MCCI
THE MAURITIUS CHAMBER OF COMMERCE AND INDUSTRY

An Analysis of the Budget 2018 | 2019

Pursuing our Transformative Journey

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1. MCCI Overview of the Budget 2018/2019

The Prime Minister and Minister of Finance and Economic Development, The Hon Pravind Kumar JUGNAUTH presented the National Budget 2018/2019 in an international context which is seeing a resurgence in economic growth. Both internationally and locally, the IMF points to an upsurge in 2018 and 2019, followed by more modest growth rates. Faced with uncertainties on the global trade and investment landscape post-2020 and with a number of challenges, the Budget 2018/19 provided a unique opportunity for strong and bold economic measures.

Throughout its Budgetary consultations, the MCCI advocated for 'Enabling Economic Development through business expansion' with a three-pronged agenda namely resolute demand-inducing measures, sectoral fiscal stimulus as well as structural reforms for the transformation of the country's economic model. The MCCI is pleased to note that the Budget indeed addresses the above with a particular focus on improving the quality and standard of life of citizens to bring Mauritius towards an inclusive model of economic development – and a 'Growth for All' agenda.

The Budget 2018/2019 has been centered on an inclusive and sustainable growth model, with strong measures to boost Youth and Women employment, SME entrepreneurship, purchasing power of the middle income class as well as the Circular Economy through sustainability and environmental protection measures.

With a rapidly ageing and decreasing population, the Budget also gave a particular focus on some of the Demographic issues to address fertility rates through gender mainstreaming in the workforce, incentives to invest in 'creche', increase in income exemption thresholds for dependents up to four children, deductions for tertiary education and a 'Work from Home' Scheme. The opening up of the economy to foreign talents through the review of procedures on work permits, accelerated occupation permits scheme, and attracting High Net Worth Individuals have been part of the MCCI's position vis-à-vis the authorities and we are thus pleased to note that they have been positively taken into consideration and have been prominent in this year's Budget.

In line with our Budgetary recommendations, there have been a number of measures to support the strategic local industries in the agricultural and manufacturing sectors and addressing the issue of de-industrialisation, with a revamped import substitution strategy which had been abandoned since the 1970s. Indeed, the MCCI advocated for the introduction of special package of measures for highly sensitive strategic industries to enable them to compete on a level playing field. We are pleased to note that the Government announced that appropriate mechanisms will be used to address the issue of dumping through economic diplomacy and implement higher standards of quality and safety for certain imported products.

With the introduction of the OECD BEPS initiative and the Mauritius commitment to the review of the financial services and Freeport sectors, the MCCI advocated for a harmonization of the taxation regimes for domestic and global business companies and positively noted that the Budget 2018/2019 reforms shall enable a consolidation of those sectors and integration with the domestic economy.

Business and Trade Facilitation remained on the agenda of the current Budget, with the implementation of the Single Licensing Agency at the Economic Development Board (EDB) to act as a central entity for the delivery of licenses and permits which will remove administrative burdens and "office hopping". This proposal had been recommended in our Budgetary recommendations since last year. The MCCI would also like to commend the measure to enable the Economic Development Board (EDB) to conduct Regulatory Impact Assessments and streamlining of business licenses. The MCCI believes that RIAs should become part of the process for any new business related legislation in the country and has been advocating for same for a number of years now.

To facilitate trade and investment, the current Budget makes provision for a number of public infrastructural projects to address inland and outward connectivity and market access. The Budget 2018/2019 indeed provides for a capital expenditure of Rs. 17.9 billion with a continued acceleration of the public infrastructure projects such as the Metro Express, the Road Decongestion Programme, and investments in port related infrastructure, including the purchase of a regional vessel. The MCCI commends the extension of the airport capacity to an expected 8 Million passengers annually, which shall enable the positioning of Mauritius as a tourist, business but also transit hub into Africa. We further commend the construction of 3 industrial parks with appropriate utility, logistics systems and high-tech machinery, with particular focus on Pharmaceutical and Life Sciences and High-Tech productions.

On private sector investment in construction activities, we are pleased to find the implementation of a National Regeneration Scheme which builds on the recommendations made by the MCCI for the last four years on Urban Regeneration to further integrate large villages through a national regeneration plan to revitalise the central areas of our cities, town and large villages.

Looking towards the e-Economy, the Budget sets the right tone to enable Mauritius to move towards an innovation-led economic model with mechanisms and processes to support the move towards Artificial Intelligence, Blockchain technologies and FinTech. To operationalize this strategy, a National Regulatory Sandbox License Committee is being implemented providing the right eco-system and the MCCI looks forward to the new Industrial Property legislation which shall pave the way to accelerating innovation in the country through the adherence of Mauritius to the Madrid Protocol, the Patent Cooperation Treaty and the Hague Agreement.

As Mauritius transforms its economic model, it is vital to move from our traditional products and markets. Indeed, to boost investment and export into the African region, the Budget provides companies investing in the new Special Economic Zones (SEZs) to benefit from accompanying fiscal measures . Whilst export-led strategies are supported through continued economic and trade diplomacy and negotiations on the finalization of a number of trade and economic partnership agreements both in the region, in the Asian continent, we should not relent on the implementation of the National Export Strategy (NES), which provides a roadmap for the further diversification of our markets and products.

The current Budgetary exercise also makes provision for a number of measures to enable sustainable economic development, aligned with a clean environment strategy and a circular economy model. Combined with agricultural economic communities through the Sheltered Farming Scheme, the Government is supporting the circular economy through increased financial incentive given to local manufacturers for recycling of PET bottles and support to private sector to encourage them to invest in recycling and refurbishment of telecommunication and electronic devices.

With more than 99 percent of all companies, accounting for 35 percent of GDP, and nearly half of the country's employment, SMEs are considered to be the backbone of the economy. Since a number of years, the Government has given particular emphasis on SMEs and fostering entrepreneurship. The current Budget 2018/2019 goes in line with this strategy with support mechanisms to SMEs for accreditation to international standards and certifications. The MCCI further commends initiatives taken in this Budget to improve access to finance for SMEs through a number of schemes including loans at concessionary rates of 3 percent at the DBM.

On a macro-economic level, the Budget 2018/2019 forecasts positive indicators on growth, investment and the budget deficit, with an aim to notably reach above the 4 percent growth rate in the current fiscal year. The MCCI is of the view that with a complete and swift implementation of the measures announced, there is indeed a potential for higher growth rates, based on inclusiveness, sustainability and innovation, hence enabling a transformation of the Mauritian economy. The implementation strategy and active involvement of all stakeholders will be a key determinant to enabling Mauritius to rise to the challenges of its aspirations at Vision 2030 and pave the way for a smooth transition to a high-income, innovation-led economy by 2023.

2. KEY MACRO-ECONOMIC ENABLERS

2.1. Consumption

The Mauritian economy is largely dependent on consumption expenditure, with the latter representing more than 85 percent of the country's GDP. In recent years, growth in consumption expenditure has been modest, at approximately 3 percent, compared to 5 to 6 percent in the early 2000s. In 2017, we noticed that, despite a series of consumption-boosting measures, growth in consumption has been modest at 2.7 percent, compared to a growth of 2.9 percent in 2016.

Analysis at the MCCI shows a direct and positive effect between consumption growth and GDP Growth. Based on our econometric analysis, we estimate that a 1-percentage point increase in consumption growth will increase GDP Growth by 0.56 percentage points, ceteris paribus. Conscious of the need for demand-side measures to boost the economy, the Budget 2018/2019 made provision for a number of measures to further reduce poverty, whilst increasing the purchasing power of consumers, with a particular focus on the middle-class to address the income inequality gap:-

- Income exemption thresholds increased by Rs. 5,000 for all categories of individuals.
- Reduced personal income tax rate of 10 percent for those earning between Rs. 305,000 and Rs. 650,000 annually (i.e. those earning less than Rs. 50,000 monthly)
- Negative Income Tax to those earning less than Rs. 9,900 monthly will now be paid on monthly basis

MCCI Analysis

1. <u>Income Exemption Thresholds and reduced personal income tax</u>

The increase in income tax thresholds will further help the middle-income earners to spend more without the burden of income tax. An individual with no dependent is today exempt from the first Rs 305,000 of income earned. The reduced personal income tax of 10 percent for those earning less than Rs. 650,000 annually (i.e. Rs. 50,000 monthly), benefiting some 60,000 individuals shall further enable an increase in the purchasing power of the middle-income class.

The above measures give respite to those with more dependents and the middle-income class, particularly in the context of a continuously declining fertility rate, at its lowest level since independence.

However, there could be less incentivisation for salary increases within the Rs. 650,000 to Rs. 670,295 range.

2.2. Investment – Public Infrastructure

It is widely recognised that investment is one of the most important components that underpin growth in an economy, contributing through the multiplier effect to the growth rate over several years. In fact, the **MCCI econometric modelling of the Mauritian economy shows that investment has a direct and positive effect on the economic growth rate for at least 3 years after investment is made.**

The Budget 2018/2019 provides for a number of projects, with Public Sector investment of Rs 52.6 Billion, of which Rs.17.9 Billion related to the implementation of a number of existing as well as new projects.:-

- Construction of Civil Service College (Rs. 160M)
- Transport infrastructure including Metro Express, Bus Terminals, construction and upgrading of roads and Road Decongestion Programme (Rs. 37 BN over 3 years)
- New runway at Plaine Corail Airport (Rs. 3.2 Billion)
- MSC to acquire new multipurpose cargo vessel for transportation of fuel and food provisions to Rodrigues and Agalega and also strengthen inter-regional maritime trade opportunities with Eastern Africa
- Extension of new passenger terminal to arrive at handling capacity of up to 8 million passengers annually
- **Industrial parks** including High-Tech Park, Logistics park and Pharmaceutical and Life Sciences Park
- **Port -** Construction of breakwaters, fishing port at Fort William and Cruise Terminal Building and **enhanced port productivity** to operate 24/7

MCCI Analysis

1. Extension of new passenger terminal for handling capacity of up to 8 M

The extension of the new passenger terminal to cater for some 8 Million passengers annually is a welcomed measure given that the airport is on the verge of reaching saturation. This investment in a strategic infrastructure shall enable Mauritius to position itself as a hub to become a dual tourist as well as transit destination, in line with Air Corridor Policy as enunciated a few years ago.

2. Enhanced Port Productivity

At the port, there is today a below satisfactory level of less than 21 moves per hour in terms of crane productivity. There is an urgent need to improve the latter in order to achieve a minimum of 30 moves/hour in line with best practices in the region. Measures announced in the Budget to improve port productivity and ensure 24/7 operations are hence critical and should be followed through based on realistic captive and transshipment forecasts. Given the correlation of our captive cargo with our GDP and the transformation of the economy into a predominantly services one, the growth in traffic can only come from increase in transshipment.

2.3. Exports

The export sector in Mauritius is one of the important pillars of our development model. Our export strategy for manufactured goods during the 1970s is recognised to have greatly contributed to the country's economic transformation; creating the trade routes that have paved the way for our export of services as well, from an attractive tourism market and an International Financial Centre of choice to a vibrant BPO location . As a small island economy, our economic growth rate is largely dependent on our ability to sustain a positive net exports of goods & services. Nonetheless, the country’s exports are today unable to display dynamic growth rates. The Budget 2018/2019 provides certain measures, with a focus on the Africa strategy: -

- 5-Year tax holiday for companies (project developers, project financing institutions) collaborating with Mauritius Africa Fund (MAF) for development of infrastructure in SEZs
- Loan guarantee to support cross border investment within Africa strategy with EU
- Africa Infrastructure and Industrialisation Fund (SBM and Mauritius Africa Fund) to assist Mauritian investors to execute projects in SEZs on African continent
- Construction of Twin Technology Towers project in Cote d’Ivoire
- Phase 2 of ‘Parc Industriel International’ in Senegal
- Bilateral and regional negotiations and cooperation with India, China, Saudi Arabia and Middle East, Commonwealth Group and Africa

3. FOUNDATIONS FOR NATIONAL TRANSFORMATION

3.1. Business & Trade Facilitation Measures

Since the mid-2000s, Mauritius has been focusing on the removal of administrative barriers in order to improve the ease of doing business in the country. After a few years of lower rankings, the 2018 Ease of Doing Business report released by the World Bank has ranked Mauritius at 25th worldwide, with a number of reforms to enhance the doing business procedures, implemented mostly through the Business Facilitation Act of 2017. Nonetheless, the country is still faced with a number of administrative hurdles and ranks on the lower side on indicators such as "Trading Across Borders"(70th), Getting Credit (55th) and Getting Electricity (51st).

Mauritius has the potential to be in the top 15 economies worldwide by 2020, and in the top 5 economies by 2030 in terms of ease of doing business. In order to achieve our aim to become amongst one of the most business-friendly jurisdictions in the world, the Budget 2018/2019 provides for a number of bold reforms in order to improve the ease of doing business :

- The setting up of a Single Licensing Agency at EDB as a one-window system for investors to apply for business permits and licenses and for same to be issued by EDB
- EDB will be empowered to re-engineer business processes of Ministries, Governments and Local Authorities, as well as conduct regulatory impact assessments with a view to facilitating business
- Banks and insurance companies will be authorised to conduct the "Know Your Consumer" (KYC) verifications online with the Civil Status Division system via the InfoHighway platform of the Ministry of Technology, Communications and Innovation
- NTA will provide online registration of Motor Vehicles Licenses to allow vehicle owners to renew registration of their vehicles including payment of fees electronically.
- Companies Act will be amended to eliminate requirement for a certificate of current standing to contain statement regarding payment of licence fees as same are no longer applicable;
- Streamlining of procedures and time frames for Preliminary Environment Report (PER) and Environmental Impact Assessment (EIA)
- No clearance required from CEB, CWA or WWMA if approval of PER or EIA licence obtained, in respect of land or building within a morcellement
- No requirement for submission of a PER when applying for a morcellement permit

MCCI Analysis

1. Single Licensing Agency

As part of MCCI's proposal for rationalisation of public sector agencies, the MCCI proposed, in Memorandum 2017/2018 for the establishment of a single licensing agency to act as a central point of contact for businesses and investors to apply for permits and licenses. We are thus pleased to note that the EDB will be the Single Licensing Agency for permits and licenses. EDB will receive applications, liaise with the relevant Ministries, and Authorities for determination, and issue of licenses and permits. Relevant authorities will remain responsible for policy, enforcement and monitoring.

2. Regulatory Impact Assessment

The MCCI has, since 2013, been advocating for the use of Regulatory Impact Assessments (RIA) during the process of drafting legislations. In 2015, a number of officers from both the public sector and private sector organisations were trained in the drafting of Trade Regulatory Impact Assessments through the EU-ACP TBT Programme. The empowerment of the EDB to conduct RIAs is hence a positive step in facilitating business, with the support of the OECD. The MCCI is of the view that RIAs should become a mandatory requirement prior to any regulations impacting business and trade. This shall ensure predictability and visibility to operators, as well as help achieve concrete results in the longer-term.

3.2. Cost of Doing Business

Indirect taxes and other levies are today amongst the highest contributors to Government revenue. Ten years after the tax reform of 2006, with a clear aim to rationalise the fiscal policy of Mauritius, we are still faced with more than 40 taxes and levies affecting the business community. An MCCI econometric analysis shows that by reducing administrative levies and indirect taxes affecting the cost of doing business, Mauritius has the potential to gain a **minimum of 2 percentage points in economic growth rate.**

The Budget 2018/2019 makes provision for a number of rationalisation processes on the indirect taxes and levies to ease businesses in Mauritius: -

- Environment Protection Fee on imported mobile phones, batteries for motor vehicles and tyres payable at MRA Customs at time of clearance of goods instead of MRA Head Office
- No VAT on import of capital goods in case VAT payable exceeds Rs. 150,000
- VAT Zero-Rated on manufacturing of watch straps

MCCI Analysis

1. VAT on Machinery

Companies importing machinery are faced with VAT at imports. For a number of companies, this charge is quite high and despite its recoverability, it causes cash flow problems for the companies. The Budget 2018/2019 thus makes provision for exemption of VAT on import of capital goods in cases where the VAT payable exceeds Rs. 150,000

3.3. Labour and Employment

Since the economic crisis, unemployment rate has been continuously on the rise, reaching 7.9 percent in 2015. With a number of schemes and incentives introduced, the unemployment rate has fallen to 7.1 percent in 2017. The figure remains nonetheless high in comparison to a number of countries, which have gone through a recession. In addition, the country will be faced with an ageing population in the next decades, with the working age population receding by nearly 150,000 individuals by 2050.

In this context, we notice that the Budget 2018/2019 provides for a number of bold measures to address the employment and skills mismatch in the country, provide employment support to SMEs and engage in workplace reforms through gender mainstreaming in the workforce, and the implementation of a Work at Home policy:-

- **Youth Employment Strategy targeting 14,000 unemployed**
    - Technical Training of 3,000 young individuals under National Skills Development Programme and issue of 'Certificat de Competence'
    - 3,000 candidates enrolled under National Apprenticeship Programme run by MITD
    - SME Employment Scheme – HRDC pays graduate a monthly stipend of Rs 14,000 over period of two years, whilst employer pays for travelling costs
    - Youth Employment Programme (YEP) to cater for post HSC unemployed with some 3,500 youngsters in job placements
- **Work@Home Scheme**
    - Double deduction from tax, of wage and salary costs of employees for first two years
    - Annual tax credit of 5 percent for three years on investment in the required IT system
    - Amendment to Employment Rights Act to define "homeworker" and allow for prescription of terms and conditions of employment of a home worker who is in employment
- **Income Tax deduction on dependent child pursuing tertiary studies**
    - Additional income tax deduction raised from Rs. 135,000 to Rs. 200,000 for studying abroad
    - If tertiary studies is done locally, increase from Rs. 135,000 to Rs 175,000

- **Gender Mainstreaming in the Workforce**
    - Remuneration during maternity leave for mothers reckoning less than 12 months service
    - Increase in one-off grant under Creche Scheme from Rs. 200,000 up to Rs. 500,000 to promote investment in crèches
    - Companies investing in a crèche will benefit from double deduction under corporate tax
- **Refund of Training Costs for continuous professional development of employees (HRDC)**
    - Refund of training cost increased from 60 percent to 70 percent
    - SMEs, refund of training cost increased from 60 percent to 75 percent

MCCI Analysis

1. Foreign Workers

With the country faced with the prospect of an increasingly ageing population, and around one third of the total population being above 60 by 2054, the country's working age population is expected to decrease. In our effort to transform the economy and address skills mismatch, it is thus essential to have an openness policy which is rules-based. The MCCI thus commends the streamlining of procedures for the issue of work permits in particular a review of the ratio of local workers to expatriates in certain sectors, as well as relaxation of procedures for SMEs having less than 20 employees.

2. Youth Employment Strategy

With more than 42 percent (39,600) of the country's unemployed between the age of 16 to 24, we noticed a strong move towards supporting youth inclusion into the country's economy and bridge the skills mismatch with some strong measures to support some 12,000 of them (one third of the youth unemployment) to integrate the workforce.

This has been done whilst also taking into consideration the SMEs who are the most in need of Government support for employment. The introduction of the SME Employment Scheme for graduates is highly welcomed as it will boost employment and skills in SMEs whereby Government will pay through the HRDC each graduate a monthly stipend of Rs. 14,000 over a period of two years of employment, whilst the SME will only finance the travelling costs. This is a win-win situation for the graduate looking for a first time job and the SME, which needs technical and professional skills to develop its business. There is furthermore a move to support the non-graduate unemployed, with the extension of the Youth Employment Programme (YEP) to cater for post-HSC unemployed. With the necessary mechanisms, this Programme could be further extended to post-SC unemployed, with some 7,000 of those unemployed having passed S.C but without an HSC qualification.

3. Work at Home Policy

The MCCI has been advocating for the implementation of a Work@Home policy since 2015, which was announced in the last Budget. Budget 2018/2019 thus operationalises this policy and incentivises firms to recruit employees through a Work@Home Scheme with a double deduction from tax of the wage and salary costs for the first two years as well as an annual tax credit of 5 percent for three years on investment in IT system for employers under that scheme. The introduction of this Scheme is a welcomed step to increase labour participation in the economy, particularly a number of women with under age children who are unable to join the workforce due to family exigencies. This policy, combined with a more flexible working arrangement for existing employees will increase labour force participation, help reduce absenteeism at work, and enhance labour productivity. It is awaited that the new labour legislations which defines a “homeworker” also makes provision for flexibility of working at work for a number of days per month which will enhance the productivity of such workers.

4. Increase in HRDC Grant Refund

In efforts to encourage continuous up skilling and professional development of employees, the refund of training cost for employers contributing to the National Training Fund has been increased from 60 percent to 70 percent. For SMEs, the refund of training cost will be increased to 75 percent.

5. Gender Mainstreaming in the Workforce

With the issue of ageing and decreasing population, there is a real need to adopt an integrated model to support childcare and ensure gender mainstreaming in the workforce, with more than 140,000 housewives economically inactive today. One of the reasons is the inability to find appropriate childcare whilst working. To incentivise women to keep working, the Budget enables payment of emoluments to mothers on maternity leave and reckoning less than 12 months service. This is supported by measures to facilitate childcare through an increase in the one-off grant under the Crèche Scheme to Rs. 500,000 and a double deduction under corporate taxation for companies investing in crèches.

3.4. Innovation and R&D

The Vision 2030 Blueprint of Mauritius has as one of its main aims to become a high-income, innovation-led economy. However, according to the latest Global Innovation Index, expenditure on R&D in Mauritius represents a meagre 0.18% of GDP, according to the World Innovation Index 2017. In comparison, Singapore’s expenditure is at 2%, France at 2.26% whilst Germany is at 2.84%. Recent studies and empirical models have shown that a one-percent increase in R &D investment spending will result in **an average of 0.15 to 1 percentage point in GDP growth**. In recent years, the Government has implemented a number of measures to support the country’s move towards an innovation-led economy with the introduction of the Innovation Box Regime, the double deduction on R&D Expenses as well as the upcoming Industrial Property Bill.

The Budget 2018/2019 thus makes provision for a number of complementary measures to incentivise R&D and Innovation in the economy, with a move towards Artificial Intelligence and blockchain technologies.

- Setting up of a Mauritius Artificial Intelligence Council (MAIC) comprised of public and private sector, including international experts
- New scholarship for 50 students specialising in AI and other digital technology courses
- Training of 2,000 more students in primary schools, and 2,500 students in secondary schools in coding
- CEB to offer special rate of electricity to accredited date centre operators having at least Tier 3 infrastructure
- Mauritius Innovation and Entrepreneurship Framework for young investors and entrepreneurs to push ideas into market, adopt state-of-the art technologies to build prototypes, allow investors to help them raise capital, free service to SMEs wishing to operate internationally to develop their online presence

MCCI Analysis

1. The e-Economy

As Mauritius moves towards an Innovation-led economy, the e-economy should be encouraged and measures to support Artificial Intelligence and digital technology as highlighted above are highly welcomed. The MCCI would look forward to the rapid implementation of the new IP legislation which would pave the way for Mauritius to become a regional leader in the Digital economy and in R&D and Innovation, with the country's adherence to the Madrid Protocol, the Patent Corporation Treaty (PCT) and the Hague Agreement.

3.5. Opening Mauritius to the World

Since independence, the Mauritian economy has been exceptionally efficient at anticipating the challenges of the future and rising to its aspirations. In the next 20 years, the economy will be faced with a significant demographic issue, and its insularity might be its greatest challenge. Mauritius is further at a unique advantage in order to attract investors and high net worth individuals with a sound, peaceful and safe environment with access to a wide range of markets and countries. The Budget 2018/2019 lays the foundations for a new policy of openness in terms of foreign talents, and retired non-citizens to prepare the economy at Horizon 2050.

- Mauritian Citizenship Scheme for foreigners with contribution of USD 1 Million to Mauritius Sovereign Fund, whilst Spouse and dependents make additional contribution of USD 100,000 per member of family

- Mauritius Passport provided contribution of USD 500,000 to Mauritius Sovereign Fund, with spouse and dependents making additional contribution of USD 50,000 per passport

- Foreign Manpower Scheme to attract talents particularly in emerging sectors such as AI, Biotechnology, Smart Agriculture and Ocean Economy. Occupation Permit within 5 days and contribution of equivalent of one-month salary per foreign worker recruited.

- Foreign Retirees – Exempted from payment of customs duties on import of personal effects up to Rs. 2 Million

MCCI Analysis

1. <u>Foreign Manpower Scheme</u>

The Foreign Manpower Scheme to attract talents in emerging sectors of the economy is a welcomed step in the openness strategy of Mauritius, with a decreasing local working population. The measure has been advocated by the MCCI (Section 4.3.4 of our Budget Memorandum 2018/19) with a contribution of one month salary paid for each occupation permit granted. The rules-based approach of occupation permits shall ensure a swift delivery within 5 days, and we anticipate that the minimum salary for the occupation permit should not be too high. This shall ensure an effective skills transfer in those emerging sectors, where there is a skills mismatch on the local market.

2. <u>Scheme for Retired Individuals</u>

There have been a number of amendments made to the scheme for retired individuals in recent years, whereby an individual with a minimum income of USD 2,500 can benefit from the scheme. The exempt from payment of customs duties on import of personal effects up to Rs. 2 million goes in line with this strategy. With uncertainties around the status of British retirees in EU countries, and geo-political tensions in a number of Retiree destinations, Mauritius has the potential to attract a fair number of retired foreigners in the next 5 years This will boost the consumption base and have a spill-over effect on all sectors of the economy.

3.6. Energy & Sustainable Environment Issues

As the Mauritian economy transforms itself into a new level of development and industrialisation, there is a fundamental need to look at the utilities - be it electricity or water. These are highly important tools for industries and businesses, especially high-end manufacturers. The efficiency of the utilities system in Mauritius is a particular cause of concern. In the long-run, Mauritius needs to move towards a development model which is at the same time in line with the protection of the environment through the use of cleaner technologies and reduced dependence on petroleum imports. With some 1,200 tonnes of waste generated on a daily basis, and an annual Government Budget of Rs. 1.5 Billion spent on waste management and waste collection, there is today an opportunity for operators to engage in the development of a circular economy model. The Budget 2018/2019 provides a number of measures in line with the sustainable development strategy: -

- Rs. 2 Billion transferred to National Environment Fund
- Review of morcellement permit to provide for Drain Impact Assessment to be undertaken as part of EIA report.
- Promoting local recycling of PET bottles through increased financial incentive given to local manufacturers from Rs. 5 to Rs. 15 per kilo of used PET bottles.
- Sustainable energy through commissioning of 6 additional solar farms, increasing battery storage as well as implementation of waste-to-energy project to generate 20 MW of electricity

- Introduction of new Small Scale Distributed Generation (SSDG) Scheme
- Mandatory efficiency labelling will be extended to include air conditioners and washing machines
- Import of new auto cycles and motor cycles will be restricted to those complying with Euro standards. Those fitted with 2-stroke engines and which emit high level of pollutants will be banned
- Deduction of total cost of rainwater harvesting system from taxable income of individuals
- Excise duty of Rs. 2 per unit on non-biodegradable disposal plastic containers introduced with effect from 1st February 2019
- Support to private sector to encourage them to invest in recycling and refurbishment of telecommunication and electronic devices

MCCI Analysis

1. Circular Economy

At the beginning of the Fourth Industrial Revolution, there is today a global consciousness of the opportunities of the circular economy; MCCI's analysis shows that there is a daily waste stream with a marketable amount of Rs. 270 Million. The Government has adopted a number of measures in this Budget to promote recycling and waste management. We note the increase in the financial incentive to local manufacturers for used PET bottles, and support to private sector to encourage investment in recycling and refurbishment of telecommunication and electronic devices. This is anticipated to take the form of an E-Waste Management system. The MCCI along with the Ministry of Environment have been working together to operationalize a national system of collection, transportation, recycling and export of e-wastes, through the principle of an Extended Producer Responsibility.

3.7. SME and Entrepreneurship

With more than 99 percent of companies in the country being SMEs, and accounting for approximately 35 percent of GDP, and nearly half of the country's total employment, SMEs are considered to be the backbone of the economy. Since a number of years, the Government has laid particular emphasis on SMEs and fostering entrepreneurship in the Mauritian population and the new Budget 2018/2019 continues in the same logic : -

- Small Claim Tribunal to hear cases up to Rs. 100,000 instead of up to Rs. 25,000 currently
- Certification Scheme to provide technical assistance to SMEs and cooperatives for accreditation to international standards and certifications
- SME Productivity Improvement Programme to offer opportunities to SMEs to have access to technicians to review operations for enhancing productivity and minimising waste
- Foreign Expertise and Technical Assistance Scheme to bring innovation in product development and design

- DBM will offer loan facilities for start-ups, young entrepreneurs and women entrepreneurs at interest rate of 3 percent
- DBM Enterprise Modernisation Scheme to finance lease facilities to MSMEs with turnover up to Rs. 10 Million to modernise their plant and equipment
- DBM will operate factoring window aimed at providing quick working capital to MSMEs by discounting their invoices

MCCI Analysis

1. SME Certification Scheme

Faced with higher competition on the local and international markets, it is today vital for companies to get accreditation to standards and certifications. These are however quite technical and the cost associated to them are relatively high. The Budget thus makes provision for the implementation of a Certification Scheme to provide technical assistance to SMEs and cooperatives for accreditation to international standards and certifications. Such accreditation may enable a number of SMEs to become export-ready, in particular to destinations with higher standards such as the EU. The Scheme could be extended in the future to national standards and certifications, which would enable SMEs to gain a competitive edge on the local market.

4. SECTORWISE POLICIES

4.1. Agro-Industry

The transformation of the Mauritian economic model should be accompanied with policies to address food security and traceability issues, and promoting self-sufficiency. In recent years, and with the phasing out of the Sugar Protocol, the sector's contribution to GDP has been decreasing from a high of more than 20 percent post-independence to approximately 3.5 percent in 2017. The sector is further impacted by a sharp decrease in world sugar prices. A number of measures have been taken in the budget for the enhancement of the agro-industry, and the sugar industry with a particular focus on attaining food self-sufficiency, with an estimated 77 percent of our food items imported: -

- **Sheltered Farming Scheme**
    - Income derived from these projects will be exempted from first 8 years
    - Preferential access to credit at DBM and Maubank at 3 percent.
    - DBM loan of up to Rs. 3 Million with moratorium on capital repayment in first year.
    - Ready-to-Operate basis
    - Marketing facilities through EDB
    - Mentoring and technical assistance through FAREI
    - Rain harvesting systems & photovoltaic technology will be encouraged

- Mini Sheltered Farming Scheme to promote micro gardens, vertical agriculture and roof top gardening with grant of up to Rs. 10,000 to eligible families
- New Scheme for small planters and cooperatives to promote mix of agricultural and electricity production
- Crop Insurance Scheme for planters to be operated by the Small Farmers Welfare Fund
- Increase in subsidy on production of onions and potato feeds
- National Animal Identification System for animals to electronically identify each animal using unique number.
- Monthly income support of 50 cents per kilo of tea leaves harvested by small planters during 3 months winter period.
- Increase of customs duty on import of sugar from 15 percent to 80 percent.
- Shortfall arising from suspension of CESS payments for Crop 2018 being provided in the budget of the Mauritius Cane Industry Authority (MCIA)

MCCI Analysis

1. Sheltered Farming Schemes

In line with the National Export Strategy Blueprint, and proposals to setting up of agricultural economic communities by the MCCI, the sheltered farming scheme has the potential to reduce our dependency on imported food items and reach a decent level of self-sufficiency and sustainability. The Scheme provides a number of incentives, which, if swiftly implemented and monitored, has the potential to boost and consolidate the agro-industry.

4.2. Manufacturing

With rapidly increasing imports and an inability to effectively boost the exports of our goods, the share of GDP from the manufacturing sector has fallen below 13 percent in recent years, and there is a concern of the effect of this premature de-industrialisation on the economy, with both the import-substitution and the export industries being affected. The Vision 2030 initiative of the Government puts as target 25 percent of the GDP for the country to benefit fully from the multifarious opportunities of a healthy industrial base. There is today a need to use all necessary economic levers to support and boost the strategic industries in an effort to boost the Mauritian economy, given the high value addition and spill-over effect on the whole economy. Indeed, Budget 2018/2019 gives full support to a renewed import substitution and export-oriented industries, based on new strategies:-

- **Industrial parks** including High-Tech Park at Cote d'Or, Logistics park at Riche Terre and Pharmaceutical and Life Sciences Park at Rose Belle
- Economic diplomacy and mechanisms to address issue of **dumping**
- Higher standards of quality and safety for imported products
- Certain food items not allowed to enter if only less than fifty percent of expiry date is left
- Exemption of VAT on import of machinery and equipment if amount payable is Rs. 150,000 or more

MCCI Analysis

1. Industrial Parks

In order to revamp the manufacturing base and attract new companies, the MCCI advocated for the setting up of a number of Industrial Parks. The Budget provides for the construction of 3 industrial parks focused on high-tech manufacturing, logistics, and pharmaceutical and life sciences. These parks should be of international standards and equipped with appropriate infrastructural utility and logistics system. The pharmaceutical and life sciences park in particular, with its closeness to the airport, can be marketed as a Pharma-logistics hub for Mauritius and the African region.

2. Economic diplomacy and mechanisms to address issue of dumping

Since the last five to ten years, a number of key strategic local industries are faced with unfair competition from imported products at cut-throat prices, which might be considered as dumping. The Government's stance to use economic diplomacy and mechanisms to address the issue of dumping is a welcomed step, with the Anti-Dumping Legislation already in place in Mauritius.

4.3. Wholesale and Retail

With modest economic growth in the last decade, and a general stagnation in the purchasing power of consumers, growth in consumption expenditure of households has been low. This is largely reflected in the wholesale and retail sector, which has experienced tamed growth, of around 3 percent. Measures in the budget 2018/2019 aim at facilitating e-commerce, ease consumer costs, and harmonise the taxation regime for the Freeport sector, in line with OECD BEPS requirements: -

- Removal of surcharge on late payments under Hire Purchase and Credit Sale Act
- Maximum Mark-up on Blood Glucose Strips
- Decrease in price of Mogas, Gas Oil (Diesel) and LPG
- **Facilitating e-commerce** with removal of Bill of Entry for persons importing goods with value exceeding Rs. 30,000 for personal use by post or courier services, with a simplified form submitted for clearance of goods irrespective of the value.
- **Review of Freeport Regime**
  - Corporate tax exemption to Freeport operators and private Freeport developers on export of goods removed.
  - Continued exemption from CSR
  - Current tax regime applicable until 30th June 2021 to companies having been issued a Freeport certificate before 14th June 2018
  - Repair and maintenance of heavy duty equipment introduced as Freeport activity
  - Exhibition area being used for purpose of vault activities will be authorised
  - 50 percent cap imposed on sales of goods on local market no longer apply
  - Maximum period for warehousing of goods aligned to that of bonded warehouse at 24 months
  - Provision of services related to mobile capital no longer allowed within Freeport. Holder of a licence issued before 16th October 2017 may continue to provide services within Freeport until 30th June 2021.
  - No manufacturing activities in the Freeport, transitional period granted to existing manufacturing companies
  - Enterprises outside Freeport zone no longer allowed to store goods in Freeport zone. Authorisation already granted to third party Freeport developer to provide warehousing facilities to an enterprise outside Freeport zone for storage of goods would continue to apply until 30 June 2020.
- 3 percent applied on profits derived from export of goods extended to global trading activities

4.4. Construction

The construction Industry is a vital part of the economic landscape and gives an indication as to the state of the economy. After more than 5 years of contraction in the construction industry, the sector experienced stagnation in 2016, followed by a growth of 7.5 percent on the back of the kick-start of a number of public and private sector projects. With an expected below par growth in private sector investment in 2018, the current Budget provides for a number of corrective and incentivising measures to give an additional boost to the construction industry:-

- Review of Bank of Mauritius Macro-Prudential Policy
- National Regeneration Scheme under Smart City Regulations, effective for period of 2 years

MCCI Analysis

1. Review of Bank of Mauritius Macro-Prudential Policy

In October 2013, the Bank of Mauritius issued macro-prudential policy measures for the banking sector, expressing a growing level of credit risk in certain sectors of the economy. With this policy, the maximum amount of loan given for the construction of a new dwelling for a first time owner was at 90% of the value of house. This restriction was removed following Budget 2017/2018. Nonetheless, restrictions remained for other categories of household and commercial owners, who were faced with a highly restrictive policy, which prevented a number of households from being able to take a loan to construct their house, and small companies, in particular, from gaining access to credit for construction of buildings. All the value-to-loan ratio restrictions have been removed following Budget 2018/2019.

2. National Regeneration Scheme under Smart City Regulations

A measure, which has been advocated by the MCCI for the last four Budgets, we are, pleased that the Government has positively taken into consideration the need to regenerate and revitalise central areas of our cities, town and large villages. The EDB, in consultation with the Ministry of Housing and Lands, Municipal Councils, District Councils, and other stakeholders will identify areas considered appropriate under the scheme. A package of incentives will be provided to an approved project including:-

1. Property developer undertaking substantial renovation works on an existing building, demolishing and reconstructing an existing building or providing basement parking within existing building will be eligible for following incentives, provided it is completed within 2 years from approval date:-

- VAT Refund on buildings, capital goods, professional fees and fit-out works
- Investment tax credit of 5 percent over 3 years over qualifying expenditure
- Custom Duty on import of construction materials, machinery, equipment and other inputs including furniture in semi knocked down form on condition that at least 20 percent local value addition

2. 5-year income tax holiday on income derived from smart parking solutions and other green initiatives

3. Exemption from income tax over 2 years on newly rented space for cultural purposes or to artists as from date plan is approved
4. Expenditure on approved renovation, embellishment works in public realm by private companies as well as cleaning of public infrastructure will be deductible for income tax purposes

4.5. Ocean Economy

Our exclusive economic zone spans over 2.3 million square kilometres, and offers us a sea of opportunities that we should explore. The Blue economy is expected to become over the next decade a major strategy based on sustainable development. A number of measures were taken to boost the sector:-

- Setting up of Ocean Economy Unit responsible for preparation of National Ocean Policy Paper
- Merger of Mauritius Oceanography Institute and Albion Fisheries Research Centre
- Ocean Observatory e-platform to support Marine Spatial Planning Initiative of Mauritius
- Geotechnical study in extended continental shelf management area of Mascarene region
- Group Life Insurance Scheme for registered fishermen to cover accidents and losses at sea
- Allow foreign industrial fishing companies to fish in shallow water banks provided they sell all their catch on local market
- 60 percent grant on cost of acquisition of outboard engines and fishing nets by fishermen cooperatives, up to a maximum of Rs. 60,000
- All registered fishermen provided with free ice box

4.6. Financial Services

Economic development in the country has allowed over the last decades the emergence of a rapidly growing financial services industry, which today represents more than 12.2 percent of the country’s GDP. country's rapid move towards the tertiary sector has enabled the emergence of a buoyant financial services industry. With the introduction of the OECD BEPS initiative recently and the Mauritius commitment to the review of the financial services sector to consolidate its compliance with global norms and practices, the sector is today at a crossroad. The Budget 2018/2019 indeed provides for a wide range of policies and strategies to reform the sector and position Mauritius as an important International Financial Centre for the region:-

- **FinTech**
    - National Regulatory Sandbox Licence Committee to consider all issues relating to Sandbox licensing for FinTech
    - FSC to create Custodian of Digital Assets, and Digital Asset Marketplace as licensable activities
    - FSC guidelines on investment in crypto currency as a digital asset
    - Regulatory framework against money-laundering and terrorist financing harmonised and updated in line with development in FinTech

- **Review of Taxation Regime for financial services**
    - New harmonised fiscal regime for domestic and Global Business Companies
    - Deemed Foreign Tax Credit available to companies holding GBC 1 Licence abolished as from 31st December 2018
    - Partial exemption whereby 80 percent of specified income exempted from income tax for all companies in Mauritius (except Banks) on following income:-
        - Foreign source dividends and profits attributable to foreign permanent establishment
        - Interest and royalties
        - Income from provision of specified financial services

    - Current Regime apply until 30th June 2021 for companies having a licence prior to 16th October 2017

- **Special Fiscal Regime for banks**
    - Deemed Foreign Tax Credit available to banks abolished as from 1st July 2019
    - New Regime for banks, whether Segment A or segment B income as follows
        - Chargeable income up to Rs. 1.5 Billion taxed at 5 percent
        - Chargeable income above Rs. 1.5 Billion taxed at 15 percent
    - Incentive system for banks having chargeable income exceeding Rs. 1.5 Billion, whereby any chargeable income in excess of chargeable income for set base year taxed at reduced tax rate of 5 percent if pre-defined conditions are satisfied.
- **Global Business Reforms**
    - Steering Committee set up at Prime Minister's Office to ensure timely and effective implementation of recommendations of Financial Services Blueprint
    - FSC will cease to issue of GBC 2 companies as from January 2019, with grandfathering provision for existing companies
    - Enhanced substance conditions for Global Business Companies
    - Removal of all restrictions to dealings in Mauritius
    - All resident companies and partnerships incorporated/registered under the laws of Mauritius whose majority shareholdings/parts are held by non-resident **and** which conduct business mostly outside Mauritius will be required to seek a Global Business Licence or an authorisation from the FSC, through a duly appointed Management Company.
    - New framework for oversight of Management Companies
    - FSC will develop equivalence frameworks with other key jurisdictions in view of enhancing our competitiveness as a financial centre
    - FSC, in collaboration with OECD, will host a Regional Centre for capacity building and best practices in mutual combat against financial malpractices

- **Special levy on Banks maintained up to June 2019**
    - 10 percent of chargeable income for Segment A banking
    - 3.5 percent on book profit and 1 percent on operating income for Segment B banking
    - As from 1st July 2019, removed from Income Tax Act and introduced under VAT Act to be charged on net operating income derived by banks from its domestic operations

MCCI Analysis

1. Harmonisation of tax regimes for global business and domestic companies and financial services reform

The reforms of the global business sector to ensure compliance to OECD BEPS taxation commitments and 'substance' requirements will increase the levels of stability in the sector and the harmonization of tax regimes, as advocated by the MCCI, is hence highly welcomed.

The new regime also concerns domestic companies whose majority shareholders are held by non-residents **and** which conduct business mostly outside Mauritius, as the latter will be required to have a Global Business License, through a management company.

2. FinTech

With a high employment and value-creation potential, FinTech should be developed and companies encouraged to invest and conduct R&D in those areas, with appropriate legislations devised to guide operators in those sectors. The National Regulatory Sandbox Licence Committee comprised of BoM, FSC, Financial Intelligence Unit and EDB, shall consider all issues relating to issues of Sandbox licensing for Fintech activities and provide guidance to stakeholders on functioning of RSL framework. These include investment and development of block chain technologies, and crypto currencies as digital assets.

4.7. Tourism

The tourism industry remains one of the fastest growing segments of the economy. The continued opening of air access and tourism promotion campaigns has enabled a boost in the sector. There is nonetheless room to further develop the sector and Budget 2018/2019 provides for continued air access openness policy and targeted measures to boost arrivals and tourism spending in Mauritius:-

- Two additional airlines Saudi & Kenya Airways
- Construction of dedicated Cruise Terminal Building to handle 4,000 passengers and position Port-Louis as preferred ‘fly-cruise’ gateway to Indian Ocean

- Mahebourg – 'Village Touristique' with regeneration project based on public-private partnership
- Digital platforms will be created to provide information on safety, costs of inland travel, road maps, dining, shopping, and exchange rates of currencies

MCCI Analysis

1. Air connectivity

The opening of the air access through Saudi and Kenya Airlines and the expected increase Air Mauritius flights with two new airplanes should allow for a higher number of tourists to come to Mauritius annually. The now daily flights to Nairobi through Kenya Airways and Air Mauritius are in line with the Africa-Asia Air Corridor strategy and shall enable Mauritius to position itself as a tourist and transit destination. It is necessary to further open our access, especially to emerging markets such as China, Lagos and Mumbai.

4.8. Digital Economy

The ICT sector has, for a number of years, been one of the most dynamic sectors in Mauritius with a long phase of growth of over 10 percent annually. Nonetheless, since 2011, growth in the sector has slowed down significantly. Moving Mauritius into a fully-fledged digital society based on innovation requires a number of measures:-

- Technology Park in Rodrigues to promote entrepreneurship and employment in field of ICT
- Solidarity levy on telephony service providers extended until 2020, with no minimum requirement on book profit
- New certification Authority for issuance of digital signatures to consolidate trust in electronic transactions

4.9. Other Sectoral Measures

- **Creative Industries**
    - Grant Schemes to encourage emerging talents, production of art work, stimulating research in various fields of arts and culture
    - Increased subsidy for production of CDs from Rs. 30,000 to Rs. 40,000
    - Extension of VAT Refund Scheme to cover musical instruments purchased by local artists registered with Mauritius Society of Authors (MASA)
- **Film Industry**
    - Film Promotion Fund under EDB with seed capital of Rs. 500M

5. OTHER FISCAL MEASURES

The Budget 2018/2019 makes a number of changes to corporate and income tax, excise duties, customs duties and VAT:-

5.1. CORPORATE TAX

1. Export of goods and global trading activities

The corporate tax rate of 3% applied on profits derived by any company from export of goods will be extended to global trading activities effected by companies.

2. Investment Tax Credit

(a) 5 percent over 3 years in respect of expenditure (excluding motor cars) by a company importing goods in semi knocked-down form on the condition that at least 20% local value addition is incorporated therein. The credit will be available in respect of investment made up to 30th June 2020

(b) Under National Regeneration Scheme, a property developer undertaking substantial renovation works on an existing building, demolishing and reconstructing an existing building or providing basement parking within an existing building will benefit from investment income tax credit of 5 percent over 3 years over qualifying capital expenditure

(c) Employers under Work@Home scheme will be granted annual tax credit of 5 percent for three years on investment in required IT system

3. Double deduction

(a) Wage and salary costs of employees under Work@Home for first two years

(b) Investment in a crèche

4. 80 percent partial exemption on income (except for banks) as from 1st January 2019

(a) Foreign source dividends and profits attributable to a foreign permanent establishment
(b) Interest and royalties
(c) Income from provision of specified financial services

Companies licensed by the FSC claiming partial exemption will have to satisfy pre-defined substantial activities requirement of the Commission

Existing credit system for relief of double taxation will continue to apply where partial exemption not available
Current regime continue to apply until 30th June 2021 for companies, which have been issued a licence prior to 16th October 2017

5. Abolishment of Deemed Foreign Credit Regime

(a) For companies holding Category 1 Global Business Licence , it will be abolished as from 31st December 2018

(b) For banks, it will be abolished as from 1st July 2010

6. Taxation of Banks as from 1st July 2019

No distinction between Segment A and Segment B
The tax rates will be as follows –
(i) chargeable income up to Rs 1.5 billion will be taxed at 5 %;
(ii) chargeable income above Rs 1.5 billion will be taxed at 15%.
Upon satisfaction of pre-defined conditions, chargeable income exceeding Rs. 1.5 billion for a set base year will be taxed at reduced tax rate of 5%

7. Freeport Regime

(a) Corporate tax exemption granted to freeport operators and private Freeport dvelopers on export of goods removed

(b) Current tax regime continue to apply until 30th June 2021 to companies which have been issued Freeport certificate before 14th June 2018

5.2. INCOME TAX

1. Income Exemption Thresholds

Increase in the income exemption thresholds by Rs. 5,000 for all categories

Category	From	To
A. Individual with no dependent	Rs 300,000	Rs 305,000
B. Individual with one dependent	Rs 410,000	Rs 415,000
C. Individual with two dependents	Rs 475,000	Rs. 480,000
D. Individual with three dependents	Rs 520,000	Rs. 525,000
E. Individual with four dependents	Rs. 550,000	Rs. 555,000
F. Retired/disabled person with no dependent	Rs 350,000	Rs 355,000
G. Retired/disabled person with dependents	Rs. 460,000	Rs. 465,000

2. Introduction of a Tax Band of 10 percent

An individual having annual net income of up to Rs. 650,000, will be taxed at 10% instead of 15%

3. Additional Deduction for Tertiary Education

Deduction in respect of dependent child pursuing tertiary studies is raised as follows:-

- If abroad, from Rs. 135,000 to Rs. 200,00
- If in Mauritius, from Rs. 135,000 to tuition fees paid in a year in excess of Rs. 135,000 up to Rs. 175,000

4. Income Exemption Threshold for Retired Person

A retired person who in an income year derives emoluments not exceeding Rs. 50,000 will be eligible for enhanced income exemption thresholds granted to retirees

5. Rain Harvesting Investment Allowance

An individual investing in a rainwater harvesting system for his house will be allowed to deduct from taxable income the total amount invested in such a system, including consultancy and design, earthworks, gutters, and specialised water tanks

6. Interest Relief on Housing

Profit charge payable under an Islamic Financing Arrangement for construction of a house will qualify for interest relief if arrangement is secured on immovable property

7. Exempt Income

- Exemption threshold on lump sum received as severance allowance, pension or retiring allowance raised from Rs. 2 million to Rs. 2.5 million
- Insurance Industry Compensation Fund will be exempted from income tax

8. Income Tax on Winnings

Introduction of a final withholding tax of 10 percent on winning amount exceeding Rs. 100,000 obtained from Mauritius National Lottery – 'Lotto' and Government Lotteries – 'Loterie Verte'. The 10 percent tax will also apply to winnings in excess of Rs. 100,000 in casinos and gaming houses.

5.3. CORPORATE SOCIAL RESPONSIBILITY (CSR)

As announced in Budget 2016/2017, private firms should remit, as from January 2019, 75 percent of CSR contribution to MRA.

- CSR programmes which have already started and in accordance with guidelines set by National CSR Foundation may retain additional amount of up to 25 percent, upon approval by the Foundation
- Companies which have been granted tax holidays will be required to contribute to CSR
- Freeport operators and private Freeport developers continue to be exempted from CSR Contribution
- Companies will not be allowed to offset any unused tax credit such as the foreign tax credit against CSR payable

5.4. CUSTOMS DUTY

1. Sugar

Customs duty has been increased on imported refined sugar from 15% to 80%. The list of HS Codes can be accessed on http://www.mra.mu/download/FinancialResolution2018.pdf. The new duties are effective since 15 June 2018.

2. Import in Semi Knocked-Down Condition

Goods imported in semi knocked-down condition will be exempted from customs duty, provided there is at least 20% value addition domestically.

3. Iron Bars

The 10% customs duty on iron bars is being abolished as from 15th June 2018. The list of HS Codes can be accessed by clicking on
http://www.mra.mu/download/FinancialResolution2018.pdf

4. Mixture of Edible Oil

Customs duty on imported blended oils has been aligned to 10%. HS code 1517.90.10 has been created for blended oils, which attract a 10% customs duty as from 15 June 2018. The new tariff splits can be accessed here
http://www.mra.mu/download/FinancialResolution2018.pdf

5.5. EXCISE DUTY:

1. Hydroponic Activities

Full duty exemption on the purchase of a single/double space cabin vehicle will be extended to a planter engaged in hydroponic activities.

2. Plastic containers

An excise duty of Rs 2 per unit on non-biodegradable disposable plastic containers, namely take-aways, plates, bowls, cups, and trays, will be introduced with effect from 1st February 2019.

5.6. VALUE ADDED TAX (VAT)

1. VAT Refund Scheme - Planters' equipment

The list of equipment on which VAT is refunded to a planter under the VAT Refund Scheme will be extended to include –

i. Branch chopper
ii. Handy blower
iii. Earth auger
iv. Irrigation hose
v. Fogging machine
vi. Mini tiller, including blade

2. Public Buses

The VAT exemption granted on bus bodies built on chassis for semi low-floor buses will be extended to cover bus bodies built on chassis for all buses meant for public transport.

3. Photovoltaic System

All imported components forming an integral part of a photovoltaic system will not be subject to VAT. The list of HS Codes can be accessed on:
http://www.mra.mu/download/AnnexI-140618.pdf

4. Watch Straps

VAT will be abolished on watch straps, other than those made of precious or base metal. The HS code can be accessed by clicking on: http://www.mra.mu/download/AnnexI-140618.pdf

5. Capital Goods for VAT-registered person

A VAT –registered person will henceforth not be required to pay VAT on import of capital goods in case the VAT payable exceeds Rs. 150,000. However, the VAT-registered person will still have to declare the import in his VAT return.

6. OTHER NON-FISCAL MEASURES

6.1. TAX ADMINISTRATION - GENERAL

1. 5 percent payment on Objection

Currently, a person dissatisfied with a tax assessment made by the MRA and the Registrar-General's Department pays 10 percent of the amount assessed prior to lodging an objection. He will be required to pay an additional 5 percent if he is still not satisfied with a determination at objection and intends to appeal before the Assessment Review Committee.

2. Expeditious Dispute Resolution of Tax Scheme

The Scheme targeting settlement of disputes of less than Rs. 10 Million will be extended to assessments raised from 1st July 2015 to 30th June 2016.

3. Alternative Tax Dispute Resolution

Time limit for determination at Objection Directorate of the MRA starts as from the date a case is referred back from the Alternative Tax Dispute Resolution Panel, if taxpayer does not agree with decision of the latter.

4. Statement of Assets and Liabilities by High Net Worth Individuals

An individual who derives net income and exempt income exceeding 15 million rupees in an income year or owns assets the cost of which exceed 50 million rupees, is requirement to submit a statement of assets and liabilities together with his income tax return.

However, an individual who has submitted his income tax returns during the last five years, will not be required to submit a statement of assets and liabilities, along with his/her income tax return.

5. Tax Deduction at Source (TDS)

- TDS will be extended to 'commission payment' at the rate of 3 percent.
- TDS rate applied on rent paid to a non-resident will be increased from 5 to 10 percent
- TDS will not apply to Director Fees

6. Islamic Finance

Income tax exemption granted on interest income received from debentures and bonds quoted on the stock exchange will be extended to returns from sukuks

6.2. TAX ADMINISTRATION - CUSTOMS

1. The definition of security (i.e. guarantee) will be enlarged so that it covers not only payment of duties and taxes but also instances where compliance with the conditions of the Customs Act require a security.

2. A definition of Single Window, which is an electronic platform for a single entry point for the submission of data required to obtain permits/authorisations, will be introduced.

3. Due to a dynamic environment, any ruling on the classification or origin of goods will henceforth be time bound for a period of three years. Any person dissatisfied with the ruling will be given the right to appeal.

4. In case an imported good, on which taxes have been paid, is found to be prohibited and the importer exports the good, MRA will be authorised to refund taxes paid thereon to the importer.

5. The agent of a landing aircraft will, henceforth, be required to submit a statement of cargo movement electronically instead of manually.

6. The powers of MRA to combat the sale of counterfeit goods will be reinforced by allowing it not only to seize counterfeit goods placed on the local market for sale but also those concealed in warehouses and other places.

7. Bonded warehouses will be required to be equipped with CCTV cameras to reinforce the control of movement of goods.

8. The powers of MRA to perform security check will not be restricted to a passenger but will be extended to cover any person circulating in a customs area.

9. In case there is suspicion of money laundering, MRA will be empowered to detain undeclared currency exceeding Rs 500,000 of an incoming or outgoing passenger for a reasonable time to carry out an investigation.

10. With a view to facilitating trade and reducing cost to the importer, the Environment Protection Fee on imported mobile phones, batteries for motor vehicles and tyres will be payable at MRA Customs at the time of clearance of goods instead of the MRA Head Office.

6.3. TAX ADMINISTRATION - EXCISE

1. The definition of beer will be enlarged to cover manufacturing of beer from agricultural products other than malt.

2. The obligation to affix excise stamps will be extended to include bottles of beer and wine with a moratorium of nine months. MRA Customs will work out the modalities in consultation with stakeholders.

3. Provision will be made to give an allowance of –
    a. up to one percent for tax stamps that are damaged during the process of affixing the stamp on a bottle of spirit; and
    b. up to five percent on the test result of the sugar content of sugar-sweetened non-alcoholic beverages.

THE MAURITIUS CHAMBER OF COMMERCE AND INDUSTRY

2nd Floor, Anglo-Mauritius House,
6, Adolphe de Plevitz Street, Port Louis
Tel: (230) 203 4830
Fax: (230) 208 00 76
Email: mcci@mcci.org
www.mcci.org/