



Budget 2021-22

Better Together

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Key Highlights



**0% increase
in tax.**



**Attracting 50,000
expatriates.**



**Targeted GDP
growth of 9%.**



**USD 4.5 bn
investment over
5 years.**



**Green energy as
a pillar of the
economy.**



**Attracting
pharma.**

Better together



■ Dr The Honourable Renganaden Padayachy delivered his budget speech at the National Assembly on 11 June 2021.

The second lockdown in March 2021 and the continued closing of Mauritian borders has severely impacted the country's economic recovery. However, the government did not waver from its decision to offer support through the wage assistance scheme and the self-employed assistance scheme. The financial support provided much needed relief to sectors that were heavily impacted by the pandemic such as the tourism industry.

The principles underpinning the budget were threefold:

- Giving an exceptional boost in investment
- Shaping a new economic architecture
- Restoring confidence

From a tax perspective, the government has resisted the temptation of increasing taxes despite the pressure on public finances. We believe that, this in itself, is a positive measure as it will restore confidence and stimulate investment.

Whilst the government has committed to public spending

to boost growth, investment by the private sector remains low. We feel that measures such as group tax relief and tax reliefs for investing in start-up companies would have paved the way towards a more equitable and less government focussed investment strategy. Given the focus on public spending, we believe that the lack of fiscal incentives is a missed opportunity.

We set out below our detailed review of the tax measures announced in the 2021-2022 Budget.

Tax measures for businesses



Tax Incentives

Contributions to COVID-19 Vaccination Programme Fund.

If an enterprise contributes to the COVID-19 **Vaccination Programme Fund**, it may **deduct** the **contribution** from its taxable income at the time of submission of their income tax return.

Double Deduction of Expenditure Incurred on Research & Development (R&D).

Manufacturing companies will be entitled to **200% deduction** on **expenses** incurred on **market research** and **product development** targeting the **African** market.

Investment Tax Credit.

A **manufacturing** company may carry any unrelieved **investment tax credit** forward for a maximum of **10** years.

R&D Tax Credit.

200% deduction for **research and development** expenditure will be extended extend to **June 2027**. The expenditure must relate directly to **existing trade** or business and **includes expenditure** incurred on innovation, improvement or development of a process,

product or service. It can also include staff costs, consumable items and computer software.

Companies engaged in the medical biotechnology and pharmaceutical sector.

Companies operating in this sector will benefit from a **reduced tax** rate of **3%** instead of **15%**. In addition, they will be allowed a full **tax credit** on the acquisition of **patents**.

Private universities set up in Mauritius.

The above **universities** will benefit from a **concessionary** tax rate of **3%** of their income.

Tax holiday.

Tax holidays granted to **Family Offices** and **Fund and Asset Managers** will be extended from **5** years to **10** years.

Partial Exemption

The scope of the **partial exemption** tax regime will be extended to cover **licensed investment dealers** and activities relating to the leasing of locomotives and train including rails leasing.

Finctax comment: The extension of the partial exemption regime to licensed

investment dealers is a welcome measure as we believe there is growth potential for retaining existing companies and attracting new companies operating in this sector.

Tax payment under Advance Payment System (“APS”)

Companies that are subject to tax at a **lower** rate than 15% will be able to compute their tax liability under APS at that lower rate.

Finctax comment: This is a welcome measure that corrects an anomaly in the legislation.

Corporate Social Responsibility (“CSR”)

Companies opting to pay the **presumptive tax** of 1% of its turnover are **exempted** from their CSR obligations.

Companies will be entitled to use their 25% CSR **fund** to **finance the restoration of a building** designated as a national heritage under the National Heritage Fund Act 2003. The financing can be done either through implementing a **CSR programme** or via a **non-governmental organisation**.

EDB Investment Certificate

Companies that will register with the EDB for an **investment certificate, export development certificate** or **premium investor certificate** will **benefit** from the **incentives** listed on the table below.

Investment certificate	Export development certificate	Premium investor certificate
8-year tax holiday (New Companies)	3% income tax on export of goods	To be negotiated with EDB, recommended by Technical Committee and approved by the Minister of Finance
Exemption from payment of Registration Duty and Land Transfer Tax for the purchase of immovable property for business purposes (New Companies)	Freight Rebate Scheme	
Payment of VAT on Plant, machinery, and equipment & Construction of purpose-built building and plant and equipment (excluding vehicles) for research and development: (i) Zero-rated for provision of healthcare, nursing and residential care services (ii) Exempt for others	Trade Promotion and Marketing Scheme	
5% Tax credit over 3 years in respect of capital expenditure incurred on new plant and machinery (manufacturing company only) until 30 June 2023.	Subsidy on the cost of Credit Guarantee Insurance Premium	
Eligibility for schemes and services offered by the Industrial Financial Institution (Leasing)	Preferential Port and Handling Charges	

Foundations and Trusts

The **tax framework** in respect of **trusts and foundations** will be amended in the Income Tax Act to comply with the Organisation for Economic Cooperation and Development's BEP Action **Point 5** regarding **preferential tax regime**.

According to the budget annex, **substantial activity requirements** are expected to form part of the new measures.

Finctax comment: It remains to be seen how substance activities will be implemented for trusts. In our view, it is also likely that a trust register will be put in place.

Deferral of tax payment under Advance Payment System ("APS")

As was previously published in an MRA Communique, companies under the Advance Payment System (APS) with income tax liabilities due in November 2020 up to May 2021 may **defer** their liabilities to **30 June 2021**.

Dividend to a non-resident

The Income Tax Act will be amended to state conclusively that a **dividend paid** by a **non-resident** to another **non-resident** is **not taxable** in Mauritius.

Assistance to Small and Medium Enterprises (SMEs) for salary compensation

The assistance for salary compensation for SMEs, currently implemented via a Communique from the MRA in January 2021, will be formalised in the Income Tax Act.

The maximum salary compensation refund remains at Rs 375 per employee and will be **extended** up to 30 June 2022. The amount refunded to an export-oriented SME will remain capped at Rs 235 per employee monthly.

Finctax note: It remains to be seen whether the special allowance of **Rs 140** will continue to be credited to these employees directly.

Record keeping

The Income Tax Regulations will be amended to include the type of **records** that a **businessperson** should keep at their **business premises** and make available in case of an audit by the MRA.

Measures Impacting Individuals



Tax measures for individuals



Reliefs and additional exemption

- In his budget speech, the Minister of Finance, Economic Planning and Development mentioned that the maximum exemption in respect of a **child pursuing tertiary education** will be **increased to MUR 225,000 irrespective of the child's place of study and the household's total income.**
- In addition, he stated that the **relief medical or health insurance premium** would increase to **MUR 20,000** for an individual and his first dependent. The individual will be entitled to MUR 15,000 by way of relief for each **subsequent dependent.**
- According to the budget speech, individuals will be allowed to an **exemption to approved charitable donations** to non-governmental organisations or religious bodies. The exemption will be capped at **MUR 30,000** per annum.

- Finally, if an **individual contributes** to a **personal pension scheme**, they will be entitled to an exemption of a maximum of **MUR 30,000.**

Self-Employed Assistance Scheme

A self-employed individual will only **benefit** from the Self-Employed Assistance Scheme on **payment of the Contribution Sociale Généralisée (CSG)**. This measure will be implemented from **1 July 2021.**

A **self-employed individual** will also need to submit a **simplified income tax return** based on **estimated** income derived during the year.

Finctax note: Whilst we do not expect the measure will raise significant funds, we assume it is aimed at ensuring that self-employed individuals benefitting from the scheme are officially registered.

Deduction for dependent who is a bedridden next of kin

The eligibility criteria for qualifying as a bedridden next of kin dependent will **not consider income derived by the dependent** under the National Pensions Act. For example, basic retirement pension, basic invalidity pension, carer's allowance and contributory invalidity pension will not count in determining the dependent's eligibility.

Contributions to COVID-19 Vaccination Programme Fund

If an **individual** contributes to the COVID-19 **Vaccination Programme Fund**, they may **deduct** the amount contributed from its **taxable income** at the time of submission of their income tax **return**.

Furthermore, the individual will be entitled to **carry forward any unrelieved deduction** to the next income year for a maximum of **2 successive income years**.

Tax Holiday

The emoluments of an **asset manager, a fund manager or asset and fund manager** who manages an asset base of **USD 50 million** and more will be eligible to a tax holiday of

10 years. Holders of a licence issued on or after 1 September 2016 with an asset base of USD 100 million were previously entitled to a tax holiday of 5 years which will now be extended by another 5 years.

Premium Visa

Foreigners will be able to apply for a Premium Visa under the Premium Visa Scheme. The visa allows foreigners to stay in Mauritius for a period of at least one year with the possibility of renewal.

The **benefits** to the visa holder are as follows:

- (i) Whilst they will be **tax resident** in Mauritius by virtue of spending 183 days or more in the country, their **Mauritian-sourced income** (e.g. emoluments for work performed remotely in Mauritius) **will be taxed on a remittance basis**, i.e., in the same manner as foreign-sourced income;
- (ii) money spent in Mauritius through their **foreign credit or debit card** will **not** be deemed a **remittance** to Mauritius i.e., it will not be subject to income tax; and
- (iii) **income brought and deposited** in a bank account in Mauritius will **not be subject** to tax if a **declaration** is made by them, **confirming** that the

required **tax** has been **paid** in their country of origin or residence.

The benefits conferred under the scheme apply **retroactively** as from 1 November 2020.

Tax payment under Current Payment System ("CPS")

Self-employed individuals that are subject to the **lower tax rate of 10%** will be able to compute their **tax liability under CPS** at that lower rate.

Deferral of tax payment under Current Payment System ("CPS")

As was previously published in an MRA Communique, **self-employed** individuals subject to tax under CPS in the **income year 2020/2021** may **defer** their tax liabilities to **October 2021** when they submit their income tax return.

VAT Measures

Main Measures

- The preparation and supply of **dumplings** is confirmed as being **zero-rated** for VAT purposes.

Finctax note: consumers will be pleased to note that the price of dumplings will not include VAT.

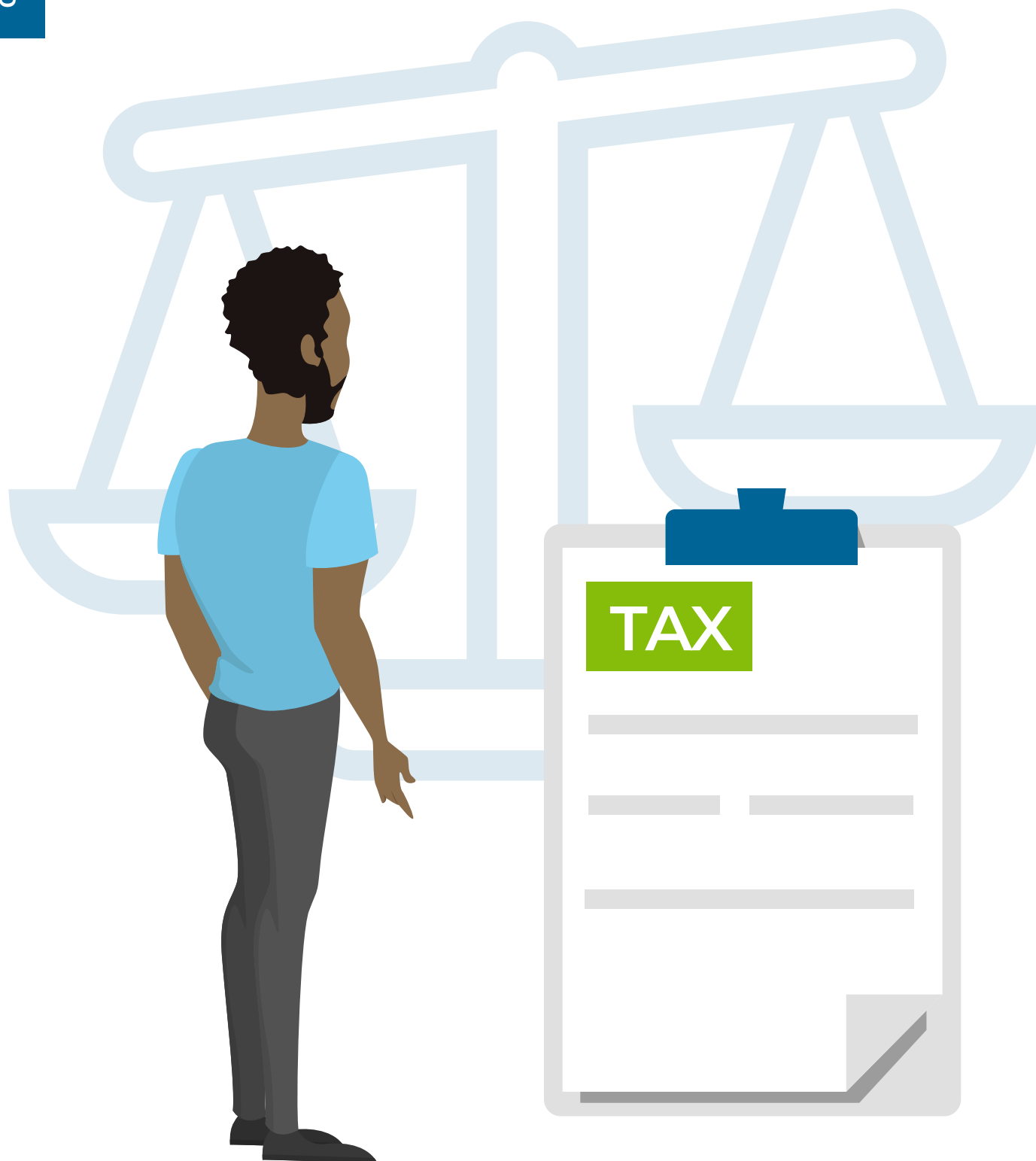
- The National Empowerment Foundation and the New Social Living Development Ltd will be made **exempt bodies** for VAT purposes for the construction of **social housing**.

- The government reviewed the criteria for the **refund of VAT** on construction of a **house or residential apartment**. The criteria are as follows:
 - (i) the cost of construction/purchase price of a residence should not exceed Rs 3 million;
 - (ii) the maximum limit on the amount of refund will be Rs 300,000;
 - (iii) the household income eligibility threshold for the refund will be Rs 1 million per annum; and the refund will be applicable on the construction or purchase of a first residence.
 - (iv) the refund will be applicable on the construction or purchase of a first residence.

Finctax note: We note that the refund has decreased from Rs 500,000 to Rs 300,000. In addition, there is now a value attributed to the cost of construction and purchase price of the residence.



Other Tax Measures



Arm's length

The annex to the budget speech states that global businesses will have to meet the **arm's length test** as set out in the Income Tax Act, as is the case for **domestic** companies.

Lodging of representations before the Assessment Review Committee

If an **objection** is lapsed by the MRA due to **failure** to provide requested information by a taxpayer, the taxpayer will be **allowed to lodge representations** at the ARC without any payment.

Tax Arrears Settlement Scheme (TASS)

The TASS has been **extended to taxpayers** such that they will benefit from a full waiver of penalties and interest on tax arrears outstanding as at **31 October 2020**. They should **register** for the scheme by **30 June 2021**. SMEs have until **31 December 2021** to register.

The **scheme** is also open to taxpayers who have **assessments** before the Assessment Review Committee, the Supreme Court, or the Judicial Committee of the Privy Council. The taxpayers may register for the scheme by withdrawing their cases before these institutions.

Statement of financial transactions

The following **disclosures** should be made to the MRA:

- (i) by a **bank or a non-bank deposit** taking institution:
 - a) in respect of a deposit made by an individual, a society or succession exceeding Rs 250,000 or deposits exceeding Rs 2 million in a year.
 - b) In respect of companies, the threshold for the deposit will be Rs 500,000 and aggregate total deposits Rs **4** million per year.
- (ii) **By a money changer or an exchange dealer**: any foreign currency transaction of Rs 100,000 or more.
- (iii) By an **insurance company**: insurance premium exceeding Rs 250,000 paid in respect of a person.

Tax Ruling

The time limit of 30 days for the MRA to give a ruling will commence as from the date of submission of all documents and information requested by the MRA.

Exchange of Information with treaty partners

Companies **failing to comply** with MRA requests relating to exchange of information with treaty partners will be **liable to penalties**.

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