MCCI

THE MAURITIUS CHAMBER OF COMMERCE AND INDUSTRY

AN ANALYSIS OF THE BUDGET 2019/2020

JUNE 2019

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1. MCCI Overview of the Budget 2019/2020

The Prime Minister and Minister of Finance and Economic Development, The Hon Pravind Kumar JUGNAUTH presented the National Budget 2019/2020 against a backdrop of increased uncertainties and downside risks to the economic development globally, leading to unbalanced growth and a period of increased uncertainty. In Mauritius, growth has been following this global trend, with economic expansion peaking at 3.8 percent in the last three years. The resilience of the Mauritian economy has been largely due to an expansion in internal demand – with improvements in consumption and investment growth – whilst on the external front, exports of goods and services has been affected by the prospects in the global economic context.

The Mauritian economy in 2019 is faced with a number of challenges, with a shifting global economic landscape and downside risks linked to growing trade tensions between the US and China, uncertainties linked to Brexit, as well as the impact of the yellow vests protests in France and the Reunion Island. The economy is further faced with rising challenges linked to weather disruptions and the effects of climate change. In 2019, on the back of challenges to three growth drivers to the economy – the Manufacturing, Tourism and Financial Services sectors – the country needs to engage in a number of structural levers to improve its economic potential and enable Mauritius to graduate to a high-income, innovation-driven economy in the next 5 years. Against this backdrop, the MCCI believes that the Budget 2019-2020 provides a unique window of opportunity to transform our economic model to face the challenges of tomorrow through strong measures to foster inclusive, innovative and sustainable growth levers.

Throughout its budgetary consultations, the MCCI advocated for a Budget, which would enable the ‘Unlocking of the Economic Future of Mauritius’ with a three-pronged agenda namely economic planning and fiscal policy alignment, foundations for macro-economic transformation as well as structural strategies to foster sustainable, inclusive and innovation-driven growth. **“The MCCI is pleased to note that the Budget indeed addresses a number of the above concerns with a particular focus on mainstreaming entrepreneurship in the country through extended support to SMEs, a marked strategy towards Innovation and R&D for technology adoption and development of IP Assets as well as measures to bring about a sustainable and inclusive model of economic development with strong measures towards the cleanliness and protection of the Mauritian environment, a move towards renewable energy and e-mobility and incentives to promote the a circular economy through reduction, re-use and recycling of wastes. These measures will inevitably have a spillover effect on the different sectors of the economy – from tourism to manufacturing and the retail sector.”**

At the outset, and in the current economic and political context, the MCCI commends the Government's measures towards ensuring social inclusiveness and a Growth for All Agenda in order to improve the purchasing power and standard of living of the Mauritian citizens. These inclusive growth initiatives with a balanced and targeted approach in terms of the increase in old-age pensions, the introduction of silver bonds as well as the reduction or review of indirect taxes and levies on a number of products of daily consumption, shall contribute to improving the consumption expenditure of households. Measures targeted towards low income earners such as the **free access to Broadband** for those under the Social Register, as well as a number of measures targeted at the middle class to, inter-alia, invest in their **own dwellings** shall contribute to secure higher levels of inclusive innovation and growth in the population. **Those different measures shall indeed inevitably have a ripple effect on the consumption expenditure of households with the MCCI estimating a 0.56 percent increase in GDP Growth for every one percent increase in consumption expenditure**.

The Budget 2019/2020 sets the right tone towards the Digital Economy and Innovation, which have been strongly advocated by the MCCI since 2015. **Indeed, with an R&D expenditure as percentage of GDP at less than 0.2 percent, the country is ranked 92nd in the Global Innovation Index and there was a need for policies to implement the E-Economy and innovation-led growth model of Mauritius.** Indeed, the National Innovation and Research Fund under the new Mauritius Research and Innovation Council (MRIC) shall enable the financing of innovative projects. This strategy is being furthered with the **review of the Innovation Box Regime, as proposed by the MCCI, to cater for all enterprises generating income from IP Assets locally.** The Innovation Box Regime is a game-changer, which has had success in countries such as Ireland and the UK and its extension to existing companies has the potential to benefit to a number of local enterprises. The Budget further makes provision for a number of new courses in AI and Robotics. To enable the development of this strategy, 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**.

The E**-economy and digitalization process of Government services** is indeed a cornerstone to the development of the Mauritius ease of doing business environment. Strategies are being implemented by various authorities to digitalize their service delivery through, , the **e-licensing platform of the EDB**, as well as the **implementation of e-payment solutions**, and **issuance of certificates and signatures electronically**. This is combined with the development of **Single Window systems for submission of documents electronically for Customs, financial services and global business applications**. These strategies shall enable the **removal of administrative burdens, "office hopping" and undue delays for the delivery of permits**.

Whilst Mauritius is now in the Top 20 countries worldwide on the Ease of Doing Business rankings of the World Bank, Business Facilitation remained high on the agenda of the current

Budget, with the implementation of a new **Business Facilitation Bill in conjunction with the Finance Bill to rationalize a number of licenses and permits through the adoption of the silent is consent principle approach for the delivery of licenses and permits**, which has been recommended in our Budgetary recommendations for a number of years. These includes, for instance, the **review and rationalization of trade fees in order to avoid duplication of payments by companies**. The MCCI would also like to commend the **measure for the setting up of a Regulatory Impact assessment (RIA) Framework for evidence-based business related rule making in collaboration with the OECD**. The MCCI believes that the RIA framework, which will be developed as from September 2019, should become a mandatory step prior for all new business related legislations in the country.

On the doing business agenda, Mauritius ranks 27th on Enforcing Contracts and 35th on Resolving Insolvency according to the World Bank Ease of Doing Business Report 2019. In fact, it takes on average 490 days to enforce contracts and 1.7 years to resolve insolvencies. This is why, as part of our requests, and in line with World Bank advocacy, the MCCI has proposed that the Government adopts a financial incentive for parties to **attempt mediation, conciliation or arbitration**. We are pleased to note that the measure has been adopted through a **150 percent deduction of the case-filing fees**. This shall further enhance the attractiveness of Mauritius as a strong jurisdiction for Alternative Dispute Resolution (ADR) mechanisms.

To further facilitate the development of existing and emerging sectors of the economy, the current Budget makes provision for a number of strategic public infrastructural projects to address inland and outward connectivity. **The Budget 2018/2019 indeed provides for a capital expenditure of Rs. 17 billion** with a continued acceleration of the public infrastructure projects such as the Metro Express, and the Road Decongestion Programme. The MCCI commends the **extension of the airport capacity to an expected 8 Million passengers annually** and the **increase in the aircraft capacity which shall enable the positioning of Mauritius as a tourist, business, cargo and transit hub** in the region. We further commend the **implementation of the Port Breakwater on a Public private partnership basis in order to finance the Rs. 12BN of investment expected in the project**. This project is crucial for the economy with an increase in weather disruptions affecting our port operations with more than 20 days of port closure in the first four months of 2019. Indeed, the **Government is promoting public private partnerships for public infrastructure projects with a review of the legislations to facilitate the latter**. In line with our vision for the tourism eco-system in Mauritius, the MCCI further approves the implementation of the **Passenger Cruise Terminal, which shall include a space for shopping by tourists**. On private sector investment in construction activities, we are pleased to see a **review of the VAT Refund and relief of payment of registration fees for acquisition or construction of new residences, with an increase in the household income eligibility criteria which shall enhance access to first time dwellings for a number of households**.

Indeed, there have been a number of strong measures to boost the tourism sector, which has been faced by a number of challenges in terms of competitiveness and its external market. The sector sees an enhanced **marketing and visibility campaign towards China, where tourist arrivals has been decreasing,** as well as certain new emerging markets which include Saudi Arabia, Kenya, Scandinavian countries and Eastern Europe. **A medium-term strategy to embellish the nation's beaches is being implemented with a tax deduction on such works afforded to hotels**. Amongst MCCI's advocacy, we are pleased to see that the tourism strategy is further being integrated in the local economy, with the **extension of the voucher scheme to tourists buying handicraft products to all locally manufactured products**. This is complemented with the **development of 200 km of walkable and cycling trails overs the island over the upcoming years**.

There is furthermore a strong move to promote alternatives to beach tourism, with measures to incentivize the **Meetings, Incentives, Conferences and Events (MICE) markets through a Rs. 200,000 grant and VAT refund on accommodation services for such conferences with more than 100 attendees**. This measure will enable the marketing of the Mauritius destination as a MICE market, especially in the low tourist season. Finally, these are being enhanced with incentives for the development of marinas to attract high-end tourists.

With a rapidly ageing and decreasing population, the Budget gave a particular focus on some of the Demographic issues to address fertility rates through a **graduated increase in exemption thresholds for dependents, with higher increases of Rs. 45,000 for individual with four dependents, thus reducing the inequality in treatment of dependents and doing away with Malthusian policies which favored couples having less children**. This was combined with corrective measures to ensure gender mainstreaming in the workforce with particular support in terms of maternity leaves and confinement to women in the public sector as well as support through the National Inclusion Foundation to Crèches and Nurseries.

The opening up of the economy to foreign talents through the easing of procedures for companies employing a large number of highly specialized labour, and the introduction of a **3 Year Post-Graduation Work Permit for foreign students** in areas of skills scarcity such as **ICT, Fintech, AI and Biotechnology** have been part of the MCCI's position vis-à-vis the authorities and we are thus pleased to note that these have been positively taken into consideration and been prominent in this year's Budget. We also note the **easing of criteria's for retired non-citizens to come to Mauritius with a lower monthly transfer of USD 1,500**. This could enable Mauritius to tap into the silver economy, with special focus on British and European retirees, who are looking to relocate due to the uncertainties surrounding Brexit.

On training and skills mismatch, with ongoing issues surrounding skills development and mismatch, as highlighted by the World Bank recently, we commend the Government's initiative of coming up with a **National Skills Matching Platform** as well as the operationalization of the **Skills Development Authority** to confer awarding powers to training institutions in the Technical and Vocational Education Training sector. Finally, **the MCCI commends the extension of the SME Graduate Scheme to medium sized companies of Rs. 100M and for diploma holders.** This measure will support small and medium enterprises, whilst at the same time assist in addressing youth unemployment in the country.

Indeed, 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. The current Budgetary exercise gave a strong focus towards entrepreneurship and SME development, with the creation of a new **Mid-Market Size company of between Rs. 50M to Rs. 250M, which is part of MCCI's advocacy initiatives to support the middle segment companies** who have so far been unable to benefit from a number of schemes and incentives of the Government. This will be complemented with a new **MME Financing Scheme** and **a review of existing leasing schemes** to enable such enterprises to benefit from incentives to modernize their equipment. Moreover, and in line with our proposals, the **micro credit scheme is being extended to projects of up to Rs. 500,000 at a concessionary interest rate**. To support the SME sector towards digitalization and e-commerce, Government is further providing for a **Rs. 3000 Grant to SMEs to join the MCCI's E-commerce platform**.

There have further been a number of medium-term measures to support the local industries in the agricultural and manufacturing sectors and addressing the issue of de-industrialisation, This includes a revamping of the **Investment Support Programme with a budget of Rs. 1BN** and a **significant reduction in the interest rate under the LEMS Schemes to less than 4 percent**, to enable manufacturing enterprises to acquire new technologies, as well as the introduction of a **Food Standards Agency**, which is in line with our recommendations to create a new Food & Drug Agency **to support the industrial sector, and address issues of food security, traceability and standards**. The rising issues of industrial closures due to lack of cashflow or succession planning is further being addressed with the support of the EDB. This is complemented with a marked move to support local production of goods with the **extension of the Made in Moris grant** and an **extended 30 percent bid price preference on public procurement for SMEs having a Made in Moris label**. The current measures announced in this Budget shall be complemented through a **joint initiative towards a roadmap and strategy for the Industrial sector with the support of the World Bank, in the upcoming months.**

As Mauritius aspires to achieve a high-income economy status, promoting export to the region and the world is vital in order to reduce current account deficits and diversify our economy from traditional products and markets. Over the past years, we have noticed a number of export led companies affected with issues surrounding cash flow, which has been addressed with the **Export Factoring Scheme to support enterprises engaged in factoring in USD and EUR**. The Budget further provides for **Rs. 150M for a new trade and marketing scheme to the EU, with possibility of extension to the USA for airfreight exports**. To boost investment and export in the African region, the Budget provides for a number of **investments in Africa** to facilitate companies in the textile, Liquefied Natural

Gas (LNGs) and **Industrial and Technology sectors to invest in the new Special Economic Zones (SEZs) and such economic spaces being developed for Mauritian enterprises.** We further commend the **review of the Mauritius Africa Fund (MAF) and strategic partnerships** with Pan-African and international multilateral development financial institutions, which shall support enterprises to achieve this Africa strategy. Such economic diversification and export-led strategies should, in our view, be supported with a coordinated implementation of the National Export Strategy (NES), which provides a roadmap for the further diversification of our markets and products.

The challenges to the financial services and addressing the EU concerns on our partial exemption system whilst ensuring the continued competitiveness of our jurisdiction was one of the strategic thrusts which was awaited by all. Indeed, the Budget 2019/2020 provides for the necessary changes to our legislation as well as an **extension of the partial exemption regime to new business categories such as re-insurance, aircraft asset management.** Moreover, the MCCI advocated for **new frameworks for fund administration and management**, which is a growing segment of the financial services sector, and we are pleased to note that the current Budget makes provision for a number of new licensed activities for private investment funds, a scheme for **headquartering of e-commerce activities, as well as Fintech and Crowdfunding activities amongst others**. It is also noteworthy that the FSC, in the context of the Comprehensive Economic Partnership Agreement (CECPA), is entering into an agreement with the **Gujarat International Finance Tec-City** to recognized Mauritian licensed funds and management companies as qualified to operate in the Gujarat jurisdiction. Such international partnerships will further enhance the Mauritius offering for the financial services sector.

In terms of new sectors of development, the MCCI commends strategies to develop the **Ocean economy, the Sports & Recreation activities** as well as measures to enhance the arts and culture landscape of the country.

Last but not least, the Budget 2019/2020 gives a strong signal towards sustainability and inclusive growth in the economy with sturdy measures to enable sustainable economic development, aligned with a clean environment strategy, a resolute move towards renewable energy and e-mobility and a circular economy model. Under the "**Moris Nou Zoli Pei**' slogan, the Budget provides for a number of measures to clean and embellish the country through a **Centralised Cleaning Coordination Committee** with a particular focus on public areas including **public beaches, lagoons, drains** amongst others. These measures, if implemented in a coordinated and effective manner, have a potential to enhance the attractiveness of the Mauritius destination. The **renewable energy strategy** is further a strong game changer with the **removal of the 30 percent limit** and the **connection fee for solar energy production**, which shall **accelerate the adoption of solar energy by households and businesses towards achieving the 35% renewable energy mix in the upcoming years.** Throughout our Budget consultations with the Government, the MCCI advocated for **strong measures to mainstream the e-mobility strategy** and we are pleased to note strong measures such as the **reduction in excise duties for electric and plug-in hybrid cars**, the **provision of tax deductions on the acquisition of fast chargers for**

households and businesses as well as the **extension of the subsidy for Bus Modernisation to fully electric cars**.

The MCCI has been a strong advocate of the potential of the circular economy eco-system for Mauritius, with an **estimated marketable amount from waste at some Rs. 270 million daily**. The budget provides a number of incentives to promote the **3R - Reduce, Re-Use and Recycle** – for a number of waste products. With a **tipping fee of Rs. 300 per ton of waste taken from transfer stations to be recycled**, it is estimated that more than 600 tons of waste can be recycled daily. In addition, the Government is implementing the **e-waste management system in collaboration with the MCCI** for the collection and export of e-wastes in the country. The MCCI further proposed that such **extended producer responsibility be extended to other products and we are pleased to note incentives afforded to the recycling or export of waste tyres and used PET bottles**. This is combined with the **rationalization of the strategy on scrap metal with the review of the ban on its export**. This has been a request of the MCCI for the last two years, with a number of operators being affected by the ban. We also commend the **implementation of the scrapyard facility for end-of-life motor vehicles**, which goes alongside the Government strategy to promote the circular economy.

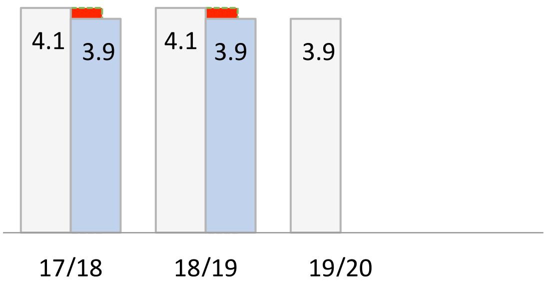
On a macro-economic level, the Budget 2018/2019 forecasts positive indicators on growth, investment and the budget deficit, with an aim to reach above the **3.9 percent growth rate** in the current fiscal year, in line with IMF forecasts and our own GDP Growth predictions. The Government further aims to achieve **the 60 percent Debt to GDP ratio before the statutory delay of 202**1 with an early repayment of some more than Rs. 18BN in the upcoming fiscal year. The planned balancing of the country's recurrent expenditure and revenue for this fiscal year is in line with MCCI's advocacy towards sustainable public finance.

The MCCI is of the view that the Budget 2019/2020 has the potential to be a catalyst of development for the future of our economy with a **complete and swift implementation of the measures announced in the fiscal year**. **The MCCI shall continue to work closely with the Government towards the implementation strategy of the Budget, which shall be a key determinant to enabling Mauritius to attain its objectives to transition to the league of High-income economy and pave the way for a smooth transition to a inclusive, sustainable and innovation-led economy by 2023.**

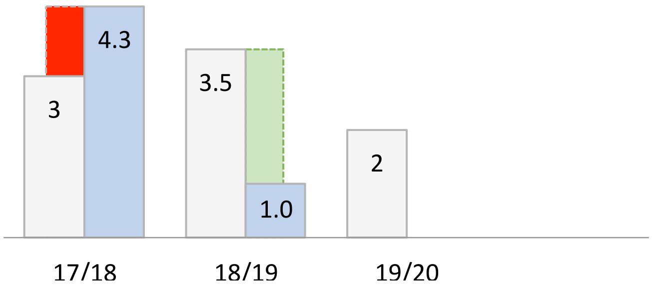
2. MAIN MACRO-ECONOMIC INDICATORS

1. Macro-Economic Fundamentals

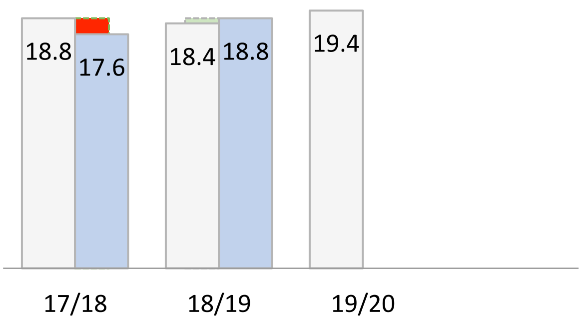
GDP Growth



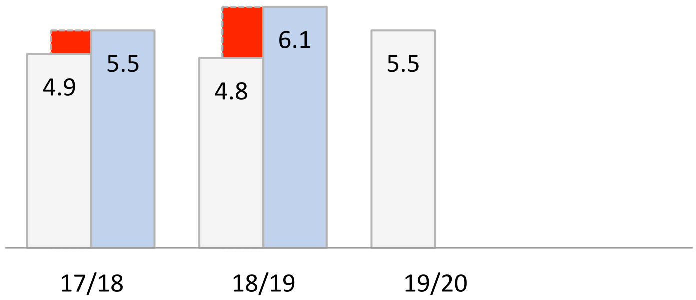
Inflation Rate



Investment Rate



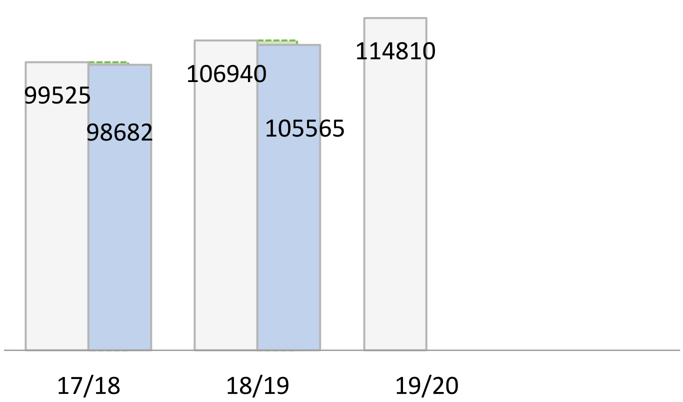
Current Account Deficit (% of GDP)



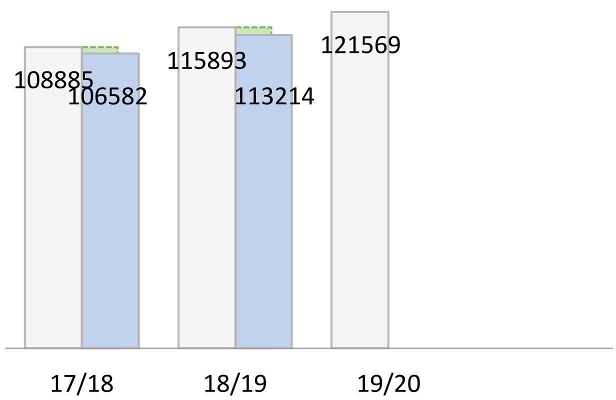
On GDP Growth, over the last three years, there is a consistent 3.9 percent growth rate, whilst inflation rate has been subdued at less than 2 percent. Over the last fiscal year, inflation rate was actually much less than the expected rate. On investment, we notice a gradual improvement in the rate of investment, especially linked to a number of public infrastructural projects. However, at the same time, the current account deficit has increased. It is worth noting that based on the projections of the Ministry of Finance and Economic Development (MOFED), the current account deficit is expected to decrease by 0.6 percentage points over the upcoming fiscal year. This would be beneficial to our economic growth rate with a balancing of the imports to higher levels of exports in the economy.

2. Public Sector Finances

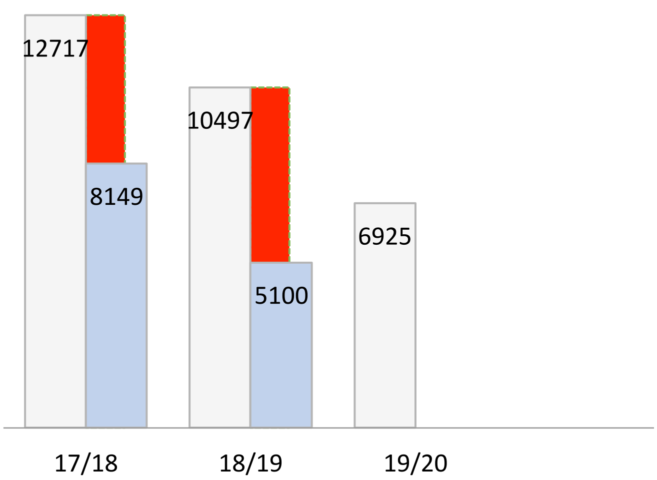
Recurrent Revenue (Rs. M)



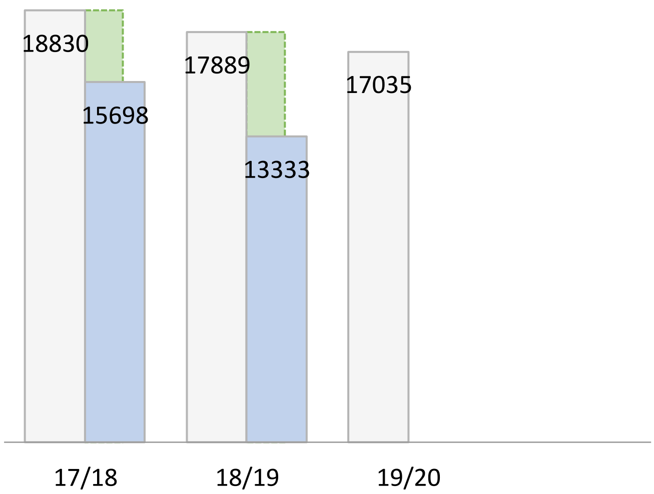
Recurrent Expenditure (Rs. M)



Capital Revenue (Rs. M)



Capital Expenditure(Rs. M)



On recurrent expenditure and revenue, we note that the estimated projections of MOFED are broadly in line with the actual figures and the there is a projected gradual decrease in the recurrent deficit to attain 1.3 percent in June 2020. It is of our view that Mauritius should aim to attain parity of revenue and expenditure in terms of recurrent public sector balance over the upcoming years. We anticipate a lower level of unused capital expenditure over the upcoming fiscal year as capital expenditure over the upcoming fiscal year is mainly related to the completion of existing projects such as the Metro Express and the Road Decongestion Programme. The combination of the above factors brings about a Budget deficit of 3.2% in line with projections for the last few years. On public sector debt, with major projects, there has been an increase in the figures to attain 65 percent of GDP. The Government objective of reducing the public sector debt to 59.8 percent by 2021 is laudable, and in line with the commitments to attain a public sector debt to GDP of less than 60 percent.

3. FISCAL POLICY

3.1. PERSONAL INCOME TAXATION

3. Income Exemption Thresholds

- The existing income exemption thresholds are being increased by amounts ranging from Rs. 5,000 to Rs. 45,000, with a focus on individuals with a higher number of dependents.

Category	From	To
A. Individual with no dependent	Rs 305,000	Rs 310,000
B. Individual with one dependent	Rs 415,000	Rs 420,000
C. Individual with two dependents	Rs 480,000	Rs. 500,000
D. Individual with three dependents	Rs 525,000	Rs. 550,000
E. Individual with four dependents	Rs. 555,000	Rs. 600,000
F. Retired/disabled person with no dependent	Rs 355,000	Rs 360,000
G. Retired/disabled person with dependents	Rs. 465,000	Rs. 470,000

4. Review of Tax Band of 10%

Tax Credit of 5% on chargeable income at time of submission of income tax for individual whose salary in first month is less than Rs. 50,000 and annual net income does not exceed Rs. 700,000

5. Tertiary Education deduction and Health Insurance Premium for fourth dependent

(1) The additional deduction in respect of a dependent child who is pursuing tertiary studies will be available for a maximum of 4 dependents instead of 3 dependents

(2) An individual will be allowed to claim up to Rs. 10,000 as relief in respect of medical insurance premium paid for a fourth dependent

6. Peer-to-Peer lending - 3 percent tax

An **individual** receiving interest income from Peer-to-Peer lending will be subject to a **reduced income tax rate of 3 percent** and any bad debt and fees payable to the Peer-to-Peer operator will be deductible from taxable interest income.

MCCI Analysis

1. Income Exemption Thresholds and reduced personal income tax

The graduated increase in income tax thresholds up to Rs. 45,000 for an individual having four dependents goes towards the logic of ensuring a more equal treatment for individuals with more than one dependent and rebalances against a Malthusian policy of favouring individuals with one dependent only. The opening of the tertiary studies and medical insurance deductions to a fourth dependent further supports the middle-term policies to favour an eco-system towards improving the fertility rate in the country.

The Budget further supports the middle income class with amendments to 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.

2. Peer-to-Peer Lending

The reduced 3 percent taxation for individuals getting interest income from Peer-to-Peer lending is a welcomed measure to favour the eco-system of Fintech and alternative lending mechanisms. With a number of new operators engaged in this field, the reduced taxation will incentivize individuals to engage in providing peer-to-peer lending through these platforms.

OTHER POTENTIAL REFORMS:-

- Extension of the Negative Income Taxation
- Deduction of Employee contribution to private pension schemes
- Extension of deduction for household employees to Creche services
- Promoting inclusiveness through 'Gift Aid' tax relief on individual donation to poverty-reducing charities
- Deduction on investment in Stock Exchange of Mauritius

3.2. Corporate Income Taxation

1. Review of the Innovation Box Regime

Under the Innovation Box Regime, existing companies will now benefit from the 8-year income tax holiday on income derived from intellectual property assets developed in Mauritius after 10th June 2019.

Companies will have to satisfy pre-defined substantial activities requirements in compliance with the Base Erosion and Profit Shifting (BEPS) Action 5 report.

2. 5-Year tax holidays

(1) 5-Year Tax holiday to company setting up e-commerce platform provided it is incorporated in Mauritius before 30th June 2025.

(2) 5-Year Tax holiday to Peer-lending operator provided it starts operation prior to 31st December 2020.

3. Accelerated Depreciation on Plant & Machinery

Accelerated depreciation at 100 percent for capital expenditure incurred on plant & machinery in the year incurred if amount does not exceed Rs. 60,000 (instead of Rs. 30,000 currently)

4. Taxation of Banks

(1) Income derived by banks from Global Business Companies exempted from levy under Value Added Tax Act
(2) Rate of levy increased from 4% to 4.5% of operating income for banks having operating income exceeding Rs. 1.2 billion in a year with a cap
(3) Levy not deductible expense under corporate tax and No Foreign tax credit allowed

(4) Reduced tax of 5% applicable on chargeable income of bank in excess of bank in excess of chargeable income in base year (2017/2018) if bank grants at least 5% of its new banking facilities to the following categories of businesses:-

a. Small and Medium Enterprise (SMEs) in Mauritius
b. Enterprise engaged in agriculture, manufacturing or production of renewable energy in Mauritius, or
c. Operators in African or Asian countries

5. Freeport Regime

A freeport operator or private freeport developer engaged in manufacture of goods will be liable to **income tax at the rate of 3% on profits derived from sale of goods on local market.**

Substance criteria: -

a. Employ minimum of 5 employees and
b. Incur an annual expenditure exceeding Rs. 3.5 million

Freeport operators liable to pay Corporate Social Responsibility on sale of goods on local market

MCCI Analysis

1. Extension of the Innovation Box Regime to existing companies

The extension of the 8-year tax holiday to existing companies on the share of income derived from the development of their new IP Assets, after 10th of June 2019, effectively provides for a zero percent corporate tax on the income derived from innovation by a company. This regime, which has been successful in a number of countries such as Ireland, and the U.K has the potential to effectively boost innovation in enterprises and further attract IP-based companies, most particularly in the technology field.

The Innovation Box Regime will however only effectively work if accompanied by the new Industrial Property Bill. Moreover, there is today no clarity on the definition of IP Assets to qualify for the Innovation Box Regime and we believe that such definition should be clarified, based on the new IP Bill, to include Trademarks, Patents, Geographical Indications, Industrial Designs amongst others.

It is of our view that a competitive and attractive Innovation Box Regime has the potential to enable Mauritius to attract Innovative companies over the upcoming years, and attain an R&D expenditure as percentage of GDP of 2% by 2027, from a 0.2% current rate.

2. Accelerated Depreciation on Capital Expenditure

An accelerated depreciation of 100 percent is allowable for capital expenditure on plant and machinery of less than Rs. 60,000 instead of Rs. 30,000. This will be beneficial to companies in absorbing the cost of such CAPEX in the year it is incurred.

3. Freeport Regime

The reduced 3 percent corporate tax on profits derived from sale of manufactured products on the local market restores a competitive advantage to the Freeport manufacturers which was abolished last year in the context of the OECD BEPS initiative, with the phasing out of the Freeport regime. The incentive here thus promotes manufacturing operations in the Freeport area.

OTHER POTENTIAL REFORMS:-

- Study towards harmonized and competitive corporate income tax
- Extension of investment tax credit to all productive industrial investments

3.3. Other Indirect taxes & Levies

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 2019/2020 makes provision for a number of rationalisation processes on the indirect taxes and levies to ease businesses in Mauritius: -

1. Property Tax

(1) It is clarified that transfer of movable property between spouses will be registered free

(2) Extension of exemption to spouse of descendent returning back to an ascendant a property if donated property jointly owned by spouses

2. Customs Duties

(1) Producer or manufacturer engaged in agriculture or agro-based industry is granted customs duty exemption on packing materials

(2) Gradual tariff liberalization process for finished goods as from 1st of January 2020 under Interim Economic Partnership Agreement with EU and Bilateral Free Trade Agreement with Turkey

3. Excise Duty

(1) Electric and Plug-In Hybrid Cars

Type of Motor Car	Current	New
Electric Car		
Up to 180 kW	0%	0% (No Change)
Above 180 kW	25%	15%
Plug-In hybrid Car		
Up to 550 Cc.	0%	0% (No Change)
551 – 1,000 Cc	25%	10%
1,001 – 1,600 c.c.	25%	15%
1,601 – 2,000 C.c	45%	30%
2,001 – 3,000 C.c	70%	55%
Above 3,000 c.c	70%	65%

4. Value Added Tax (VAT)

(1) Zero-Rating

- Cooking gas for domestic use by households in cylinders of up to 12 kg
- Transport fares of passengers by light rail
- Bread with retrospective effect as from 1st of March 2019

(2) Foodstuff

VAT is removed on vermicelli, toukmaria, linseed (graine de lin), sagoo, appala, mustad seed and sesame seed.

(3) Compression Garments

VAT is removed on specialized compression garments used for medical purposes

(4) Bilateral Air Services Agreement

Airlines will be exempted from payment of VAT and customs duty on printed materials which bear their insigna, publicity materials and uniforms

7. Input VAT in respect of capital goods

VAT-registered persons will be able to reclaim input VAT on

- Goodwill on acquisition of a business; and
- Acquisition of intangible assets such as software, patents or franchise agreements

8. Electronic filling of VAT returns as from 1st March 2020

All VAT registered persons will have to file their VAT return and pay VAT electronically as from 1st March 2020

9. Extension of 3-year exemption and harmonisation of Trade Fees

Amendment to Local Government Act to: -

- Empower Corporate and Business Registration Department to collect trade fees on account of local authorities
- Extend suspension of trade fees of Rs. 5,000 and below for 3 additional years
- Remove requirement of trade fees for all business activities regulated by Tourism Authority
- Harmonise trade fees across all local authorities

MCCI ANALYSIS

1. Zero-Rating of Products

The Zero-rating of bread, cooking gas and light railway services is in line with the harmonization strategy on VAT in order to correct anomalies in the VAT legislations to the detriment of local manufacturers and entrepreneurs, thus preventing operators from reclaiming input VAT on a number of products. The zero-rating of VAT could be extended to, inter-alia, agricultural products, 3D Printers, and education services which are produced locally and to which the operator is unable to reclaim Input VAT on the products used for its production.

2. Input VAT in respect of capital goods

The current measure to include goodwill as well as the acquisition of intangible assets such as software, patents or franchise towards input VAT which is reclaimable by the business is likely to be made through a reclassification of the above from “services” to “goods”. This measure could be extended to include VAT charged on credit cards, which is not recoupable by the business, and is ultimately passed down to the consumer.

3. Electronic filling of VAT returns as from 1st March 2020

The mandatory electronic filling of VAT returns as from next year is likely to speed up administrative delays. It is however necessary to cater for the smooth transition of a number of medium-sized companies, with a turnover of more than Rs. 6M, but who are currently only filing their returns manually.

4. Harmonisation of Trade Fees

The extension of the suspension to trade fees of up to Rs. 5,000 until 2022 (3 additional years) and the one-stop-shop payment at the Companies Division is being accompanied by a harmonization of trade fees across the different municipalities and district councils. Given the impact of trade fees to businesses, it is of our view that this harmonization should be piloted in such a way as to ensure cost efficiency for operators, and no further hike in trade fees over the upcoming three years.

OTHER POTENTIAL REFORMS:-

- Exclusion of 100% natural beverages from excise duty on sugar sweetened beverages
- Review of excise duties on plastic containers to exclude multi-use containers

5. INSTITUTIONAL REFORMS

5.1. Economic Planning & Business Predictability

The world economy is today at a turning point, with an increasing period of uncertainty in advanced and emerging economies alike. Indeed, the broad-based recovery observed in recent years is today less balanced. On the back of this changing economic landscape and challenges to different sectors of the economy, it is essential to engage in the development of a comprehensive macro-economic strategy to ensure business, trade and investment predictability. The Budget 2019/2020 provides for a number of measures towards this aim, with a focus on a number of sectors facing difficulties:-

1. Regulatory Impact Assessment Framework

Establishment of a Regulatory Impact Assessment (RIA) framework for evidence-based business-related rule making in collaboration with the Organisation for Economic Co-operation (OECD) for a cost of EUR 500,000 funded by the European Union (EU). The project is scheduled to start in September 2019.

2. Agro-Industry Strategy including sugar cane & biomass

(1) World Bank assistance to provide strategic policy options for making sugar cane industry sustainable, in the medium and long term.

(2) National Biomass framework to be developed for use of sugar cane biomass, including cane trash for electricity generation

3. Industrial Strategy Framework

World Bank assistance is currently being finalized to provide strategic policy options for the revamp of the manufacturing sector

4. Strategic Planning

World Bank technical assistance on strategic planning and doing business reforms of Rs. 70M has been budgeted for the Economic Development Board over the next two fiscal years.

MCCI ANALYSIS

1. Regulatory Impact Assessment Framework

The RIA framework being developed for Mauritius has the potential to assist Mauritius in ensuring comprehensive regulations that takes into consideration the different business implications. The MCCI believes that the RIA framework developed should be mainstreamed and included in the legislative process of Mauritius, as a **mandatory** requirement, similar to the Environment Impact Assessment (EIA) for projects.

2. Industrial Strategy Framework

World Bank assistance to Mauritius is currently being finalized to provide for a comprehensive diagnosis of the manufacturing sector; including providing for policy recommendations to the Government. Such a strategy should, in our view, be developed jointly with the private sector, through the MCCI. In fact, a preliminary work has been carried out in 2011, with the support of the Ministry of Finance and Economic Development (MOFED), a study of the different sub-sectors of the manufacturing Domestic-Oriented Enterprises (DOEs) was conducted by the MCCI in collaboration with the AMM with the assistance of a local consultancy firm.

3. Strategic Planning

A World Bank assistance to the EDB of Rs. 70M over two fiscal years for strategic planning has been Budgeted. The MCCI is of the view that a comprehensive economic strategy should be spearheaded with the support of the private sector in order to devise a recurrent economic strategy framework for Mauritius, with guidelines and targets on the emerging sectors of development. The MCCI thus looks forward to a close collaboration with the Government on this project, which should be carried out, in joint collaboration with the private sector institutions.

OTHER POTENTIAL REFORMS:-

- Mauritius recurring Economic Strategy 2020-2025
- Mauritius Investment & Trade Policy Framework

5.2. Public Sector Rationalisation

For the development of the economy, Mauritius has a number of public sector agencies in order to deal with administrative and technical licences and permits. Those agencies have a critical role to play in the business development strategy of the country. Since a number of years, the country has engaged itself in a public sector rationalisation strategy in order to avoid undue delays and duplications and ensue public sector efficiency. A number of measures have been taken in this Budget as follows:-

1. Public Sector Reform and Cost Rationalisation

A committee set up under Ministry of Justice, Human Rights and Institutional Reforms to examine Reports in consultation with Ministries/Departments and propose measures to address the weaknesses and shortcomings.

A Steering Committee to strengthen governance structure in civil service with review of internal control

2. Food Standards Agency

A New Agency is being set up to set standards on fast foods and soft drinks and regulate certification of vegetarian and halal foods, amongst others. In this respect, a Rs. 10M consultancy services for the setting up of the Food Standards Agency has been earmarked for the Ministry of Health

3. Clinical Research Regulatory Council

The Clinical Research Regulatory Council will cater for the registration of Contract Research Organisations (CRO) and the Clinical Trials Act will be amended to cater for medical devices. Moreover, Government will develop a ne regulatory framework for cell research and therapy in line with EU Directives and US Standards.

4. Skills Development Authority

The setting up of an independent regulator to ensure quality assurance and confer awarding powers to training institutions in TVET Sector

MCCI ANALYSIS

1. Food Standards Agency

A one-stop shop for Food standards has been a strategic request of the MCCI for the past two years in order to ensure food security and prevent mitigate dumping of low quality products on the Mauritian market. The MCCI believes that the new Food Standards Agency has a robust potential in addressing a number of food security issues in the country and ensuring traceability of food products and the regulation of vegetarian and halal foods in the country. The MCCI and GS1 Mauritius could be of support towards this national initiative to promote healthy food and ensuring traceability.

Moreover, it is of our view that the new agency should be working in synergy with the Mauritius Standards Bureau (MSB) to ensure efficiency in Food Standards. The new agency could further seek accreditation from the EU, amongst others, thus enabling Mauritian manufacturers certified by the Mauritian FSA to more easily export to our main destination markets.

OTHER POTENTIAL REFORMS:-

- Operationalisation of the Utility Regulatory Authority (URA) and the National Employment Agency

5.3. 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 2019 Ease of Doing Business report released by the World Bank has ranked Mauritius at 20th worldwide, with a number of reforms to enhance the doing business procedures, implemented mostly through the Business Facilitation Act of 2017 and the Finance Bill 2018. 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" (69th), Getting Credit (60th), Getting Electricity (34st) and Enforcing Contracts (27th).

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, there is a fundamental need to conduct bold reforms in order to improve the ease and increasingly the cost of doing business in Mauritius in order to benefit both local and international entrepreneurs. The implementation of business reforms should be conducted in an efficient and coordinated manner in order to avoid cross-institutional duplications and overlaps.

5. Extension of Grandfathering Provision for Customs Brokers

(1) Extension of grandfathering provision allowing a freight forwarding agent to make Bills of Entry extended from 31st December 2019 to 31st December 2020

(2) All existing customs agents (employees of freight forwarding agents) authorized to act as customs brokers after completion of Recognition of Prior Learning Course conducted by MRA Customs. Function of customs agent will be removed from Customs Act.

(3) MRA Customs will be empowered to suspend a freight forwarding agent or customs broker in case of suspected acts of misconduct or fraud to ensure proper conduct of investigation.

6. Business Facilitation Bill

Business Facilitation Bill to amend 26 legislations to expediate start of business, eliminate unnecessary licences and permits, expedite clearances amongst others with the 'silent is consent' principle on a number of licences and permits

7. Port Productivity

(1) **Maritime Single Window** -& Cargo handling Corporate Ltd to implement electronic payment system to expediate payment process

(2) Harmonisation of working hours of MRA Customs and other port operators and agencies

(3) 12 Hour cut-off time for MPA for compliant traders for export consignment

(4) Electronic application and payment for approvals, clearances, bills and claims at the Port

8. Protection of Minority Investors

(1) Securities Act amended to ensure immediate disclosure to the public if transaction has a value of at least 10% of Company's assets

(2) Companies Act amended such that individual compensation of directors are disclosed in annual report

(3) Dividend declared by the Board is paid within maximum period of 15 months subject to solvency test

(4) Disqualification of a director upon successful claim by shareholders

(5) Review of Listing rules to provide requirement of obtaining shareholders' approval for Related Party Transactions, where percentage ratios, as specified in Rules, represent 10% or more.

9. Expediting Dispute Resolutions through Alternative Dispute Resolution

Parties attempting a mediation, conciliation or arbitration allowed a deduction from taxable income of an amount equivalent to 150 percent of the case filing fee

10. Access to Credit Bureau for Crowd-funding platforms

Bank of Mauritius Act amended to allow crowd-lending platforms to have access to and become participants of the Mauritius Credit Information Bureau (MCIB)

11. Review of ban on Export & Recycling Scrap Metals

The Consumer Protection (Scrap Metal) Regulations 2007 amended to cater for **recycling companies**, besides manufacturing ones, to export their scrap metal produced as a by-product without the requirement of a license.

The ban on export of scrap metals is being removed whilst companies should be registered as Operators/Exporters of Scrap Metals

12. Digital markings as alternative to excise stamps on alcohol and tobacco products

Importers and manufacturers of alcohol and tobacco products will be given the option to use digital markings as an alternative to excise stamps.

MCCI ANALYSIS

1. <u>Expediting Dispute Resolutions</u>

According to the latest World Bank Ease of Doing Business Report of 2019, it takes on average 490 days to enforce contracts and 1.7 days to resolve insolvencies. Whilst the World Bank recognizes the strong and enforceable nature of Mauritius' commercial arbitration legislations, the use of mediation and arbitration as alternatives to court disputes has remained minimal. The World Bank promotes that Governments adopt financial incentives for parties to attempt mediation, arbitration or conciliation. The 15 percent tax credit on the cost of mediation, conciliation or arbitration shall promote out of court dispute resolutions and enable a faster and more efficient resolution of commercial disputes in the country.

2. Review of ban on Export & Recycling Scrap Metals

The review of the ban on export and recycling of scrap metals is a welcomed measure, in line with the Competition Commission of Mauritius (CCM) recommendations to Government since December 2016 and shall enable amongst others, recycling companies to export scrap metals and promote a more environment-friendly eco-system

3. Port productivity

Port productivity in the country is essential for the development of our economy. However, the country is faced with a 21 moves per hour in terms of crane productivity whilst 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. The new crane and the electronic submission and payment at the port, amongst others, will contribute towards enhancing the productivity at the port.

4. Business Facilitation Bill

The Business Facilitation Bill should streamline a number of procedures in Mauritius related to the doing business environment including, inter-alia occupation permits, fire regulations, EIA, Construction permits amongst others. Moreover, we note that the 'silent is consent' principle is being applied in a number of those new processes including for the delivery of a number of permits and licenses. It is anticipated that the Business Facilitation Bill will be presented to the National Assembly alongside other Budgetary measures and be ratified by end of July 2019

OTHER POTENTIAL REFORMS: -

- Removal of import restriction on pork processing activities in line with CCM recommendations

6. FOUNDATIONS FOR MACRO-ECONOMIC TRANSFORMATION

6.1. Strategic Public Infrastructure Development

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 three years after investment is made.** During times of more modest private investment expenditure, it is the role of the Government to engage in public sector investment projects linked to strategic public infrastructure development. This will enable an expansion in the potential growth of the country, which has been stagnating in recent years. These should however be balanced with the country's commitment to reduce its Debt levels as a percentage of GDP.

Throughout our Budget consultations, the MCCI advocated for sound investment in strategic public infrastructure – the Port and Airport as well as the prioritization of the Land Drainage Masterplan, with the increase in flash floods and weather disruptions affecting the economy.

The Budget 2019/2020 provides for a number of projects, with Public Sector investment of Rs 49.9 Billion, of which Rs.16.9 Billion related to the implementation of a number of existing as well as new projects.:-

1. Extension of the Airport to 8 million passengers

(1) Construction of a New Terminal Building of 50,000 square meters for total of 8 million passengers

(2) Increase of aircraft parking capabilities to accommodate 22 wide-bodied aircrafts simultaneously

(3) Airport City – Training of pilots, extension of Cargo and Freeport Area, New full-fledged cargo terminal and solar farm

2. Port Development

(1) **Breakwater** and Island Terminal with investment of Rs. 12BN by Mauritius Ports Authority (MPA) with participation of private sector to mitigate against risks in bad weather conditions. New Island Terminal will also cater for double stacking capacity for containers.

(2) **Breakwater at Fort William** at cost of Rs. 2.2BN for 120 ocean-going fishing vessels

(3) Dredging of port to 18 metres depth

(4) Crane Productivity – New Ship-to-Shore crane with associated equipment at cost of Rs. 750M

3. In-Land Transport

(1) Metro Express- Completion of Port-Curepipe corridor by 2021 and study on Extension to other areas

(2) Bus Terminals Modernisation programme extended to rural areas

(3) Rs. 1.5BN for Road Development Programme

(4) Rs. 500M for construction & upgrading of secondary roads

4. Other Infrastructural Projects

(1) Cote d'Or City and Cote d'Or Industrial Park
(2) Renovation of Port Louis Waterfront (Rs. 200M)
(3) Detailed design for Riviere des Anguilles Dam to be completed by end of January 2020
(4) Rs. 1.2 BN for community based infrastructure projects
(5) Rs. 72M for construction of six Multi User Games Area (MUGA)
(6) New hospitals, Mediclinic and Health Centres

5. Public Private Partnership

(1) Review of Public Private Partnership Act and BOT Projects Act to enhance private investment in public sector investment projects

(2) Disposal of non-strategic assets of Government

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. The new development at the airport should be accompanied by the necessary measures in order to enhance air access policy for Mauritius.

2. Port Development – Breakwater, Island Terminal and Cruise Terminal

The Port Development initiatives through the Island Container and Cruise Terminals combined with the breakwater to mitigate against weather disruptions has the potential to enable the country to develop towards a higher value added economy, with most of the trade in goods activities going through the Port. These strategic developments should be combined with a strategy for Mauritius to engage in regional integration through, for instance, acquisition of a regional feeder vessel to cater for exports towards the region.

6.2. Exports & Market Access

The Mauritius exports sector has been one of the most important pillars of our development model. Our export strategy for manufacturing goods during the 1970s and 1980s is recognised to have greatly contributed to the country's economic transformation; as well as our positioning in exports of services as a BPO Outsourcing destination, an attractive tourism market and an International Financial Centre of repute. As a small island economy, our economic growth model is largely dependent on our ability to sustain positive net exports of goods and services. Nonetheless, in 2019, three out of those four drivers of growth at exports – Manufacturing, Tourism and the Financial Services sector – are faced with weaker growth prospects. The Budget 2019/2020 provides for a number of incentives towards the promotion of the Mauritius exports of goods & services: -

1. Schemes to Support Access to Market

(1) Support for **Trade Promotion & Marketing Scheme** (ex. Speed to Market Scheme) of Rs. 120M for an additional year with potential to extend measure to the US Market

(2) **Export Factoring Services** – Line of credit facility in USD and EURO

2. Africa Strategy

(1) Regional Value-Chain for Liquefied Natural Gas (LNG) with Mozambique

(2) Textile City of 80 hectares of land in Moramnga – Madagascar

(3) Industrial & Technology Park, Kenya

(4) SEZs in Senegal, Cote d'Ivoire and Ghana

(5) Mauritius Africa Fund (MAF) for cross-border financing and strategic partnerships with Pan-African and international multilateral development financial institutions

MCCI Analysis

1. Trade Promotion & Marketing Scheme

With the ongoing uncertainty related to Brexit, the extension of the Trade Promotion & Marketing Scheme (ex. Speed to Market Scheme) for an additional year is highly welcomed and will provide respite to a number of companies exporting to Europe. Moreover, and with the US-China Trade War, discussions are being held towards the extension of the measure to the United States.

2. Export Factoring Scheme

With cashflow issues for a number of exporting companies, the Export Factoring Scheme to enterprises with a subsidy on the factoring fee at exports shall enable operators to mitigate against risks at exports and solve cashflow problems.

OTHER POTENTIAL REFORMS:-
- Extension of 3 percent corporate tax on exports to Digital Goods
- Extension of Export Credit Insurance Scheme to Reunion Island, India and China

6.3. Innovation and R&D and the Digital Economy

According to the latest Global Innovation Index, expenditure on R&D in Mauritius represents a meagre 0.2% of GDP, putting the country at the 92nd rank worldwide on R&D expenditure. In comparison, Singapore's expenditure is at 2.2%, Finland at 2.7% whilst Germany is at 2.9% and Israel's figures is at 4.3% of the GDP. Despite the positive intentions of the Government to promote Innovation, we notice that IP and Innovation remains largely unknown and rare in enterprises. Moving forward, it is today clear that a number of sectors of the Mauritian economy are condemned to engage in innovative transformations and adoption of digital technologies to enhance productivity. The aim for Mauritius should be to become a regional IP and Innovation Hub, and attain a 2% expenditure on R&D by 2025.

The Budget 2019/2020 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 and a critical review of the Innovation Box Regime to incentivize Innovation in enterprises.

1. Enforcement of Intellectual Property Rights

MRA will be empowered to destroy counterfeit goods at expense of importer provided that the holder of the Intellectual Property Rights on the goods agrees to the destruction and confirms that he does not intend to take any legal action.

2. National Innovation and Research Fund

The new fund, which will be managed by the Mauritius Research and Innovation Council (MRIC) is injected with a seed capital of Rs. 100M with additional mobilization expected through a special Lotto Draw and funding under the EU EDF11 funds for Mauritius.

3. E-Commerce

(1) Government will provide a one-off grant of Rs. 3,000 for SMEs to subscribe to E-Commerce Platform of MCCI.

(2) An 8-Year tax holiday for a new company creating an E-Commerce Platform in Mauritius by 2025

4. Artificial Intelligence & Robotics

(1) 6-Month HRDC AI Skills Development Programme targeted at 100 students

(2) University of Mascareignes to offer Masters in AI and Robotics in collaboration with Universite des Limoges and Universite de Nice

5. E-Government

(1) E-Health sharing of data in all hospitals of the island

(2) Integration of e-payment systems by Government agencies

(3) E-Government service through National Authentication Framework

(4) ‘Require-Once Principle’ for all Government services

(5) Online Government facilities for delivery of birth/marriage certificates, enrolment in schools, Vehicle registration, SC & HSC examination, information on land titles.

6.4. 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 6.9 percent in 2018. There is today an increasing level of skills mismatches in the country since the turn of the 21st century, as shown by a recent World Bank report in 2018. In this context, we notice that the Budget 2019/2020 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:-

1. National Apprenticeship Programme

(1) Increase of trades under National Apprenticeship Programme to 30 trades

1. NC 3 Aluminium 2. NC 3 Front Office 3. NC 3 Food Production 4. NC 3 Restaurant and Bar Services 5. NC 3 Hair Dressing 6. NC 3 Beauty Therapy 7. NC 3 House Keeping 8. NC 3 Landscaping 9. NC 3 Plumbing 10. NC 3 Masonry 11. NC 3 Electrical Installation Works 12. NC 3 Automotive Spray Painting 13. NC 3 Welding 14. NC 3 Tractor and Heavy Vehicle Mechanics 15. NC 3 Automotive Electricity	16. NC3 Automotive Mechanic 17. NC 4 Engineering Machining and Tool Making 18. NC 3 Refrigeration and air-Conditioning 19. NC 3 Maintenance of Yard and Garden Equipment 20. NC 3 Automotive Electricity and Electronics 21. NC3 Bakery 22. NC 3 Pastry 23. NC 3 Wood Trade 24. Smart Agriculture 25. E-Commerce 26. 3D Animators 27. Sales 28. Micromechanics 29. Pattern drafting 30. Home carers

2. Gender Mainstreaming in the Workforce

(1) Minimum of one woman director to the board of a public company and statutory body
(2) 6 month permission for nursing unweaved child extended to public sector
(3) Removal of restriction on maternity leave for more than 3 confinements in public sector
(4) Increase in monthly social benefit to Rs. 2,500 for multiple births

3. Temporary relief on training levy for employees earning less than Rs. 10,000

An employer, whose employees earn salary not exceeding Rs. 10,000 per month during the period 1st July 2019 to 30th June 2020 to pay 0.5% of training levy instead of 1% to HRDC

4. Enforcing Workers Rights

(1) **Portable Retirement Gratuity Fund (PRGF)** - New Mechanism for computation of gratuity to recognize full length of service of worker, irrespective of number of employers

(2) **Wage Guarantee Fund** – Guaranteed Remuneration up to Rs. 50,000 to workers who lose their jobs in case of insolvency

(3) Committee to review **priority of claims** in case of insolvency to not penalise workers

IMPLEMENTATION: - A **New Workers Rights Bill** is expected to be presented to the National Assembly by end of August 2019.

5. Addressing Skills Mismatch

(1) **National Skills Matching Platform -** Assess training requirements of job applicants and direct them towards relevant employability scheme with guarantee of a job.

IMPLEMENTATION: - Government with Business Mauritius - Pilot phase with Tourism Industry

(2) **'Espace des Metiers'** for alumni of National Apprenticeship Programme which offer services such as networking opportunities and mentoring on entrepreneurship with Business Mauritius

6. Extension of SME Graduate Employment Scheme to turnover of Rs. 100M and diploma holders

The SME Employment Scheme where HRDC pays monthly stipend Rs. 14,000 to a graduate and the SME pays a travelling allowance of Rs. 1,000 for two years is extended to diploma holders and to companies with a maximum turnover of Rs. 100M instead of the current Rs. 50M.

7. Silver Bonds

Two Silver Bonds for elderly **Mauritian residents** to improve returns on savings

(1) <u>**Silver Bond for those of 65 years and older**</u>

a. Rate of 5.5 percent interest rate per annum (Paid Quarterly)

b. Sellable before maturity at par together with accrued but unpaid interest

(2) **Retirement Savings Bond for those of 60 years and younger**

c. Maturity at 65 years of age
d. Rate of 5.5 percent interest rate
e. Capital including capitalized interest at maturity

MCCI Analysis

1. Extension of SME Graduate Employment Scheme

With more than 42 percent 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 unemployed young graduates with the extension of the SME Graduate Employment Scheme to companies with a turnover of less than Rs. 100M and to diploma holders through the HRDC financing 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.

2. 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. The current Budget makes provision for a number of corrective measures, especially in the public sector to provide facilities to working women. Moreover, we note that there has been some 12 new Creches benefiting the one-off grant to enterprises.

OTHER POTENTIAL MEASURES:-

- Increase the HRDC refund ceiling to 3 times the contribution
- Extension of HRDC to working professionals
- Accreditation of online courses by the MQA
- Dual Training Programme support through training cost being recovered by HRDC refund

6.5. 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 2019/2020 lays the foundations for a new policy of openness in terms of foreign graduates, and retired non-citizens.

1. Strict timelines for assessment –Work & Occupation Permit

The Budget provides for strict timelines for the assessment of Work & Occupation Permits, including 'silent is consent' clauses after a statutory delay of more than 7 days.

2. Scheme for retired non-citizens

Review of monthly transfer required for retired non-Citizens from USD 2,500 to USD 1,500

3. Significant Employers Scheme

Foreign worker will receive an entry permit at arrival, valid for period not exceeding 3 months, allowing them to work while employer completes Occupation Permit/Work Permit Procedure. Business will need to:-

- Publish all positions on employment portal of Ministry of Labour and in newspapers
- Demonstrate that recruitment policy gives first preference to Mauritius workers
- Commit half month salary per year to Workfare Programme, for each employer employed under the Scheme, to support re-skilling of workers

4. Innovators Occupation Permit

Minimum capital of USD 40,000 waived if innovator mentored by an accredited incubator

5. 3-Year Post Study Work Visa

3-Year Post Study Work Visa to allow international students to work in Mauritius after completion of undergraduate studies in sectors of scarcity including ICT, Fintech, AI and Biotechnology

MCCI Analysis

1. Scheme for Retired Non-Citizens

The review of the Scheme for the retired non-citizens has the potential to enable the attraction of an increased number of foreign retired non-citizens to the country. This is particularly relevant in an economy with a decreasing population level. There are in fact high potentials to attract retirees from Britain and the EU, with disruptions following Brexit.

2. Significant Employers Scheme

The Significant Employers Scheme being proposed is a important measure to ensure that companies recruiting highly skilled employees with scarce resources are able to smoothly enter the Mauritian market. For instance, there is today a scarcity of Fund managers, Private Wealth and treasury managers in the Mauritian labour force. The Significant Employers Scheme will smooth the recruitment of foreign employees to ensure operations can start, pending the procedures for occupation and work permits

3. 3-Year Post Study Work Visa

With some more than 2,000 foreign students in the country, the 3-Year post study work visa in some specific sectors of the economy will enable a greater integration of Mauritius as an education hub in the region as well as create opportunities for both businesses and foreign graduates to benefit from the international exposure.

OTHER POTENTIAL MEASURES:-

- Review of the Occupation Permit to promote family-friendly regime
- Rationalisation of Work & Occupation Permit Quotas
- Setting up of a Bureau for attraction of Mauritian Diaspora

6.6. SME, Entrepreneurship and Access to Finance

According to latest figures from Statistics Mauritius, more than 99 percent of all companies in Mauritius are SMEs, and they account for approximately 35 percent of the GDP, and nearly half of the country's total employment. It is indeed considered as the backbone of economy. Entrepreneurship and access to finance are considered as the building blocks to business development. In this respect, the Budget provides for a number of incentives to enhance access to finance and promote entrepreneurship should be strengthened: -

1. Access to Finance

(1) Maximum loan increased from Rs. 250,000 to Rs. 500,000 under DBM Micro-Credit Loan Scheme

(2) Extension of SME Financing Scheme for three years

(3) Interest rate of 3.9% instead of 5.5% under LEMS I and SME Factoring Scheme

(4) SME Equity Fund – 6 percent instead of 8 percent (Up to turnover of Rs. 250M)

2. Ease of Paying Taxes

Enterprises with **annual turnover of Rs. 10M** and engaged in manufacturing or trading of goods given option to **pay 1 percent of turnover as final income tax on business income** or file normal income tax return.

3. Mid-Market Enterprise (MME) – Rs. 50M to Rs. 250M

(1) MME Financing Scheme with concessionary interest rate on new loans from commercial banks

(2) LEMS II (to MMEs) – Reduction of annual interest rate from 6 percent to 4.25 percent

4. 3D Leather Products

New Design Centre for Leather Products in Coromandel to provide assistance to SMEs on 3D Technology

MCCI Analysis

1. Mid-Market Enterprise

As part of MCCI's studies with the business community, it has been pointed out that the definition of SMEs at Rs. 50M is quite restrictive, especially as the country moves towards higher value addition and export-led growth. The creation of a mid-market enterprise of less than Rs. 250M with concessionary interest rate and a reduction of interest rate for LEMS II.

OTHER POTENTIAL REFORMS:-

- Corporate Income Tax exemption on first Rs. 500,000 of profit derived by companies
- Introduction of a Small Company Payment Bill
- Asset Leaseback Scheme

7. DRIVING SUSTAINABLE AND INCLUSIVE GROWTH

7.1. Driving sustainable growth and development

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.

1. Renewable Energy Strategy

(1) New Renewable Energy Generation Schemes for generation of electricity from solar photovoltaic (PV) on **gross** metering principle with no limit of 30% of self consumption capacity and removal of connection fee

(2) Religious Bodies Scheme to produce electricity from solar PV under a net billing scheme

(3) Additional 14 MW battery energy storage systems installed to regulate frequency and promote integration of intermittent renewable energy on national grid

2. E-Mobility Strategy

(1) Tax deduction on acquisition of fast charger for households of 100% and for businesses 200%

(2) Subsidy on fully electric buses for Bus Modernisation Scheme.

(3) Excise duty on electric cars reduced from 25% to 15% and reduction in excise duty on plug-in hybrid car (5 to 15 percent)

(4) Removal of 50 percent excise duty on non-fossil outboard motors

3. Environment Protection & Embellishment

(1) Centralised Cleaning Coordination (3C) Committee under aegis of Ministry of Local Government and Outer Island to coordinate all cleaning activities in the different regions

- Mega National Cleaning and Embellishment Campaign over two days in July 2019
- Seven priority areas
  - Public Beaches and Lagoons
  - Tourist Sites
  - City Centres
  - Motorways
  - Roundabouts
  - Main public roads
  - Rivers, canals, watercourses and drains

(2) Rs. 32 Million for collection and storage of hazardous waste at Hazardous Waste Facility at La Chaumiere for eventual export

4. Circular Economy

Centralised Cleaning Coordination (3C) Committee under aegis of Ministry of Local Government and Outer Island to coordinate all cleaning activities in the different regions

(1) Implementation of e-waste management system in collaboration with MCCI for collection and export of e-waste and Rs. 9M for export of e-waste to licensed facility in South Africa for recovery

(2) Refund of Rs. 2000 per ton of waste tyres that are recycled locally or exported

(3) Increase in incentive from Rs. 5 to Rs. 15 for export of used PET and free bags for households to facilitate collection of PET bottles

(4) Tipping fee of Rs. 300 per ton of waste taken from transfer stations to be recycled. (600 tons of waste/day)

(5) La Chaumiere – Temporary storage bays of construction and Demolition (C&D) wastes.

(6) Facilitate private operators to set up scrapyard facility for managing and recycling scrap vehicles

MCCI Analysis

1. Renewable Energy Strategy

As part of the Mauritius aim to move towards renewable energy, a number of incentives have been given in terms of the removal on restrictions for self-consumption and contention fees for solar units for businesses.

2. E-Mobility Strategy

Mauritius is one of the most dense countries in terms of vehicles per inhabitants, with more than 550,000 vehicles registered, at at 2018. Studies conducted show that on average, with a self-sufficient electric vehicle, the cost per km is estimated at 8 times lower than the cost related to fuel-based vehicles.

The Budget provides for a tax deduction on the acquisition of fast chargers for vehicles and a reduction of excise duties on electric vehicles. **With a targeting of some 2,000 such vehicles over the next 5 years, Mauritius can decrease its petroleum import bill by approximately Rs. 200M annually, with a potential improvement of 0.06 percentage points in annual GDP Growth as from 2021.**

3. Circular Economy

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 make use of waste as resources for development of a circular recycling based society. Incentives for the circular economy in e-waste, used tyres and PET bottles combined with the tipping fee to enterprises for waste collection shall enable the development of a circular economy model. Such measures could be replicated in the waste streams of used oils and plastic products with a high potential for recycling.

OTHER POTENTIAL REFORMS:-
- Food Waste Recycling & Zero Waste to Landfill Certification

7.2. Enabling Inclusive Growth

As the Mauritian economy transforms itself into towards a high-income innovation driven economy, it is essential to ensure that growth is inclusive. The Growth for All agenda was highly prominent in the Budget with specific measures to reduce the income inequalities and address the Gini coefficient: -

1. Bridging the Digital Divide

11,000 families under Social Register of Mauritius (SRM) given totally free access to Broadband Internet

2. Reduction non-Direct taxes and Increase in Subsidy on a number of basic products

(1) Cooking gas for domestic use of 12 Kg reduced from Rs. 240 to Rs. 210
(2) Review of excise duty so that
    a. Price of mogas reduced from Rs. 47 to Rs. Rs. 44 per litre
    b. Price of diesel reduced from Rs. 38 to Rs. 35 per litre
(3) Exemption of VAT on vermicelli, toukmaria, linseed, sago, appalam, mustard seed and sesame seed.

3. Old Age Pension

An increase of Rs. 500 in old age pension as from January 2020 to Rs. 6,810

4. Interim Increase pending PRB

An interim increase of Rs. 1,000 to public sector employees as from January 2020, pending the PRB Report

8. SECTORAL MEASURES

8.1. Agro-Industry

As Mauritius embarks on a transformation of its economic model, it is paramount for us to address food security and traceability issues in a world of increasing diseases and consumer safety concerns. The agro-Industry is a strategic sector of the Mauritian economy, and given our geographical specificities, there is a real risk of Mauritius facing shortages in case of a natural disaster. In this changing economic order, it is more than ever necessary for us to aim at attaining self-sufficiency in strategic food supplies and reducing our reliance on imports for basic commodities. 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 percent in 2017, with a contraction of 1.3 percent for the year 2018.The Budget provides for a number of policies to enhance the agro-industry in the economy: -

1. Planters and sugar cane industry

(1) Waiving amount due by small planters under Field Operations Regrouping Project Scheme

(2) Waiving 50 percent advance on fertilizers to planters provided through MCIA

(3) Waiving insurance premium for planters producing up to 60 tons of sugar for Crop 2019

(4) Funds under Cane Replantation Programme for recultivation of land

(5) Rs. 15M for MCIA to acquire equipment for harvesting sugar cane of small planters.

(6) Rs. 25,000 per ton of sugar for first 60 tons of sugar accrued to all planters

2. Tea Sector

(1) FAO and Government for branding for Mauritian tea as pesticide free product with unique health benefits

(2) Doubling of three months winter allowance to tea growers during low harvest winter season

(3) Tea growers will benefit from concessionary road tax allowance on double cab pick-ups

3. Other Products (Beekeeping, flower, Bananas & Tomatoes)

(1) Bee-keeping Zones will be developed at River Tamaka and Palma

(2) Exemption duty on purchase of single/double space cabin vehicles & concessionary road tax for minimum of 20 beehives

(3) Consultancy services for chrysanthemum flowers and setting up of greenhouses

(4) 100 New Sheltered farms at Melrose, Plaine Magnien, Solitude, Beau Climat & Caroline.

(5) Ripening plants for bananas and tomatoes on agricultural stations at FAREI

4. Livestock

(1) Rehabilitation of pig rearing sites at St Martin and Bassin Requin

(2) Heifar farm for cattle breeding and livestock farm at Melrose

(3) Sheep & Goat breeding farm at Salazie

8.2. Manufacturing

The Mauritian manufacturing industry is considered as a strategic component of the Mauritian economic development. The strong spill over effects of an established industrial base has prompted economies throughout the world to refocus on the domestic agenda, and the local strategic industries. Successive industrial incentives of import substitution, and export-oriented industries through the operational EPZ, has contributed to a buoyant manufacturing sector which contributed at its peak to 24 percent of the country's GDP and nearly 40 percent of the country's employment. The sector contributes today to less than 13 percent of the GDP and less than 15 percent of total employment. Indeed, this is evidenced by an average annual growth rate of less than 4.5 percent since 2001, compared to an annual growth rate of the sector of more than 17 percent from 1968 to 2001. The sector is today faced with a dual impact of heightened competition at exports and liberalised competitive market locally. There is a need for manufacturing companies to engage in adopting new strategies towards technology adoption. The Budget 2019/2020 gives support to a renewed import substitution and export-oriented industries, based on strategies towards technology adoption and re-capitalisation of industrial firms: -

1. Promoting local manufacturing for SMEs

(1) Grant of Rs. 5,000 for certification under 'Made in Moris'

(2) Increase of Margin of Preference on public procurement from 20 to 30 percent for companies having 'Made in Moris' label

2. Consultancy for technology processes

EDB Consultancy with "Ideas Foundtry" USA to propose most appropriate technology processes required to foster new eco-system

3. Restructuring of the Investment Support Programme

Restructuring of ISP with Rs. 1BN earmarked towards support to enterprises in adoption of technologies and financial support toward modernization of processes.

4. Industrial Rental of State Land

(1) 75 percent reduction in annual rent for first 10 years of lease for a promoter implementing a private health institution or ayurvedic wellness Center project

(2) 50 percent reduction in annual rent for first 10 years of lease for a company taking over a manufacturing company in receivership or liquidation if acquirer is being required to pay increased rental under fresh lease agreement , and provided conditions relating to safeguard of employment are met.

Impact of Trade Agreements on the Economy

(1) A Rs.10M consultancy for the review and implementation of the safeguard and dumping provisions for trade remedies over two fiscal years

(2) Joint Study with University of Mauritius (UoM0 on the impact assessment of trade agreements and trade related issues (Rs. 2M)

MCCI Analysis

1. Restructuring of the ISP

The proposed restructuring of the ISP with Rs. 1BN earmarked towards enhancing technology adoption in manufacturing sector shall enable enterprises to benefit from assistance towards new technologies. It is of our view that the new ISP should be managed such that companies are able to benefit from specific support.

OTHER POTENTIAL REFORMS:-

- Deduction on cost of obtaining recognized quality systems and standards
- Enforcement of mandatory standards and norms
- Minimum shelf life space of 50 percent at import to mitigate against dumping practices and ensure quality of products

8.3. 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 has been showing a boost since 2017, with a growth rate of 9.5% in 2018 and an estimated growth of 7.5% in 2019 with the implementation of projects such as the Metro Express and other such public investment projects. However, after two years of growth, we notice that investment by the private sector would be below par in 2019, with a decrease of 0.8% in real terms, signifying that there are still impediments to the expansion of the construction industry. The Budget 2019/2020 provides for a number of measures to boost the construction industry and affordability of homes to individuals:-

1. Construction Industry Development Board (CIDB)

(1) Risk-based inspections of construction sites

(2) E-Registration Platform to allow consultants and contractors to apply for registration and payment of fees electronically.

(3) Increase minimum threshold requiring any person undertaking construction works to be registered with CIDB from Rs. 500,000 to Rs. 1 Million

(4) Review the grade ceilings for value of contract that a contractor is allowed to undertake upwards to reflect the prevailing market value of works and offer more opportunities to eligible contractors

2. First Time Buyers (Middle Class Dwellings)

(1) Exemption from registration duty

- a. First Rs. 2.5 Million of bare land instead of Rs. 2 Million
- b. Purchase of existing house or apartment up to Rs. 5 Million instead of Rs. 4M
- c. Secured housing loan up to Rs. 2.5M instead of Rs. 2M

(2) VAT Refund Scheme

- a. Cost of construction or purchase price of apartment increased from Rs. 4M to Rs. 5M
- b. Household income threshold eligibility from Rs. 2M to Rs. 3.5M
- c. Extension of Scheme to 30th June 2025

3. NHDC Houses

(1) Rs. 10,000 - Rs. 15,000 – Subsidy of 60 percent
(2) Rs. 15,000 - Rs. 20,000 – Subsidy of 30 percent
(3) Rs. 20,000 - Rs. 25,000 – Subsidy of 25 percent (New)
(4) Rs. 25,000 - Rs. 30,000 – Subsidy of 15 percent (New)

MCCI Analysis

1. First Time Buyers – Middle Class Dwellings

The review of the criteria for exemption from registration duties and the VAT Refund Scheme is welcomed in order to mainstream access to a new residence and property ownership for middle income earners. Moreover, the extension of the measure to the 30th of June 2025 in terms of the construction timeline is indeed important in order to enable households to effectively benefit from the measure.

OTHER POTENTIAL REFORMS:-
- Enabling access to affordable housing in Urban regeneration Zone Areas
- Port Louis Cultural & Art District
- Integrated Housing Rentals Database

8.4. Tourism

In Mauritius, over the decades, the sector has been one of the main engines of growth within the economy, generating wealth and employment, directly and indirectly; with spill over effects fuelling the expansion of countless other sectors. Nonetheless, growth rates in this sector have been timid over the last few years and gross tourism receipts has been stagnating. This is largely due to a sharp fall in tourist arrivals from China, the Reunion Island and France over the last few months. In fact, according to the World Travel and Tourism Council's Report for Mauritius, the direct, indirect and induced contribution of the tourism eco-system to the Mauritian GDP is estimated at Rs. 110 BN i.e. approximately 24 percent of GDP, and contributing to approximately 131,000 jobs. This shows the importance of the sector to our economy. The Budget recognized the need for a strong impetus to boosting arrivals, increasing tourism spending in the country and most importantly, to provide an overall stimulus to the overall economy through spill-over effects: -

1. Boosting Tourism Shopping of locally manufactured products with Voucher of Rs. 200

The **Discount Voucher of Rs. 200 to tourists for a minimum spend of Rs. 1,000 on Mauritian handicraft products is being extended to cover all locally manufactured products.** The new scheme will be operated concurrently with the VAT and Customs Duty Refund Scheme.

2. Cycling and Walkable Trails

Alternative tourism, along with private sector, initiated to develop 200km of walkable and cycling trails over the Island. Pilot of 20 km over upcoming year.

3. Marketing of Mauritius

(1) MTPA Budget of Rs. 535M and additional Rs. 160M to redynamise Shanghai and Kenya Routes

(2) MTPA target China, Saudi Arabia, Scandinavian countries, Ireland and Eastern Europe

(3) New tourism brand to market Mauritius as premium destination

4. Cruise Tourism & Marinas

(1) Cruise Terminal Building with shopping and other facilities to target some 4,000 cruise and Inter-Island Passengers

(2) 8-Year income tax holiday to newly set-up company developing a marina, Regulations for operations of commercial marinas, introduction of Yacht code and VAT exemption on construction of marinas

5. Meetings, Incentives, Conferences and Exhibitions (MICE) Tourism

(1) Special Incentive Scheme – Grant of up to Rs. 200,000 to MICE promoters and wedding planners

(2) VAT Refund Scheme on accommodation costs for events with at least 100 foreign attendees staying a minimum of 3 nights

6. Embellishment of the Island

(1) Cleaning and embellishment of tourist sites, beaches, lagoons

(2) 150% deduction on expenditure incurred by hotels on cleaning, renovation and embellishment works in public realm, from taxable income

MCCI Analysis

1. Tourism Shopping

Measures to boost tourism shopping such as the extension of the Rs. 200 voucher to all locally manufactured products has a potential to enable the position of Mauritius as a tourist destination with more than Rs. 1.2 Billion of sales annually conducted through the tax free shopping sales only. It is anticipated that with the right eco-system, Mauritius can achieve a tourist sales of more than Rs. 4 Billion annually by 2023.

2. MICE Market

As Mauritius faces difficulties in maintaining high tourist arrivals across the year, the MICE (Meetings, Incentives, Conferences and Events) market proves to be a niche tourist segment which could be further promoted. With high quality and varieties of accommodation, easy air access as well as a number of high quality conference venues across the island combined with experienced professionals in the sector, the MICE segment market, through the incentives provided to operators can be promoted, especially during the low-end tourist seasons. There is especially a market for the conduct of international conferences and large weddings in the country, with some 30 such events annually.

OTHER POTENTIAL REFORMS:-

- Mauritius/ Reunion Integrated Tariff Package
- Enhanced Air access policy and connectivity

8.5. Financial Services

Economic development in the country has allowed over the last decades the emergence of a rapidly growing financial services industry. In recent years, the sector has been growing at an average of more than 5 percent and today represents more than 11.1 percent of the country's GDP. The extensive range of Double Tax Avoidance Treaties, Investment Protection Treaties as well as a competitive fiscal regime and a conducive business environment has enabled the sector to gain a solid ground in the country's economic development, with wide effects on the progress of other sectors of the economy. A number of measures to enhance the financial services sector have been announced in the Budget:-

1. Tax Residency of Companies

A company shall not be considered as tax resident in Mauritius if it is centrally managed and controlled outside Mauritius.

2. Extension of Partial Exemption Regime

(1) Detailed substance requirements to enjoy the partial exemption benefit and conditions that must be satisfied where a company outsources its core income generating activities: -

- Company must be able to demonstrate adequate monitoring of outsourced activities;
- Outsourced activities must be conducted in Mauritius; and
- Economic substance of service providers must not be counted multiple times by multiple companies when evidencing their own substance in Mauritius

(2) Extension of partial exemption regime to cover companies engaged in: -

- Leasing and provision of international fibre capacity
- Reinsurance and reinsurance brokering
- Sale, Financing arrangement and asset management of aircraft and spare parts, including aviation related advisory services

3. Fund Administration & Management

(1) New framework for fund administration and fund management

(2) Revamping existing Special Purpose Fund regime to ease access to new markets

(3) New framework for fund administration and fund management

(4) FSC agreement with Gujarat International Finance Tec-City to recognise Mauritian licensed funds and management companies as qualified to operate in Gujarat jurisdiction

4. New FSC Licenses

(1) Umbrella license for wealth management activities

(2) Headquartering of e-commerce activities

(3) Attractive tax regime to promote development of Real Estate Investment Trusts (REITs)

(4) Framework for Green Finance

5. Stock Exchange

New trading platform for medium sized profitable enterprises not qualified for listing on official or Dem markets to raise capital and trade shares

6. FinTech

(1) Regime for Robotics and AI enabled financial advisory services

(2) Fintech Service providers

(3) Self-regulation for Fintech activities

(4) E-signature and e-licenses on pilot basis

(5) Licence for Crowd Funding

7. Administrative & Ease of Doing Business

FSC 'single window system' for submission of documents

8.6. OTHER SECTORAL MEASURES

1. Enhancing the Motor Vehicle Sector

(1) Definition of "new motor vehicle" will be amended to bring greater clarity

(2) For assessing import value of second-hand car, MRA Customs will be authorized to use value of the car when new as provided by a recognized body in country of export

(3) Removal of double registration of vehicles between Rodrigues and Mauritius

(4) Extension of online registration and transfer of ownership of all types of vehicles by December 2019

2. Ocean Economy

(1) **Online & Physical Fish Auction Market** as interface between local fishermen, fishing companies and buyers

(2) **Fish Stock Assessment** for better management and protection of species such as lobsters, squid and other commercial pelagic fish.

(3) **Four Year Tax Holiday** on income derived from bunkering of low sulphur Heavy Fuel Oil, refurbishment of existing bunkering storage facilities and MPA will allow ship-to-ship bunkering

9. OTHER NON-FISCAL MEASURES

9.1. TAX ADMINISTRATION - GENERAL

1. Voluntary Disclosure of Income Scheme – Foreign Assets

A person making a voluntary disclosure on or before 31st March 2020 under the scheme will be subject to tax on the disclosed chargeable income at the rate of 15% free from any penalty and interest. A person involved in drugs-trafficking, corruption, terrorism activities or money laundering will not qualify for the scheme

2. Voluntary Disclosure of Income Schemes - SMEs

Small and medium enterprises, that is enterprises having turnover not exceeding Rs. 50 million will be given the opportunity to regularize any undeclared or under-declared income from the MRA free from penalty and interest

3. Arrears Payment Scheme - SMEs

A small and medium enterprise will be allowed to pay arrears of tax owed to the MRA as at 10th June 2019 free from penalty and interest provided payment is made on or before 31st March 2020

4. Assessment Review Committee – Filing of Statement of Case

An aggrieved taxpayer will be given sufficient time to file his statement of case and other relevant documents to the Assessment Review Committee (ARC). Furthermore, if the Chairperson or the Vice-Chairperson of the ARC is satisfied that failure to submit the required statement of case or other documents is due to a reasonable cause, the ARC will proceed with the hearing of the appeal.

9.2. TAX ADMINISTRATION – INCOME TAX

1. Service Fee for Tax Residence Certificate

An artist will be exempted from the payment of the service fee required to obtain a Tax Residence Certificate from MRA.

2. Admissibility of Documents Produced by Computer

Provision will be made for admissibility of documents produced by computer in Court.

3. Corporate Social Responsibility Assessment

A company which does not spend its CSR funds as per the law is required to remit any unspent amount to the MRA for onward remittance to the NCSR Foundation. The MRA will be allowed to raise an assessment on a company which has neither spent the CSR fund nor remitted same to the MRA.

4. Arm's Length Transaction

The legal provision relating to the arm's length test will be fine-tuned to remove any doubt or uncertainty about its application

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