corporate Tax

and management of an accredited business incubator capped at MUR20 Million investment. There is no limit to the number of years where unrelieved investment tax credit may be carried forward

- Carry forward of unrelieved income tax losses upon takeover or merger of a manufacturing company has been extended to cases where:
  - The acquiree company remains in operation as a going concern; and
  - the takeover of a company or transfer of undertaking which has been deemed to be in the public interest under the Land (Duties and Taxes) Act

Corporate Social Responsibility

- Previously, businesses were free to decide on the best way to utilize their CSR funds according to their preferred areas of priorities.
- It is proposed that henceforth businesses contribute at least 50% of their CSR fund to a National CSR Foundation (“Foundation”) which will subsequently increase to 75% in the following year
- Any unspent balance should be remitted to the Foundation

Blue Economy measures

- An 8-year tax holiday will be introduced to attract industrial fishing companies

‘Creation of a National CSR Foundation’

Personal Tax

Following the increase in threshold from MUR2 Million to MUR4 Million, a larger number of taxpayers will be entitled to relief in respect of loan on their first home and tuition fees. The tax relief will alleviate the tax burden for this category of taxpayers

Tax holiday to ultra high net worth individuals will boost investment in terms of foreign direct investment in Mauritius

Interest relief on loan for first time home buyers

- Currently, full interest relief on secured housing loan for first time home buyers is available on secured housing loan contracted on or after 01 July 2006. The relief is available to individuals whose total income does not exceed MUR2 Million
- It is proposed that the full interest relief be extended to secured housing loan irrespective of date loan was contracted. Individuals whose total income does not exceed MUR4 Million will avail of the interest relief

Child Pursuing Tertiary Education

- The relief in respect to annual tuition fee is currently available if the annual tuition fee is a minimum MUR44, 500
- It is proposed that the above threshold be revised to MUR34, 800. Moreover, taxpayers whose total income is less than MUR4 Million (previously MUR2 Million) will benefit of the relief on tuition fee

Exempt Emoluments

- Seafarers employed by vessel registered in Mauritius or on a foreign vessel will be exempted from income tax. Seaman are exempted from tax as they are generally non-resident for tax purposes in Mauritius

Income Exemption Threshold (“IET”)

- The annual IET for each category of taxpayers has been increased by MUR 10,000 with effect from 1 July 2016. Such an increase in IET will result in a tax saving of MUR1,500 for each category per annum.

Tax Holiday

- Ultra high net worth individuals investing a minimum of USD25 Million in Mauritius will benefit of a personal tax holiday of 5 years

Value Added Tax (VAT)

VAT rate has remained at 15%

The budget seems to have maintained the purchasing power of the household which is in line with its measure of lifting the quality of life for one and all

Further incentives to become new homeowners. Homeowners benefits more in terms of VAT refund

VAT being abolished on certain items will bring a fall in the cost of those items, in particular for non-registered persons

VAT will now be charged on services sourced from abroad which will result in an increase in VAT revenue for the MRA

In line with its 4th strategy towards a fully fledged digital society, payment of VAT in excess of MUR50,000 should be made electronically

New rules apply upon VAT deregistration

Wrong claims to be severely penalized

VAT Refund Scheme – New Homeowners

- The VAT refund scheme on residential building or apartment has been amended with new conditions
- VAT refund can be claimed up to an aggregate amount of MUR500,000 instead of MUR300,000
- New conditions of the VAT refund scheme are as follows:
  - Refund upon presentation of VAT receipts subject to a cap based on floor area;
  - VAT refund can also be claimed on purchase of house from a property developer instead of previously being restricted to an apartment;
  - The limit on the cost or purchase price of the housing unit has been increased from MUR2.5 Million to MUR4 Million and size restriction has been removed;
  - The eligibility threshold for refund has been increased from MUR650,000 to MUR2 Million per annum;
  - Construction on top of an existing building will be allowed; and
  - Construction must be completed by 30th June 2020.
- The scheme excludes property acquired on Pas Géométriques or within the Integrated Resort Scheme, Real Estate Scheme, Property Development Scheme, Invest Hotel Scheme or Smart City Scheme.

VAT Refund Scheme – Small Planters

The list of equipment under the VAT Refund Scheme for small planters is being extended to include the following items:

- Fencing and poles;
- Insect/bird proof nets;
- Protective masks;
- PH meters and EC meters; and
- Bush cutters.

Removal of VAT on goods and services

- The following products will no more be subject to VAT. Their classification as ‘exempt goods’ or ‘zero rated goods’ remain to be clarified by the Finance Bill.
  - Breakfast cereals
  - Photovoltaic inverters/batteries
  - CCTV camera systems, including CCTV digital video recorders
  - Burglar alarm systems and sensors
  - 3D printer
  - Locally manufactured bus bodies built on semi low-floor chassis

Value Added Tax

Removal of VAT on goods and services (cont'd)

- Hospital beds with mechanical or electrical fittings
- Commode chairs with toilet bowls
- Briefs for incontinent persons
- Urinary and fecal incontinence bags
- Motor vehicles examination fee (fitness) for a period of one year
- Plant, machinery and equipment to be used in the exploration and mining of seabed minerals

This measure is expected to bring a fall in the cost of the above items, in particular for non-registered persons

- Entrance fee to an aquarium of international standard will be made zero-rated. This is however subject to certain terms and conditions which are to be prescribed later.
- In view of attracting investors and in line with the policy of developing the port sector, any vessel engaged in the delivery of bunker fuel within the port limit will now be exempted from VAT
- VAT exemption is extended to the construction of a purpose-built building for nursing homes under Private Health Institutions Act and residential care homes under the Residential Care Homes Act. This measure will benefit our elderly persons often left vulnerable and without support

VAT deregistration

- Currently where a person deregisters for VAT, 15% VAT should be remitted to the MRA on all items (other than motor cars as specified in the VAT Act) forming part of the assets of the business. Henceforth no VAT will be claimed by MRA on stock.
- Moreover, upon VAT deregistration, no refund will be made for excess VAT in the last taxable period.
- This is a means to ease the administration burden of the tax authorities.

Services from abroad

Non-VAT registered persons are now required to charge VAT on supply of services in Mauritius by foreign businesses and remit same to the MRA to ensure a level playing field between local and foreign service providers. This measure remains unclear on how non-VAT registered persons will remit this VAT to the MRA. This would be a VAT burden on the non-VAT registered persons. This does not apply to a bank carrying on business wholly and exclusively with non-residents and a licensee under the Financial Services Act

Claim for input VAT

A penalty of 20% will be applicable on input VAT over claimed. This penalty is capped at MUR100,000. This measure aims at discouraging taxpayers to make wrong claims

VAT Administration

- Taxpayers, having liability exceeding MUR50,000, will have an obligation to effect payment electronically
- VAT should be applied on goods and services at the time of supply regardless of invoice being issued or payment being made.
- The amount payable at the time of lodging an objection regarding VAT assessment remains to be confirmed by the forthcoming Finance Bill.

Other Taxes

Several measures taken by the Government indicate its confidence in SMEs to help reducing the rate of unemployment and drive growth

From a property tax perspective, the government has taken several initiatives such as alleviating registration duty for first time buyers of land as well as for Mauritius citizen in the purchase of new houses and apartment.

Several other measures have also been adopted to promote a healthier Mauritius, such as the imposition of levies on alcohol and cigarettes

Continued confidence in SMEs

- Payment of trade fees for licences of MUR5,000 or less are being suspended for a period of three years for all SMEs. This excludes SMEs dealing in gambling, sales of liquor and cigarettes
- Existing enterprises registered with SMEDA and having a turnover of less than MUR10 Million are now being granted 4 years tax holiday with effect from 01 July 2016
- New enterprises and cooperative societies registered with SMEDA will benefit from an 8 year tax holiday.
- In order to encourage young entrepreneurs, the creation of the National SME Incubator Scheme shall be created.
- To ease the access to finance for SMEs, SME Financing Scheme has been extended to another 3 years and now includes individual entrepreneurs.

Other Taxes

Registration duty

- No registration duty will be applicable for a Mauritian citizen acquiring a new house or a new apartment with a value not exceeding MUR6 Million during the period 1st September 2016 to 30th June 2020.
- No registration duty will be applicable on the first MUR2 Million (previously MUR1.5 Million) for first time buyers of bare residential land not exceeding 20 perches.
- Promoters of residential units being built and sold under projects registered with the MRA for a value of up to MUR6 Million will be exempted from Land Transfer Tax up till 2020.
- No registration duty will be applied on secured housing loan for an amount of up to MUR2 Million (previously MUR1 Million).

Levy

- To promote responsible gambling, a 2% levy will be charged on net stakes of gambling operators.
- A 30% tax on winnings for on-line betting games will be introduced.
- Betting duty for bookmakers outside racecourse will be increased from MUR 16,000 to MUR 30,000 for each race meeting.
- A 15% levy is being introduced on pesticides, herbicides and fruit ripeners in order to curb abuse of such products.
- To discourage use of energy inefficient appliances, such as washing machines, lamps etc, a levy of 25% will be imposed on such products.
- Suspension of the CO2 levy/rebate scheme introduced in 2011.
- Admission charges by Local Authorities to leisure and leisure activities will be waived.

Excise duty and custom duty

- Previously, excise duty of 3 cents per gram on sugar content was applicable on soft drinks, syrups and fruit drinks. This has been extended to cover other sugar sweetened drinks such as juices and milk based drinks, effective as from 1st October 2016.
- Materials used in the manufacture of medical devices and lighting equipment used in film making will be exempted from customs duty
- Exemption from excise duty will be provided to any vessel engaged in the delivering of bunker fuel within the port limit
- Late payment of unpaid duty will entail 5% penalty and 0.5% interest per month
- Removal of the 5 years time limit on initiation proceedings under the customs law with respect to the recovery of taxes and penalties
- Mandatory electronic payment of customs duty and excise duty for sums totalling MUR50,000 and above
- Alignment of definitions of alcoholic beverage, cider, perry and sparkling wine with the definitions provided in the Food Regulations
- Abolition of customs duty on several tariff lines has increased the duty free percentage from 89% to 95%
- Adjustment factor used at customs to determine the import value of a second hand car has been reduced from 25% to 5%, with the exception of Thailand where it is 40%

Other Taxes -Tax Administration

Tax Administration: General

Collection of Social Security Contributions by MRA

The MRA will collect the pension contributions of the National Pensions Fund and National Savings Fund as well as the Training Levy on behalf of the Ministry of Social Security, National Solidarity and Reform Institutions.

Registrar General Department to be merged with the MRA

- The Registrar-General Department will fall under the umbrella of the MRA, turning it into one single revenue collection agency.
- The Registrar-General Department will benefit from the resources of the MRA giving rise to synergy effect.

Alternative Dispute Resolution Panel

- A newly introduced mechanism at the level of MRA to accelerate tax appeal cases exceeding MUR10 Million with the exception of disputes relating to Customs and Excise.
- Comprises of 3 members and shall be chaired by an independent person and one member from the Attorney-General's office.
- Any appeal at the level of the Assessment Review Committee ("ARC"), the Supreme Court or the Privy Council will be continued concurrently.
- If no agreement is reached within 6 months, the dispute will continue to follow the normal objection process.

Who can apply?

- Taxpayers who are dissatisfied to the decision of the MRA
- Taxpayers who have appealed to the ARC, the Supreme Court or the Privy Council.

Tax Clearance Certificate from MRA before allocation of Government contracts above MUR 5 Million

A contractor will have to submit a tax clearance certificate from the MRA confirming that he has filed his tax returns and paid his tax before allocation of any government contracts exceeding MUR5 Million.

Meaning of Fraud re-defined

- The Mauritius Revenue Authority will be amended to change the definition of "fraud" so that it includes cases of non-submission of tax returns.
- Non-remittance of VAT, PAYE and TDS collected by economic operators will constitute a criminal offence.
- MRA will require approval from Independent Tax Panel under the ARC to raise assessments beyond 3 years statutory limit in case a taxpayer has not submitted a tax return.

Tax administration: Income Tax

Tax Deduction at Source (TDS)

- Tax deduction at source will be extended to:

  (a) Services provided by accountants and tax advisors; and
  (b) Management fees paid to individuals.

Time limit for Submission of Amended Income Tax Returns

- A time limit of 2 years is being introduced for submission of amended income tax returns both by individuals and corporates.
- Not applicable to arrears of emoluments paid by an employer.

Other Taxes -Tax Administration

Penalties

- A penalty will be introduced on losses or refund over-claimed. No further guidance has been provided on the percentage of this penalty.
- Penalties for individuals who are not in business will be reduced from a maximum of MUR20,000 to MUR5,000. They will also benefit from a reduced rate of penalty of late payment of taxes from 5% to 2%.
- Tax residency certificate fee applicable to an individual has been fixed to MUR1,000.
- Where a company is dormant, it will be required to file only a declaration instead an income tax return. However, this facility will not apply to companies holding a Category 1 Global Business Licence or trusts.

Filing of PAYE returns by employers

An employer will be required to give to MRA in its monthly PAYE return, the amount of PAYE withheld per employee together with his National Identity Number. Similarly, the Business Registration Number or National Identity Number of the payee will be required for tax deduction at source

Appendices

Appendix 1: Income Tax Computation

HYPOTHETICAL TAX CALCULATION		
Period covered	**12 months to 30.06.16**	**12 months to 30.06.17**
	MUR	**MUR**
Salary	2,500,000	2,500,000
End of year bonus	50,000	50,000
Interest Income (A)	10,000	10,000
Dividend Income (B)	100,000	100,000
Total Income	**2,660,000**	**2,660,000**
Less Exempt Income	(110,000)	(110,000)
Total Net Income	2,550,000	2,550,000
Less Deductions		
IET (category C)	(455,000)	(465,000)
Mortgage Interest (See Note 4)		(150,000)
Tuition Fees (See Note 5)		(270,000)
Relief for medical insurance contribution (See Note 6)	(30,000)	(30,000)
Chargeable income	2,065,000	1,635,000
Tax at 15%	309,750	245,250
Total tax payable	**309,750**	**245,250**
Decrease in tax payable		**(64,500)**

Calculations based on the following assumptions

1. Individual married with two dependents, claiming exemption for only the two dependent children
2. Received interest income from Mauritius Bank of MUR10,000 per annum
3. Received local dividend income of MUR100,000 per annum
4. First time home owner loan taken out in January 2011. Mortgage interest payment of MUR150,000 per annum
5. Tuition fees of MUR140,000 for child studying in Mauritius and MUR175,000 for child studying overseas
6. Claiming relief for medical insurance contribution for the 2 dependents (MUR12,000 for self and 1st dependent and MUR6,000 for the 2nd dependent)

Appendix 2: Tax Rate Card

This Tax Card is based on current tax legislation as updated by the proposals set out as per the Budget 2016/2017 and is subject to Finance Act ratification.

Personal Income Tax Rate

Year of Assessment	2016/2017	2015/2016
Period Ended	12 months to 30.06.17	12 months to 30.06.16
Flat rate on income	15%	15%

Income Exemption Threshold

Year of Assessment	2016/2017	2015/2016
Period Ended	12 months to 30.06.17	12 months to 30.06.16
	MUR	MUR
Category A (1)	295,000	285,000
Category B (2)	405,000	395,000
Category C (3)	465,000	455,000
Category D (4)	505,000	495,000
Category E (5)	345,000	335,000
Category F (6)	455,000	445,000

Note:

1. An individual with no dependent
2. An individual with one dependent only
3. An individual with 2 dependents only
4. An individual with 3 or more dependents
5. A retired/disabled person with no dependent
6. A retired/disabled person with one dependent only

CPS Threshold

Year of Assessment	2016/2017	2015/2016
Period Ended	12 months to 30.06.17	12 months to 30.06.16
	MUR	MUR
Gross income of preceding income year (1)	4 Million	4 Million

Note:

1. An individual deriving gross income from cultivation of sugar cane or growing of tobacco remains outside scope of CPS
2. No CPS statement is required where the tax payable under CPS does not exceed MUR500

Exemptions/ Deductions/Reliefs – Personal

Year of Assessment	2016/2017	2015/2016
Period Ended	12 months to 30.06.17	12 months to 30.06.16
Interest on mortgage loans (1)	Full deduction for interest paid	Full deduction for interest paid
Tuition fee exemption (per dependent child) (2)	MUR135,000	MUR135,000
Lump sum received as commutation of pension and retiring allowance	MUR2 Million	MUR2 Million
Relief for health/medical insurance premium (Category A & E)	up to MUR12,000	up to MUR12,000
Relief for health/medical insurance premium (Category B & F)	up to MUR12,000 for self and 1st dependent each	up to MUR12,000 for self and 1st dependent each
Relief for health/medical insurance premium (Category C & D)	up to MUR12,000 for self and 1st dependent each + MUR6,000 for 2nd and 3rd dependent each	up to MUR12,000 for self and 1st dependent each + MUR6,000 for 2nd and 3rd dependent each

Note:

1. As from 1 July 2016, taxpayer is entitled to claim full interest relief on housing loan irrespective of the date the loan was contracted (for 2015/2016 wrt loan contracted on or after 1 July 2006). This relief has been extended to individuals whose total income does not exceed MUR4 Million (previously MUR2 Million)
2. As from 01 July 2016, the relief in respect of tuition fee is available if the annual tuition fee is a minimum of MUR34,800 (2015/2016: MUR44,500). The relief in respect of tuition fees has been extended to individuals whose total income does not exceed MUR4 Million (2015/2016: MUR2 Million)

Appendix 3: Customs Duty

Customs Tariff Rates		
	2015-16	2016-17
Men's or boys' suits	Rs 165/unit	0%
Suit type jackets and blazers	Rs 130/unit	0%
Women's or girls' suits	Rs 65/unit	0%
Track suits	Rs 30/unit	0%
Trousers, breeches and shorts	Rs 30/unit	0%
Shirts, skirts, blouses, tops and dresses	Rs 30/unit	0%
T-shirts and singlets	Rs 15/unit	0%
Baby diapers	15%	0%
Baby Wipes	30%	0%
Dolls and toys representing animals	15%	0%
Lighting sets	15%	0%
Table, kitchen and other household articles of aluminium, porcelain and chins	15%	0%
Glass mirrors	15%	0%
Drinking glasses	15%	0%
Building materials of glass (glass cubes, paving blocks etc.)	15%	0%
Coated wires and electrodes	15%	0%
Motor vehicle engines and parts thereof	15%	0%
Pumps for dispensing fuel or lubricants for filling stations or garages	15%	0%
Primary cells and batteries	15%	0%
Lead acid electric accumulators	15%	0%
Electric heating apparatus	15%	0%
Trailers and semi-trailers	15%	0%
Horses	Rs 30,000/unit	0%
Statuettes	10%	0%
Sugar	0%	15%
Spirituous products	15%	30%

The above changes in customs tariff rates will be effective as from 30th July 2016.

Appendix 4: Excise Duty

Excise Duty- Alcoholic Products		
	2015-16	**2016-17**
Beer (per litre)	Rs 35.90	Rs 37.70
Spirit cooler (per litre)	Rs 44.70	Rs 49.20
Fruit wine (per litre)	Rs 27.80	Rs 30.60
Made wine (per litre)	Rs 59.50	Rs 65.50
Wine of grapes (per litre) -In bulk for bottling purposes -In bottle	 Rs 95.70 Rs 168.00	 Rs 105.30 Rs 184.80
Champagne (per litre)	Rs 800.00	Rs 880.00
Rum (per litre of absolute alcohol)	Rs 471.00	Rs 518.10
Cane spirits (per litre of absolute alcohol)	Rs 471.00	Rs 518.10
Whisky (per litre of absolute alcohol) -In bulk for bottling purposes -In bottle	 Rs 910.00 Rs 1,455.00	 Rs 1,001.00 Rs 1,600.50
Liqueur (per litre of absolute alcohol)	Rs 320.00	Rs 352.00
Excise Duty- Tobacco Products		
	2015-16	**2016-17**
Cigars (per kg)	Rs 12,845	Rs 16,056
Cigarillos (per thousand)	Rs 7,500	Rs 9,375
Cigarettes (per thousand)	Rs 3,717	Rs 4,646

The above changes in rates of excise duty on alcoholic and tobacco products will be effective as from 30th July 2016

Excise Duty- Motor Cars		
Type of motor car and cylinder capacity (c.c.)	**2015-16**	**2016-17**
Conventional motor cars:		
Up to 550 c.c.	15%	0%
551-1,000 c.c.	55%	45%
1,001-1,600 c.c.	55%	50%
1,601-2,000 c.c.	75%	75% (no change)
Above 2,000 c.c.	100%	100% (no change)
Hybrid motor cars:		
Up to 1,600 c.c.	55%	25%
1,600-2,000 c.c.	75%	45%
Above 2,000 c.c.	100%	70%
Electric cars:		
Up to 180 Kw	25%	0%
Above 180 Kw	25%	25% (no change)

The above changes in excise duty will be effective as from 30th July 2016

Appendix 5: Registration duty

<table>
<tr><th colspan="3">Registration duty on electric vehicles</th></tr>
<tr><td>Electric engine power (kW)</td><td>2015-16</td><td>2016-17</td></tr>
<tr><td>Not exceeding 27.5 kW</td><td>Rs 8,100</td><td rowspan="6">Rs 8,100</td></tr>
<tr><td>From 27.6 kW to 40.0 kW</td><td>Rs 16,300</td></tr>
<tr><td>From 40.1 kW to 52.5 kW</td><td>Rs 26,000</td></tr>
<tr><td>From 52.6 kW to 57.5 kW</td><td>Rs 32,500</td></tr>
<tr><td>From 57.6 kW to 65.0 kW</td><td>Rs 39,000</td></tr>
<tr><td>From 65.1 kW to 70.0 kW</td><td>Rs 58,500</td></tr>
<tr><td>From 70.1 kW to 77.5 kW</td><td>Rs 58,500</td><td rowspan="2">Rs 16,300</td></tr>
<tr><td>From 77.6 kW to 95.0 kW</td><td>Rs 78,000</td></tr>
<tr><td>From 95.1 kW to 102.5 kW</td><td>Rs 78,000</td><td rowspan="2">Rs 26,000</td></tr>
<tr><td>From 102.6 kW to 125.0 kW</td><td>Rs 97,500</td></tr>
<tr><td>From 125.1 kW to 150.0 kW</td><td>Rs 97,500</td><td>Rs 32,500</td></tr>
<tr><td>From 150.1 kW to 180.0 kW</td><td>Rs 97,500</td><td>Rs 39,000</td></tr>
<tr><td>Exceeding 180.0 kW</td><td>Rs 97,500</td><td>Rs 97,500 (no change)</td></tr>
</table>

The above changes in customs tariff rates will be effective as from 30th July 2016.

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The above information has been extracted from the budget speech delivered by the Minister of Finance and Economic Development, The Honourable Pravind Kumar Jugnauth to the National Assembly on 29 July 2016.

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.