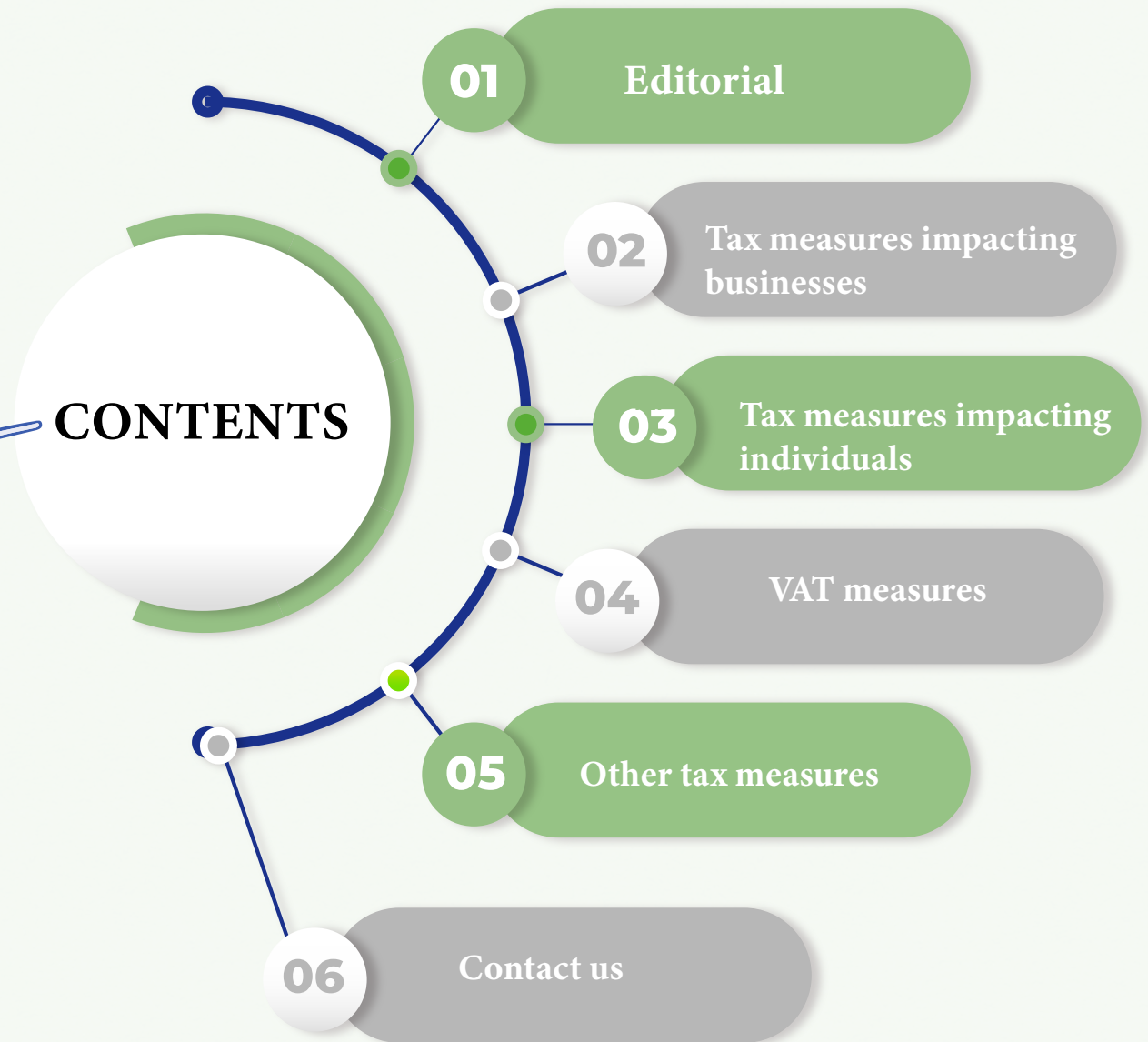


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Editorial

Mauritius Budget 2022-2023

With the people, for the people

The Minister of Finance, Economic Planning and Development, Dr the Honourable Renganaden Padayachy delivered his third national budget speech today. As the title of the budget speech indicates, the measures announced by the Minister focus on alleviating the economic impact of the supply chain disruptions, the war in Ukraine and the recent lockdowns in China.

One of the most popular measure announced in the budget is the increase to the pension system. However, there has been no corresponding increase in the rate of tax nor an increase in the solidarity levy or social security taxes.

From a tax perspective, there will be the introduction of the new 12.5% tax rate to benefit middle income earners. Furthermore, the additional deductions for health insurance, pension and tertiary education have been increased. We believe that whilst these measures will benefit every taxpayer concerned, they will assist middle income earners in particular. We note, however, that the income exemption threshold is frozen for the second consecutive income year.

In the same spirit of solidarity and shared prosperity, a number of tax incentives have been announced for Small and Medium Enterprises (“SME”). Interestingly, the threshold to qualify as an SME has increased significantly.

The Minister also announced Mauritius’ adherence to the Global Minimum Tax for multinationals in line with the Organisation for Economic Co-operation and Development’s framework on Base Erosion and Profit Shifting. This measure is likely to impact only specific industries in Mauritius as its main tax rate is 15%. We also note that the scope of the tax deduction at source (“TDS”) has been extended to cover additional services. The rate of TDS on existing payments subject to TDS such as rental income has also increased.

Whilst there have been no ground-breaking measures announced to kickstart the economy, the Minister announced that economic indicators are showing signs of improvement in the economy. In particular, there is hope for the tourism sector to reach pre-pandemic levels. Budget 2022-2023 is geared towards Mauritius and its people.



01. Tax measures impacting businesses



**A group text arrives during
The team building exercise**



01. Tax measures impacting businesses

Employment tax measures

- An employee is currently allowed a tax-free allowance of MUR 11,500 per month for petrol or travelling allowance for the use of his private car in the performance of his duties. In his budget, the Minister announced that the allowance would be increased to MUR 20,000 per month.
- The maximum allowable deduction for petrol or travelling allowance paid to an eligible employee using his private car for the performance of his duties will be increased from Rs 11,500 to Rs 20,000.
- An individual may request that the solidarity levy withheld under Pay As You Earn (“PAYE”) on his payment is capped at 10% if they derive pension income or director’s fees.
- A foreign employer that employs a holder of a Premium Visa will not, in respect of that employee, be subject to the payment of -
 - (i) corporate tax under the Income Tax Act; and
 - (ii) social contribution under the Social Contribution and Social Benefits Act.



01. Tax measures impacting businesses

Small and Medium Enterprises

- In his budget speech, the Minister announced that the definition of a Small and Medium Enterprise (“SME”) will be amended as follows:

It is not clear whether the definition will apply to companies with a Global Business Licence as the Mauritius Revenue Authority does not consider that such a company qualifies as an SME for the purpose of the Portable Retirement Gratuity Fund.

- The assistance for salary compensation for SMEs that applies up to 30 June 2022 will reflect the mandatory salary compensation

	Turnover (MUR)
Micro-enterprise	10,000,000
Small enterprise	10,000,001 - 30,000,000
Medium enterprise	30,000,001 - 100,000,000

increase of MUR 500 and MUR 400 for non-export-oriented enterprises.

- A manufacturer with a turnover exceeding MUR 100 million is currently entitled to a 110% deduction for procurement from a small enterprise. Going forward, the manufacturer will be entitled to a deduction of 125%.
- Penalties that are outstanding as at 25 March 2022 for late submission of income tax returns and late payment of income tax by SMEs for the years 2020 and 2021 will be waived.
- Angel investors providing seed equity financing to SMEs will benefit from a tax allowance on their investment. It is unclear how the tax allowance will work but it appears that it may benefit only Mauritian tax resident angel investors if it takes the form of a tax allowance.



01. Tax measures impacting businesses

Tax holiday

- A newly set up freeport operator or developer making an investment of at least MUR 50 million will be entitled to an 8-year tax holiday if:
 - (i) it starts its operations on or after 1 July 2022; and
 - (ii) conforms with the substance requirements set by the Organisation for Economic Co-operation and Development (“OECD”).We expect that the substance requirements will be prescribed in due course and included in the Income Tax Regulations 1996.
- An 8-year tax holiday will be granted under the Integrated Modern Agricultural Morcellement Scheme on a plot of land exceeding 2 arpents. In addition, there will be an exemption from Registration Duty on purchase of land under the scheme and/or land conversion tax on the conversion of up to 15% of the land from agricultural to resident or commercial use.
- Planters engaged in sustainable agricultural practices will be entitled to an 8-year tax holiday following registration with the Economic Development Board.
- The Global Headquarters Administration Licence provides for a tax holiday. In addition, the annex to the Budget states that holders of Global Headquarters Administration Licence will be provided work and residence permits for 5 executives and their dependents. This measure will facilitate the company in meeting the criteria required for its licence.

Global Minimum Tax

- Mauritius committed to adhere to the OECD’s Pillar 2 Global Minimum Tax. As a result, a minimum top-up tax will apply to companies resident in Mauritius forming part of multinational enterprise groups having a global annual revenue of 750 million euros or more, to ensure that they are taxed at the global minimum rate of 15%.
- Share Buyback
The transfer of shares in a company holding immovable property is subject to registration duty currently. Furthermore, if the transfer of shares leads to a change in control of the company, land transfer tax is also applicable. Going forward, a share buyback, i.e. acquisition by a company of its own shares, will be subject to registration duty as well as land transfer tax if there is a change in control.



01. Tax measures impacting businesses

- **Deduction of Tax at Source (“TDS”)**

The rate of TDS on rental income and services provided by professionals has increased as per the table at Appendix 2.

In addition, additional services will attract TDS. This includes pest management services, consultancy fees and security services. Please refer to Appendix 2.

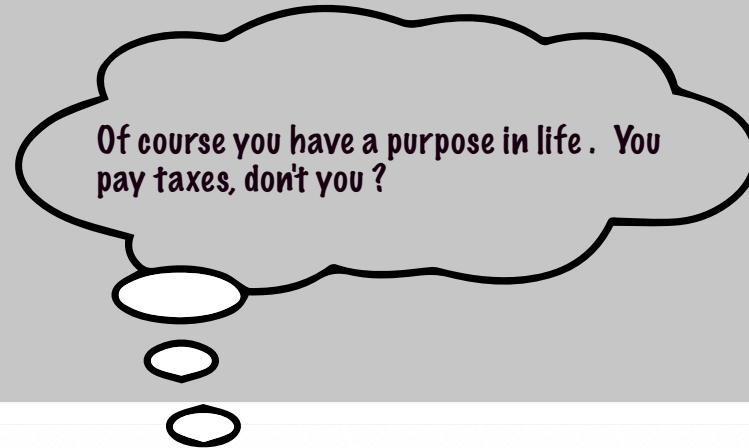
- If a person transfers any asset subject to depreciation to a related company, the value of the asset in the hands of the acquiring company is set at its net value, after annual allowances.

- **Taxation of the digital economy**

- The Budget makes provision for the ability to cater for taxation of the digital economy. This forms part of the wider global movement to impose tax on digital services in accordance with where the services are utilised.



02. Tax measures impacting individuals





02. Tax measures impacting individuals

Introduction of a new tax rate for middle income earners

- Individuals earning an annual net income between MUR 700,000 and MUR 975,000 will be liable to income tax at the rate of 12.5% instead of 15%. This measure will apply for the income year 2022-2023 onward. An individual's net income is his gross income less allowable deductions before any allowances such as the income exemption threshold.

	Income Year 2021-2022	Income Year 2022-2023
	(MUR)	(MUR)
Gross income	1,080,000	1,080,000
Less expenses	(120,000)	(120,000)
Net income	960,000	960,000
Less IET	(515,000)	(515,000)
Chargeable income	445,000	445,000
Tax	66,750	55,625

For example, Mr A is a self-employed plumber whose gross income is MUR 90,000 per month i.e., MUR 1,080,000 per annum. His expenses amount to MUR 10,000 per month and he has 2 dependents.

The threshold for the reduced tax rate of 10% has been increased from MUR 650,000 to MUR 700,000 per annum. As a result, the tax credit mechanism for individuals earning annual net income between MUR 650,000 and MUR 700,000 no longer applies. Please see **Appendix 1**.



02. Tax measures impacting individuals

Additional reliefs and exemptions

- The additional deduction for a dependent child pursuing full time tertiary education will be increased by MUR 275,000 per annum to MUR 500,000 per annum. The deduction will also cover dependent children pursuing postgraduate courses.
- The relief for medical or health insurance premium will be increased as follows:

	Income Year 2021-2022 (MUR)	Income Year 2022-2023 (MUR)
Individual	20,000	25,000
1 st dependent	20,000	25,000
2 nd to 4 th dependent/ per dependent	15,000	20,000

- If an individual contributes towards his pension through a personal pension scheme, his allowable deduction will increase from MUR 30,000 to MUR 50,000.
- Individuals will be allowed to deduct an additional amount of MUR 20,000 per annum for donations made to an approved charitable institution including religious bodies. The total deduction for donations to charitable institutions is therefore capped at MUR 50,000 per annum.
- The annex to the budget provides clarification in respect of the definition of a bedridden next of kin. It now states that a spouse is entitled to the additional bedridden next of kin deduction.



02. Tax measures impacting individuals

Payment of the Contribution Sociale Généralisée (“CSG”) for self-employed individuals and private household employers

- Self-employed individuals will have a choice as to whether to pay the CSG a year in advance rather than on a monthly basis. If they elect to pay in advance, they will not be required to submit a quarterly statement, thereby reducing an administrative burden.
- Employers who pay CSG for their household employees will also have the option to pay the CSG either on an annual or a monthly basis.



03. VAT measures

Oh no ! It's VAT man!"





03. VAT measures

- The Mauritius Revenue Authority (“MRA”) will have the power to compulsorily register a person who should have registered for VAT.
- The MRA intends to publish a list of all VAT-registered persons on its website with the aim of avoiding fraudulent practices. The list will be updated quarterly.
- The MRA will have the power to name and shame a taxable person who has not submitted a tax return 3 months after the due date. However, the taxable person or directors of the VAT registered company will be notified prior to the publication of their names and addresses.
- If an aggrieved person makes an objection against a decision of MRA but fails to submit information, books or records requested by the MRA within the required time frame, the MRA may determine that the objection has lapsed. Where an appeal is then made to the ARC on this matter, the information, books or records will not be allowed to be submitted before the Committee. This measure prejudices the taxpayer given that an inspector from the Objections department of the MRA must conclude his review within 4 months.
- The time limit for a VAT refund on a residential building, house or apartment will be 30 days from the date of receipt of all documents in support of an application for refund instead of 30 days from the date of receipt of the application.
- The criteria for a VAT refund on a residential buildings, houses or apartments is that the cost should not exceed Rs 3 million. Going forward, to counter the rising costs of construction, the criteria will be that the covered area constructed does not exceed 1,800 square feet.
- If a taxable person dies, his heirs/legatees or any executor/liquidator of the deceased’s estate will be liable to submit any VAT return and pay the VAT due with respect to transactions where VAT has been collected by the deceased. If a business continues to operate after the death of the taxable person, the transactions will be deemed to be those of the succession and the latter will be required to register for VAT purposes. This is likely to be a significant administrative burden on the individuals responsible for the succession.
- The MRA intends to implement an e-invoicing system to allow the online recording, authentication and monitoring of all invoices issued in the course of a business activity. It is not clear what the e-invoicing system will cover and the manner in which it will be utilised by the MRA.
- If a VAT-registered agent sells goods received under consignment under his own name, he should charge VAT on the goods.
- VAT registered contractors engaged by ministries, government department, local authorities, statutory bodies and the Rodrigues Regional Assembly will not need to remit VAT to the MRA as the other party will do so on their behalf. The contractors will need to adjust their input and output VAT as required in their VAT returns.



04. Other tax measures



"Brick is overrated. Let me show you something in sticks or straw."



04. Other tax measures

- **Tax Arrears Settlement Scheme (TASS)**

The TASS scheme will be re-introduced for income tax, VAT and gambling taxes whereby full waiver of penalties and interest will be provided to taxpayer if:

- a) the tax arrears are fully paid by 31 March 2023;
- b) the taxpayer registers under the scheme by 31 December 2022; and
- c) the taxpayer withdraws the cases pending before the ARC, Supreme Court or Judicial Committee of the Privy Council, if any.

- **Foundations and trusts**

The MRA will be allowed to request information from a foundation or a trust to enable for the purpose of making an assessment, collecting tax or complying with any request for the exchange of information under a Double Taxation Avoidance Agreement.

- **E-Publication of names of companies not submitting returns**

The MRA will publish the names of companies that have not filed their income tax returns on their website instead of the newspapers. The companies will be notified electronically before the publication of their names on the website.

- **International Arrangements**

Mauritius will enter into international arrangements with a view to resolving cross border tax disputes and implementing internationally agreed standards to prevent base erosion and profit shifting.

In addition, the MRA will have the power to recover foreign taxes to assist foreign countries in the recovery of taxes.

- **Power to require information from the Stock Exchange**

The Central Depository and Settlement Company Ltd will be required to submit an annual statement of financial transaction on individuals and companies that have purchased shares in listed companies exceeding MUR 250,000 for individuals and MUR 500,000 for companies.



04. Other tax measures

- **Alternative Tax Dispute Resolution (“ATDR”) threshold**

The threshold for tax appeal cases under the ATDR panel will be reduced from MUR 10 million to MUR 5 million.

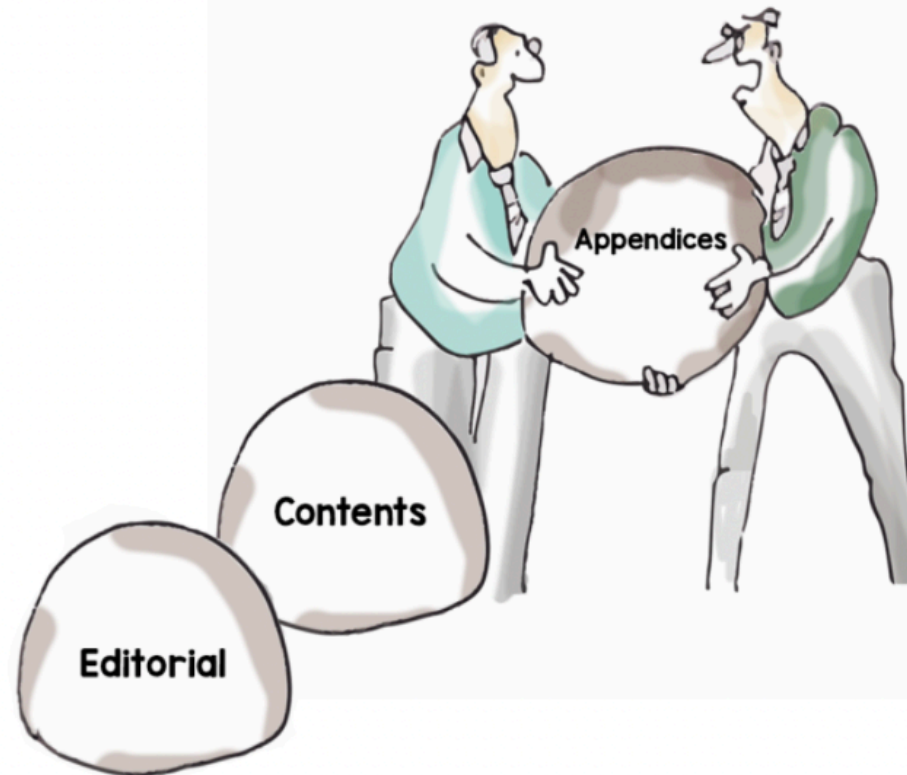
- **Improving the efficiency of the Assessment Review Committee (“ARC”)**

As part of the budget measures, it is proposed that:

- (a) if the Chairperson or Vice-Chairperson is of the view that some or all of the issues of a case can be resolved through mediation, 1 mediation meeting will be set up.
- (b) depending on the nature of the tax appeal case, a panel of only 2 persons may be constituted instead of 3.
- (c) the Chairperson or the Vice-Chairperson alone may hear a case and give decision orally on the same day where-
 - (i) tax return has not been filed or the taxpayer failed to produce documents to the Objection Directorate of the MRA;
 - (ii) taxpayer has failed to pay the 10% due on objection or 5% due on appeal;
 - (iii) the case is lodged after the statutory delay; or
 - (iv) a point of law is taken before the start of the hearing.
- (d) a statement of case and witness statement must be submitted to the ARC within 21 days after a case has been called proforma for the first time before the ARC.
- (e) Subject to the approval of the taxpayer and the MRA -
 - (i) the ARC will be allowed to replace up to 2 of its panel members and proceed with the hearing of a case without having to start anew;
 - (ii) a hearing may be conducted through videoconferencing at the request of either party; and
 - (iii) the Chairperson or the Vice-Chairperson may give a decision based on the submission of statements of case only.



05. Appendices





05. Appendix 1

Net Income	Rate
Mur 25,000 - Mur 53,846 (Mur 700,000 annually)	10%
Mur 53,846 - Mur 75,000 (Mur 975,000 annually)	12.5%
> Mur 75,000	15%



05. Appendix 2

Tax Deduction at Source		
Services	Previous Rate	New Rate
Services provided by professionals *	3%	5%
Rent paid to a resident	5%	7.5%
Consultancy fees	-	3%
Security services and cleaning services	-	3%
Pest management services	-	3%
Payment of fees made by insurance companies to motor surveyors and mechanics for repairs of motor vehicles of policy holders	-	3%

List of services provided by professionals: *
Accountant/accounting firm
Architect
Attorney/solicitor
Barrister
Engineer
Land surveyor
Legal consultant
Medical service provider
Project manager in construction industry
Property valuer
Quantity surveyor
Tax advisor or his representative



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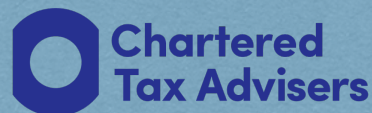
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"Same ship different day"

