MCCI
THE MAURITIUS CHAMBER OF COMMERCE AND INDUSTRY



MEMORANDUM ON THE 2019-2020 BUDGET

UNLOCKING THE ECONOMIC FUTURE OF MAURITIUS

April 2019

Table of Contents

1. EXECUTIVE SUMMARY 8

2. THE ECONOMIC CONTEXT 13

3. FISCAL POLICY 15

3.1. Corporate Income Tax 15

3.1.1. Harmonised and competitive Corporate income tax 15

3.1.2. Extension of Investment Tax Credit to all productive industrial investment 16

3.1.3. Review of the Innovation Box Regime to include existing companies 17

3.1.4. Addressing SME access to finance through Intrapreneurship 19

3.2. Personal Income Taxation 20

3.2.1. Redefinition of income tax exemption thresholds 20

3.2.2. Inclusive growth through improved Negative Income Tax Regime 21

3.2.3. Deduction of Employee contributions to Private Pension Schemes 22

3.2.4. Review of additional exemption in respect of dependent child for pursuing undergraduate courses 23

3.2.5. Extension of deduction for household employees to Creche & Babysitting Services 24

3.2.6. Deduction on investment in Stock Exchange of Mauritius 24

3.2.7. Tax Relief on donations to combat poverty under the 'Gift Aid' Concept 25

3.3. Rationalisation of non-direct taxes and levies 26

3.3.1. Harmonisation of VAT products from exempt to Zero-Rated 26

3.3.2. VAT on Credit Card 27

3.3.3. Exclusion of 100% natural beverages from Excise Duty on Sugar Sweetened Beverages 27

3.3.4. Review of Excise duties on plastic containers to exclude multi-use containers 28

3.3.5. Abolition of Trade Fees 29

3.3.6. License Fees - Registration fee for new company 29

4. INSTITUTIONAL REFORMS 30

4.1. Economic Planning & Business Predictability 30

4.1.1. Mauritius Recurring Economic Strategy 2020 -2025 30

4.1.2. Mandatory Regulatory & Economic Impact Assessment 30

4.1.3. Devising an Industrial Strategy for Mauritius 2020 – 2025 31

4.1.4. Mauritius Investment & Trade Policy Framework 31

4.2. Public Sector Rationalisation 32

4.2.1. Mauritius Food and Drugs Agency 32

4.2.2. Implementation of Single Licensing Agency 33
4.2.3. Strategic Industrial Renewal Council 34
4.2.4. Operationalisation of the Utility Regulatory Authority 34
4.2.5. National Employment Agency..34
4.2.6. SME and Industrial Development Bank 35
4.3. Ease of Doing Business..35
4.3.1. Business Obstacles Alert Mechanism...35
4.3.2. 'Silent is Consent' for business permits and licences 37
4.3.3. Incentivising Mediation and Arbitration to resolve Commercial Disputes 38
4.3.4. Extension of Omnibus Permits 38
4.3.5. Improving the Port Productivity 39
4.3.6. Review of Export Permits on scrap metals 39
4.3.7. Removal of Import Restriction on pork processing..40
4.3.8. Extension of Grandfathering Provision for Customs Brokers 41
4.3.9. Enabling private operators to access the Credit Information Bureau Register..41
4.3.10. Implementation of the Mauritius Trade Link 41
5. FOUNDATIONS FOR MACRO-ECONOMIC TRANSFORMATION 42
5.1. Strategic Public Infrastructure Development 42
5.1.1. Implementation of New Airport Terminals to increase airport capacity 42
5.1.2. Implementation of the Port Breakwater to mitigate against disruptions...........42
5.1.3. Implementation of the Passenger Cruise Terminal 42
5.1.4. Land Drainage Master-plan Strategic Implementation.....................................43
5.1.5. Integration of Metro Express with other public mass transit systems 43
5.1.6. Public Infrastructure Fund – The Mauritius PIF...43
5.2. Enhancing Connectivity and Market Access 44
5.2.1. National Export Strategy...44
5.2.2. Comprehensive Africa Strategy..44
5.2.3. Matching Grant Scheme to engage in international events on Export and Innovation..45
5.2.4. Extension of Freight Rebate Scheme for direct exports to South Africa and Tamatave Ports 45
5.2.5. Extension of Speed to Market to all manufacturing sector and to African & U.S continent 46
5.2.6. Trade and Marketing Strategy office in Kenya and Tanzania 46
5.2.7. Implementation of a Regional Feeder Vessel including Rodrigues...................47

5.2.8. Extension of the Export Credit Insurance Scheme 47
5.2.9. Export Factoring Scheme for enterprises in order to mitigate cashflow issues . 47
5.2.10. Extension of 3 percent corporate tax on exports to Digital Goods 48
5.2.11. Air Connectivity 48
5.3. R&D & Innovation and the Digital Economy 48
5.3.1. Technology and Digitalisation Fund 49
5.3.2. Operationalisation of the double deduction on R&D Expenditure 49
5.3.3. Implementation of the New Industrial Property Bill 50
5.3.4. Double tax deduction on the cost of registration of patent, trademark and product licensing overseas 50
5.3.5. 15 percent deduction on the acquisition/ technology transfer cost of IP Rights 50
5.3.6. Enabling Patentability of Computer Software 50
5.3.7. Implementation of an Integrated E-Health Database 51
5.3.8. Incentivising Self Check-outs 51
5.3.9. Incentivising e-commerce and adoption of e-payment systems 51
5.4. Demographics & Labour Market Strategies 52
5.4.1. Career Guidance and Labour Statistics 52
5.4.2. Increase the HRDC refund ceiling to 3 times the contribution 52
5.4.3. Extension of HRDC to working professionals 52
5.4.4. Accreditation of Online Courses by the MQA 53
5.4.5. Dual Training Programme 53
5.4.6. Foreign Workers – Rationalisation of the Work Permits & Occupation Permits (Removal of Statutory Ratios) 54
5.4.7. Extension of the SME Graduate Scheme to medium sized companies of more than Rs. 50M to Rs. 200M 55
5.4.8. Study Work Rights for Foreign Students 55
5.4.9. 3-Year Post Graduation Occupation permit for foreign students 56
5.4.10. Review of the Occupation Permit to promote a family-friendly regime 56
5.4.11. Gender Mainstreaming in the Workforce & Income Tax deduction of Cost of Creche Fees 57
5.4.12. Universal Child Allowance 57
5.4.13. Rupee-for-Rupee Child Development Savings Account 57
5.4.14. Setting up of a Bureau for the attraction of the Mauritian Diaspora 58
5.5. SMEs, Entrepreneurship and Access to Finance 58
5.5.1. Increasing the SME definition from Rs. 50M to Rs. 200M to enable companies to benefit from SME Schemes. 58

5.5.2. Promoting Inclusive Business value chain through subcontracting of non-core activities 59
5.5.3. Micro-Finance Scheme for Projects of up to Rs. 500,000 ... 59
5.5.4. Corporate Income Tax exemption on first Rs. 500,000 of profit derived by companies ... 60
5.5.5. Small Company Payments Bill ... 60
5.5.6. Asset Leaseback Scheme ... 61
6. DRIVING SUSTAINABLE AND INCLUSIVE GROWTH ... 62
6.1. Driving Sustainable Growth and Development ... 62
6.1.1. Removing restrictions on self-consumption for MSDGs ... 62
6.1.2. Removal of Contention Fee on Solar Units for Businesses ... 62
6.1.3. Removal of Excise duties on electric and decrease for hybrid cars ... 62
6.1.4. Mainstreaming e-mobility for clean and sustainable transport systems – Toward Self-Sufficient Models of Electric Vehicles ... 63
6.1.5. Mainstreaming e-mobility in Smart Cities and Villages ... 64
6.1.6. Support towards Sustainable Public Transit Systems ... 64
6.2. Towards a Circular Economic Model ... 65
6.2.1. Promoting Integrated Recycling Management Systems ... 65
6.2.2. Implementation of an independent body for testing of Hazardous Waste ... 65
6.2.3. Food Waste Recycling & Zero Waste Landfill Certification ... 66
6.3. Enabling Inclusive Growth and Reducing the Gini Co-efficient ... 66
6.3.1. Enabling Joint Corporate Social Responsibility Projects ... 66
7. OTHER SECTORAL MEASURES ... 67
7.1. Agro-Industry ... 67
7.1.1. Agricultural Land Bank Mechanism ... 67
7.1.2. National Traceability Solution to ensure Food Security ... 67
7.2. Manufacturing ... 68
7.2.1. Preferential Industrial Leasing of Land ... 68
7.2.2. Double tax deduction on cost incurred of obtaining recognized quality systems and standards. ... 68
7.2.3. Matching Grant Scheme for acquisition of quality standards and norms ... 69
7.2.4. Ensuring a level playing field and safety for Paint Products ... 69
7.2.5. Extension of Preferential Port Handling Charges to manufacturing ... 70
7.2.6. Enforcement of Mandatory Standards and Norms ... 70
7.2.7. Minimum shelf life space of 50 percent at import to mitigate against dumping practices and ensure quality of products ... 71

7.2.8. Operationalisation & extension of Bid Price Preference for local products 71
7.3. Wholesale & Retail 73
7.3.1. Introduction of Plain Packaging on Tobacco Products 73
7.3.2. Introduction of Excise Stamps on beer and wine 73
7.4. Construction 73
7.4.1. Review of VAT refund on acquisition and construction of new residence 74
7.4.2. Review of Relief of Payment of Registration and Land Transfer Duties 74
7.4.3. Arbitration Measures in the Construction Industry 75
7.4.4. Enabling access to affordable Housing in Urban Regeneration Zone Areas 75
7.4.5. Port Louis Cultural & Art District 76
7.4.6. Integrated Housing Rentals Database 76
7.5. Tourism 76
7.5.1. Air Connectivity 77
7.5.2. Mauritius/Reunion Integrated Tariff Package 77
7.5.3. Enhancing Tax Free Shopping (TFS) for Tourists 77
7.5.4. National Air Carrier Policy 78
7.5.5. A 'Mauritian Experience' Publication 78
7.5.6. Digital Advertising Technology at Airport & Port 79
7.5.7. Extension of the Voucher System to all Tax Free Shopping outlets 79
7.5.8. Implementation of an Omnibus Tourist Operator Permit 80
7.5.9. Promoting Mauritius for MICE Market 80
7.6. ICT/BPO 80
7.6.1. Review of tariffs for International Private Leased Circuits (IPLC) 80
7.6.2. Smart Parking Solution 81
7.6.3. Smart Mauritius 81
7.6.4. Unbundling of Telecommunications Services for ISP 81
7.6.5. One Duct Policy 81
7.6.6. Regulatory & Business Enabling Measures for the ICT Sector 81
7.6.7. ICT Academy 82
7.6.8. Start Up Mauritius 82
7.6.9. Increased education scholarship for ICT/BPO 82
7.7. Financial Services 82
7.7.1. Signature of Double Tax Avoidance Agreements 83
7.7.2. Integrated Scheme for Company Headquarter/Relocation to Mauritius 83
7.7.3. Setting up of Secondary Government Bond Market 83

7.7.4. Enabling Framework for Securitisation of Financial Assets 84
7.7.5. Promoting crowdfunding and FinTech through interest income exemption 84
7.7.6. Extension of Partial Exemption System 84
7.7.7. Banking Levy 85
7.7.8. Private Investment Fund (PIF) 85
7.7.9. Review of Domestic Arbitration Legislation 86
7.7.10. Legislating regulating third-party arbitration funding in Mauritius 86
7.7.11. Pension Scheme 86

1. EXECUTIVE SUMMARY

The Budget 2019/2020 comes against a backdrop of increased uncertainties and downside risks to the world economy and locally. It is thus imperative for economies to adopt structure measures to boost potential output growth, enhance inclusiveness and strengthen fiscal and financial buffers in an environment of high debt burdens and tighter financial conditions. The MCCI is of the view that the present Budget is a **unique opportunity for Mauritius to engage in the transformation of the country's economic model for enhanced value-addition to our economy**.

On corporate taxation, with different changes on the local and international front, the MCCI is advocating for a **harmonisation of the corporate tax regime to enable a competitive tax regime, with incentives to be targeted on productive investment, competitiveness, and innovation.** However, **appropriate policy costing and economic impact assessments need to be carried out before any major tax reforms are implemented in order to preserve both fiscal and policy space and we recommend a joint public-private committee to spearhead this project.** On personal taxation policy, it is necessary to undo a historically Malthusian policy, promote gender mainstreaming through **deductions on creche, expand the NIT Regime, and provide incentives for sound and future looking expenditures such as pensions, stock exchange investment and education.** It is further vital to engage in a rationalisation of non-direct taxes, levies and licences through harmonization of VAT product exemption to zero-rated, abolishing the trade fees and rationalisation the licence fees for new companies.

On **institutional reforms,** the MCCI firmly believes in the development of a comprehensive economic strategy to ensure business, trade and investment predictability through a recurring 5-year economic strategy, the establishment of **mandatory regulatory and economic impact assessments** for any new regulations and legislations affecting businesses, as well as the development of a comprehensive **investment and trade policy framework** as an authoritative document of the Mauritius approach. The MCCI further believes in the continued public sector rationalisation strategy through the setting up of a **Mauritius Food and Drug Agency (FDA)** to regulate and supervise all food, tobacco, drugs, cosmetics and pharmaceutical products and the implementation of the **Single Licensing Agency** for all business licences and permits. In view of the challenges faced by the Industrial sector, the MCCI proposes the setting up of a **strategic industrial renewal council** to conduct enterprise diagnosis, conduct in-house intervention and provide financial programmes to enterprises. The MCCI further looks forward to the operationalisation of two key authorities – the Utility Regulatory Authority and the National Employment Agency. We further make proposals for the rationalisation of entrepreneurship and SME mechanisms through an SME and Industrial Development Bank.

On business and trade facilitation, in line with the ease of doing business initiative and e-licensing projects, the MCCI is advocating for the setting up of a '**Business Obstacles Alert Mechanism'** for the resolution of local Business Obstacles affecting operators. This should be coupled with a **'silent is consent'** approach for the delivery of licences and permits in order to avoid undue delays and administrative hurdles and a review of the procedures on a number of permits and regulations, including the ban on export of scrap metals and restrictions on pork processing. By promoting **omnibus permits for various sectors of activity**, we are confident that the country would be able to position itself as a strong place for conducting business. This goes hand in hand with **measures to fast track the implementation of the Single Window and enabling access to the MCIB database by private operators** We are also of the view that the **excise duty on sugar-sweetened beverages should exclude pure natural beverages,** as the rationale for the imposition of the duty is to address health issues in the population. Similarly, the new **excise duty on plastic containers should exclude non single-use containers,** who sometimes have a lifespan of more than 20 years and **provide for a mechanism for recycling of such products.**

Such business facilitation reforms should be coupled with measures to boost entrepreneurship in enterprises. In the country's rationalisation and internationalisation effort, it is proposed to **extend the SME definition from Rs. 50M to Rs. 200M to enable medium-sized companies to benefit from SME-oriented incentives.** We are further making proposals to **exempt the first Rs.500,000 of profits from corporate tax** to avoid administrative hurdles to the expansion of smaller enterprises. The concept of **Intrapreneurship** is also being proposed to provide equity finance to SMEs to enable business expansion through the issue of preferential shares to larger firms and institutional funds. Access to finance and working capital remains one of the biggest stumbling blocks to the entrepreneurship drive. It is in this respect that we are proposing an extension of the **concessionary and guarantee-free 3% loan** to women entrepreneurs to sustainable **new projects up to a maximum of Rs. 500,000**. This should be coupled with a **Small Company Payments Bill** to alleviate the working capital needs of SMEs by having a statutory delay for payments to be made to a registered SME based on specific criteria to be defined. For larger companies, an **asset leaseback scheme could be implemented to alleviate working capital issues in companies having a sound business model and high levels of assets.**

In order to transform the Mauritian economy, three infrastructural pillars should be enhanced. The MCCI believes strongly in the implementation of the new airport terminal to increase passenger capacity. At the port, and given the weather disruptions, **it is essential to engage in the implementation of the Port Breakwater and Island Terminal on a PPP basis, and enhance port productivity through a strategic partnership.** This should be coupled with the smooth implementation of the **Passenger Cruise Terminal** to favour an eco-system of tourist shopping, culture and leisure. On the landside, we firmly believe in the rapid implementation of the **Land Drainage Masterplan**, to mitigate against climate change disruptions and enabling an integrated transit system **which encompasses the Metro and bus operations through a single ticketing system.**

As we move towards an innovation-led economy, it is necessary to enable the development of a Digital model of economic development. The **Industrial Property Bill** should be prioritised in the current parliamentary session and the **double deduction on R&D expenditure and Innovation Box Regime** should be operationalized. In order to enhance the R&D expenditure from 0.18% to 2% of GDP by 2025, Mauritius should adopt measures to promote **technology transfer and IP Registrations through tax credits**. As businesses engage in a transformation of their strategies, technology and digitalisation is the key. In this respect, we are proposing the setting up of a **Technology & Digitalisation Fund** similar to the technology diffusion scheme, **through a matching grant on technology expenses for companies.** Concurrently, Mauritius should encourage the e-economy through the **e-Health, Traceability Systems for Food Products, as well as incentives to mainstream e-commerce and self-checkouts in commercial outlets.**

These should be complemented with a coherent Demographics, Labour and Skills Development strategy for the economy; on the back of a low fertility rate, skills mismatches in the economy and a constant need to develop new skills and competencies. Combined with an opening of the economy to **foreign talents** on a rules-based model, a review of the **Professional Occupation Permit** to enhance the Mauritius destination as an investment and **family-friendly** jurisdiction, we are of the view that, in face of the talent mismatch, re-instating the **study work rights** and extending a **Post-graduation Occupation permit for genuine & approved foreign students** pursuing tertiary education in the country could enable a dynamism in the economy. We also firmly believe in the potential of our Mauritian Diaspora. With some 300,000 such individuals worldwide, there needs to be a targeted and structured approach to tap into our international skills base through the **Special Bureau for the Mauritian Diaspora**.

Such openness should be complemented with higher levels of training and skills development for our local population. In view of the changing labour force, and our latest survey of structural measures which shows the predisposition of Mauritian entrepreneurs to use the HRDC Training Levy for skills development of the staff, we **are making proposals for new mechanisms for working professionals to benefit from the HRDC training scheme, and an alignment of the grant scheme afforded on Dual Training Programmes (DTP).** We further believe that the potentials of new training and skills development mechanisms are extensive, and we would thus that the **MQA should be empowered to accredit fully e-learning courses.** For the **youth** in particular, who account for some 42 percent of total unemployed, the MCCI commends the setting up of the **SME Graduate Scheme** in the last Budget and propose that the measure be extended to cater for **medium-sized companies of less than Rs. 200M**. SME Development is a key component of the economic development of the country and in this respect, we believe that the HRDC Refund ceiling for such companies should be enhanced to three times the contribution.

The Demographic trend in the Mauritian population is one of concern for the MCCI. In line with our Policy Paper on the Impact of Demographics on the Economy submitted to the National Economic and Social Council (NESC), we are making specific proposals to **enhance gender mainstreaming in the workforce through creche allowances, a universal child allowance and the setting up of a rupee-for-rupee child development savings account.** These measures, complemented with income tax measures, as spelt out above, shall enable a gradual change in the demographic policy initiatives over the upcoming years.

In our effort towards a sustainable model of economic development, incentives to promote the green economy have been proposed, the **removal of contention fees** by the CEB for photovoltaics, and **excise duties on electric cars** are a few examples. We are further making extensive proposals for the expansion of **e-mobility strategies through integrated PV-powered charging stations for vehicles, the expansion of the Bus Modernisation Scheme to electric buses and schemes to incentivise e-bikes in smart cities and villages**. The MCCI believes in the potential of a circular economy eco-system to develop in the country, with an estimated marketable amount from waste at some Rs. 270 million daily. The model of an **Extended Producer Responsibility** through the use of an advanced recycling fee should be implemented, starting with e-waste and extended to other products at a second stage. This should be complemented with measures to promote **zero food waste** and extensive measures to enhance the eco-system around **Hazardous Waste Recycling, Scrap Metals,** and the implementation of a **scrapyard for end-of-life motor vehicles**.

The MCCI is a strong proponent of inclusive growth in the economy. In this respect, we recommend an extension of the **NIT Regime** for the low-income households, promoting an eco-system of individuals participating in the social development of the country through the **Gift Aid** concept and further enabling **Joint Corporate Social Responsibility (CSR) projects** for projects of national importance.

With three of our export drivers facing international challenges, a coherent and targeted strategy for increased connectivity and market access is primordial for our economy. On logistics, our status as a Small Island Developing State (SIDS) economy puts us at a disadvantage against the industrial powerhouses and there is a need for support through the **extension of preferential port handling charges available to the freeport sector to the manufacturing sector** to improve our competitiveness. We further need to lead the way towards the **implementation of a regional feeder vessel to service the Indian Ocean region, including Rodrigues.** With increasing economic ties with Kenya, and a critical mass of operators penetrating the Kenyan market, it is proposed to set up Export and Investment Promotion Offices with local expertise. These new markets have higher levels of risks on connectivity, security and payments and it is necessary to thus **extend the export credit insurance scheme**, and provide for an **exporting factoring scheme** for enterprises. Companies should be encouraged to inspire themselves from best practices and innovations abroad, and it is thus proposed to **extend the International Fairs Grant** to accommodate companies with a higher turnover than Rs. 50M**.**

There is today a strong concern on an observed de-industrialisation of the economy over the last few years. A series of support measures are hence being proposed through the **extension of the investment tax credit** to all manufacturing companies, **double tax deductions on the costs of obtaining quality standards**, **extension of the minimum shelf life on specific products and mandatory standards and norms** in order to mitigate against any dumping practices as well as **specific support mechanisms for highly sensitive strategic industries**.

Our Memorandum further raises a number of issues facing specific sectors of the economy. On Tourism, a strategic request coming from our members is the implementation of an **integrated tariff scheme for the Mauritius-Reunion route**, similar to Rodrigues. This shall have a ripple effect on different sectors of the economy with higher tourist nights from Reunion Island. This should be complemented with an enhanced eco-system for **tourist shopping and cultural tourism with extension of the voucher system, digital advertising technology at strategic port and airport areas.** For the Wholesale & Retail Sector, it is necessary **to** review the review implementation mechanisms for the plain packaging on tobacco products and excise stamps on beer and wine.

For the construction industry, there is a strong sentiment amongst operators that there needs to be a **rationalisation of the criteria for exemptions from VAT and duties in order to boost house ownership.** In addition, with the implementation of a **National Urban Regeneration Program**, we should promote the Work-Live-Play concept **and provide mechanisms for enabling affordable housing in such areas as well as promote a comprehensive eco-system with an integrated housing rentals database**. We also propose a number of amendments to **facilitate institutional arbitration in construction projects** to fast track economic development and in order to avoid undue delays in the implementation of projects due to protracted court cases.

As we move towards an innovation-led economy, the emerging concepts of **FinTech**, **Artificial Intelligence and the Smart Mauritius** should be encouraged in order for the country to be able to integrate and become a regional leader in the Digital Economy. We are thus of the view that Mauritius should continue to enhance its strategy towards **signature of DTAA** with neighbouring and strategic countries, **provide for an integrated scheme for company headquartering and relocation, with bundled occupation permits and tax holidays, and promote**

The MCCI remains convinced that the measures highlighted above and detailed in our Memorandum will further contribute to our economy and trigger the necessary impetus for a sustained growth based on innovation and value-creation.

2. THE ECONOMIC CONTEXT

The world economy is today considered to have reached its peak, with a deceleration in world trade growth, the tightening of financial conditions and policy uncertainties. The broad-based recovery observed in 2017 is less balanced with challenges to steady growth. In fact, in 2019, the IMF, the World Bank and the OECD all point to an increased period of uncertainty in the world economy with downside risks linked to the tightening of financial conditions globally, geopolitical and trade tensions, the uncertainty surrounding Brexit and an accelerated slowdown in the Chinese economy. According to the IMF, the world economic expansion has reached a plateau, with global economic growth peaking at 3.7 percent. Amidst those challenges to the world economy, the IMF's Managing Director, Christine Lagarde, thus warns that the world economy might be at the brink of a perfect economic storm.

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. In 2019, according to latest forecasts from Statistics Mauritius and the IMF, growth in the economy is expected to reach 3.9 percent, a slight but continued improvement in growth rates over the years**.**

Nonetheless, the Mauritian economic growth rate is considered to be modest and faced with a number of short and medium term challenges. The Mauritian economy remains below its potential growth rate, estimated at 4.1 percent for 2018, with a positive output gap, whilst the potential output itself has been stagnant over the last few years.

The Mauritian economy in 2019 is faced with a number of challenges, with a shifting global economic landscape and global 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.

With the IMF forecasts to global economic growth reaching a plateau, and in a context of elevated policy uncertainties, where potential economic growth in a number of economies is forecasted to decrease in the upcoming years, it is today urgent for Mauritius to engage in policies to foster strong and inclusive growth.

The MCCI thus believes that the Budget 2019-2020 provides a unique window of opportunity to transform our economic model to face the challenges of tomorrow**.** Through extensive consultations with its members from various sectors of the Mauritian economy and partners from the public and private sector, the MCCI has earmarked a number of key macro-economic enablers for the transforming our economic model through **fiscal policy reforms, institutional**

and administrative reforms to enhance economic planning and business predictability, and ease of doing business. Our proposals further address transformation policies through **public infrastructure development, enhancing our market access strategies, fostering R&D and Innovation, entrepreneurship and access to finance and tackling the issues of Demographics on our economy.** Finally, we believe that measures and policies should be taken to raise the medium-term incomes for the benefit for all, with sustainable and eco-friendly policies on Utilities and Waste Management as well as Inclusive Growth policies to enhance our Gini coefficient and the standards of living of citizens.

We have also earmarked a number of strategic measures for the development of key sectors of the Mauritian economy.

3. FISCAL POLICY

One of the main macro-economic enablers for economies throughout the world is the fiscal policy – which is used for boost economic activity, reduce inequalities, conduct structural reforms and address social and sustainability issues. With the world economy reaching a plateau of growth in 2019, there is a wide consensus amongst economists and international institutions such as the IMF and the World Bank, and the OECD to adopt fiscal measures that not only boost economic growth for the future, but also build the defences in order to broaden the fiscal base and ensure competitive and sound fiscal policies. The MCCI is of the view that there needs to be a comprehensive rationalisation of the country's fiscal policy in Mauritius as follows:-

3.1. Corporate Income Tax

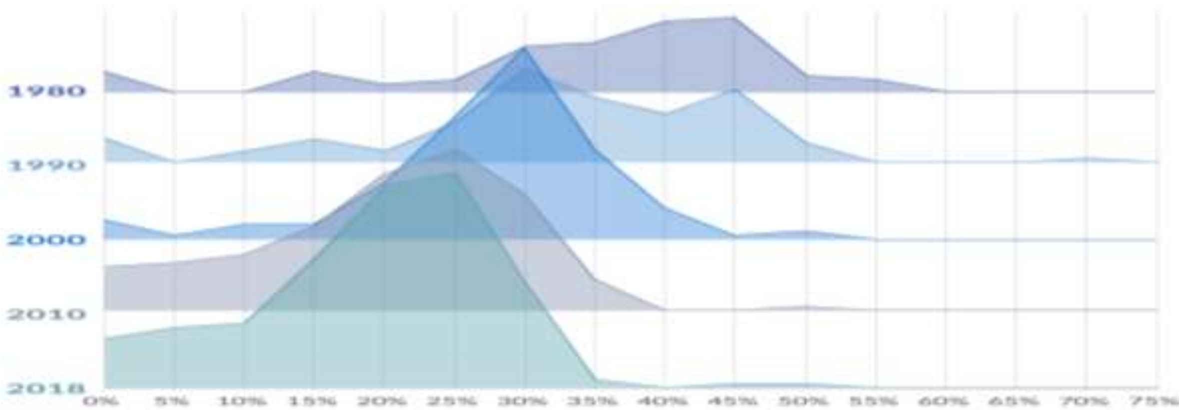
3.1.1. *Harmonised and competitive Corporate income tax*

The shaping of the new world economic order demands strong and bold measures. The flat rate of 15 percent of corporate tax is today no longer applied as a number of schemes are provided for specific sectors, while there are special levies on other sectors. Moreover, the competitive world we are living in demands a constant review of our policy and a dynamic fiscal model.

Currently, in Mauritius, with the new regime, exports of goods, global trading activities and global businesses pay an effective rate of 3 percent for corporate tax, whilst other sectors of activity pay a rate of 15 percent, with special levies on banks and telecommunications. Concurrently, the recent reforms conducted in the global business sector with partial exemptions on certain income categories is currently under review by the European Union, with further expected changes being proposed in the substance requirements. A number of the most advanced economies throughout the world are today aiming at lower corporate taxation rates in order to incentivise companies to invest in the economy. Economic theory and evidence also show the enhanced benefits of a flat income tax regime, especially in small island economies like Mauritius.

Indeed, since the 1980s, there has been a general downward trend in corporate income tax rates to boost business and economic activity. We can clearly see the trend from the 1980s to 2018 in the worldwide distribution of statutory corporate income taxes in the figure below:-

Worldwide distribution of statutory corporate income tax rates, 1980 - 2018



In 2018, one in four countries has a corporate income tax rate at lower than 15 percent. This is detrimental to the Mauritius jurisdiction's competitiveness for business investment, with companies making their business decisions according to the competitive tax rates in the global economy.

The MCCI is thus proposing a review of the corporate income tax regime in Mauritius, in line with the global trend, through a study being conducted by the Government of Mauritius and appointment of an independent international consultancy firm, with the objective of a corporate taxation policy which is competitive and ensures fiscal soundness. A flat corporate tax of 5 percent could for instance be analysed.

***Proposal:* -** A review of the corporate income taxation regime towards a harmonised taxation, with the appointment of an international consultancy firm and the setting up of a joint Public-Private Committee.

3.1.2. *Extension of Investment Tax Credit to all productive industrial investment*

In recent years, the country has been faced with a decreasing potential growth from more than 5 percent in 2006 to around 4 percent in 2019. In order to increase the growth potential in the Mauritian economy, it is essential to have an extensive policy to boost productive investment. Indeed, the competitive world economy faced by local entrepreneurs demands a constant investment in high quality technology-intensive plant and machinery.

The review of the investment tax credit in the Budget 2016/2017 to a number of sub-sectors has been a positive step and we have seen a renewal in Plant & Machinery investment with a cumulative growth rate of 9.5 percent over the last three years. Nonetheless, plant and machinery investment in the economy remains limited, with the growth in machinery and equipment on a declining trend.

In fact, the current legislation providing for an investment tax credit is today limited to only a select number of sub-sectors of the manufacturing industry (excluding sectors such as the agro-industry, medical gas, Paints & Vanishes, Cosmetics etc..), and is at a different rate for different sub-sectors. This inconsistency in the investment tax credit acts as a deterrent to a rebound in investment; a sine-qua-non to boosting long-term growth in the economy.

The Investment Tax Credit is expected to be phased out as from June 2020. Such an incentive is however primordial for the development of the different manufacturing sectors, and it is thus proposed that the tax credit should be extended beyond the delay of June 2020, to June 2025.

The MCCI proposes that the tax credit be harmonised and be applicable for all productive investment in plant and machinery (excluding motor cars). It is proposed that the tax credit be extended to a maximum of 15 percent of the company's total profit for the year, and for each of the 2 subsequent income years, allowing a total tax credit of 45 percent in total.

Proposal: - To amend Section 50A of the Income Tax Act as follows: -

(50A) (a) Subject to this subsection, where during the period 1 July 2019 to 30 June 2025 –

(i) a company which carries on in Mauritius the business of manufacturing or producing goods or products has incurred capital expenditure on new plant and machinery and such plant and machinery is used in that activity; or

(ii) a company has invested in the share capital of a subsidiary company engaged primarily in the setting up and management of an accredited business incubator,

it shall be allowed, by way of a deduction from its income tax otherwise payable in respect of the year of acquisition or investment and for each of the 2 subsequent income years, a tax credit of a 15 percent annually.

3.1.3. *Review of the Innovation Box Regime to include existing companies*

The Budget 2017/2018 made provision for the introduction of the Innovation Box Regime in Mauritius for companies engaged in innovation-driven activities. It allows an 8-year tax holiday for **new** companies engaged in innovation-driven activities only. However, the measure has so far not been applied, given its restrictions to new companies. With the introduction of the IP Bill for the protection of Patents, Trademarks, Industrial Designs and Utility Bills, it is now possible to correct the anomaly and allow for the Innovation Box Regime to be applicable to **all** enterprises.

The Innovation Box Regime is a preferential tax system that has been implemented in a number of countries in order to incentivise companies to conduct R&D and generate Intellectual Property. The Innovation Box should thus be applicable on the **share of the company's profit generated from IP** as defined in the draft IP Bill. Hence, the share of profit derived from **new** IP Assets shall be taxed at zero percent for the first 8 years**.** This measure shall complement the flat taxation regime for all companies, and incentivise innovation-driven companies for the R&D and innovation conducted locally.

49C Innovation Box Regime

CHAPTER 1 8-year tax holiday corporation tax rate for income from IP Assets

(1) Where, in an income year, a company is engaged in innovation activities and has derived a qualifying IP right, it shall be liable to income tax at the rate specified in Part II of the First Schedule on the chargeable income attributable to that IP right based on the formula set out in subsection (2) for 8 years.

(2) The formula referred in subsection (1) shall be –

$$\frac{a}{b} \times c$$

where –

a is the gross income derived from the IP right in that income year

b is the gross income derived from all the activities of the company for that income year

c is the chargeable income of the company for that income year

CHAPTER 2 Definitions

(1) A company is a qualifying company for an accounting period if the company holds any qualifying IP rights, and has derived income, in the financial year, in respect of an event which occurred in relation to the IP Right.

(2)A qualifying IP right includes the following rights—

(a)Patents and associated patent rights

(b) a Supplementary Protection Certificate (SPC)

(c) Software

(e) Designs and models

(f) Copyrights

(g) Utility models

(h) Domain names

(i) Trade secrets/know-how including Secret formulas and processes

(3) A relevant IP income includes all income derived as a result of a qualifying IP Right, including the following:-

(a) Sales Revenue

(b) License Fees

(c) Proceeds of sales/disposal of IP Asset

(d) Damages for Infringement

(e) Proceeds from intangible fixed assets

(f) Profits from Patent Rights

(g) Other Compensation

3.1.4. *Addressing SME access to finance through Intrapreneurship*

Access to finance, especially for SMEs, is one of the most important challenges facing businesses today. The majority of SMEs are today unable to effectively grow due to a lack of access to finance. This is reflected, in a certain respect, in the country's rankings in the Getting Credit Indicator in the Ease of Doing Business Report 2019, where Mauritius is ranked 60th worldwide. With the Bank of Mauritius raising alarm on the excess liquidity on the market since 2014, the MCCI proposes that a novel approach be adopted to incentivise larger companies to invest in the growth of small and medium-sized companies. Indeed, the best people to underwrite business risks are entrepreneurs.

Through this concept of "Intra-preneurship", larger companies will be incentivised to invest in the growth of smaller companies through the redeemable preferential shares. The SME firm should thus benefit from the expertise of the larger company, for a limited period of time, and with a clear strategy of redemption of capital once the company is profitable and able to expand on its own. The MCCI thus proposes a tax credit be provided for companies investing in smaller non-related firms.

Proposal: **-** To Insert, after Section 49D of the Income Tax Act, a Section 49(E) as follows:-
49D Business Expansion Scheme

(1) A company shall be allowed to deduct its investment, in the form redeemable preference shares, in a non-related party company with a turnover of less than Rs. 50M from its corporate tax for the year, up to a maximum of 15 percent of the investment in the enterprise.

3.2. Personal Income Taxation

3.2.1. *Redefinition of income tax exemption thresholds*

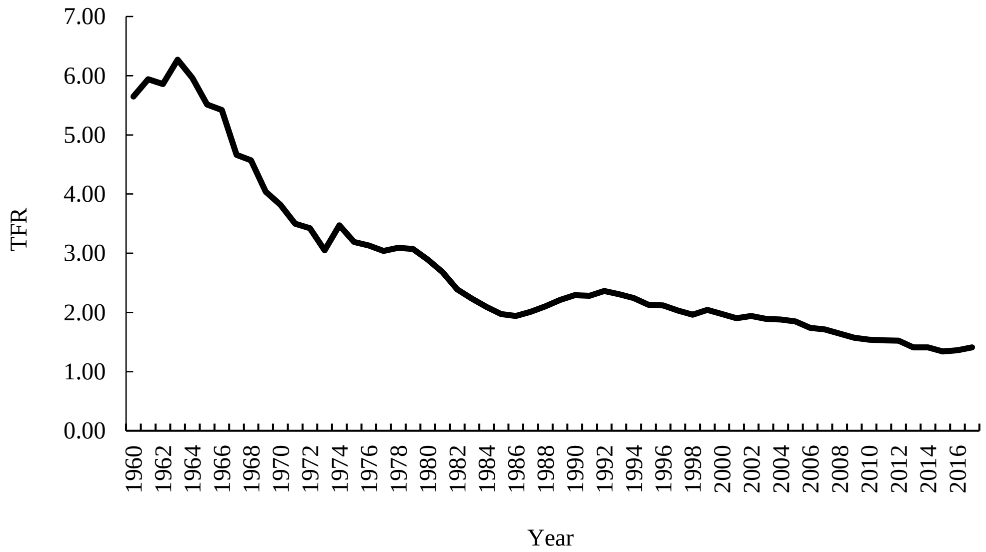
In recent years, the budget made provision for the increase in the income exemption threshold of a taxpayer by a flat amount across all categories. In the Budget 2017/2018, for the first time in a number of years, the increase has taken into consideration the disparity between dependents, with higher increases in the income exemption thresholds for individuals with more dependents, and the introduction of a new category to cater for those with 4 or more dependents.

However, in the Budget 2018/2019, the increase in the income exemption thresholds of taxpayers was conducted by a flat amount of Rs.5,000 for all categories. Such a policy creates inconsistencies on how our income exemption thresholds are defined, as it does not take into consideration the equivalence scale of consumption.

Based on latest figures from the Income Exemption Thresholds for the year 2018/2019, the first dependent weight 0.36 in consumption, the second dependent 0.2, the third dependent 0.15, the fourth dependent 0.09 and any additional dependent has a weight of 0. **This is tantamount to taxation on couples with more than one child, and contributes to a Malthusian policy of favouring one child per couple.**

This definition has had an adverse impact on our continuously declining fertility rate, which has fallen from 2.8 in the 1980s to less than 1.3 in 2018, according to latest figures. However, the replacement rate for a country is at 2.1. Our fertility rates today are at one of its lowest level attained – a sign of an ageing and decreasing population level.

Fertility Rate in Mauritius, 1960 - 2018



In fact, latest data from the United Nations World Population Prospects 2017 estimates show that, as from 2025, the population level in Mauritius will start to decrease, due to a continuously decreasing fertility rate. In fact, it is expected that our population level will be less than 800,000 by 2100. The MCCI firmly believes that immediate policies need to be adopted to prevent such a dire scenario for our economy.

Economic experts advocate, on a scientific basis for the use of an equivalence scale where a dependent is assigned a weight of 0.5 units of consumption, irrespective of whether he/she is the spouse or child.

Proposal: *The MCCI proposes a review of the income exemption threshold to allow for an additional exemption of 0.5 units for each dependent, irrespective of whether he/she is the spouse or child*

	From	To
Individual with no dependent	Rs 305,000	Rs 305,000
Individual with one dependent	Rs 415,000	Rs 457,500
Individual with two dependents	Rs 480,000	Rs. 610,000
Individual with three dependents	Rs 525,000	Rs. 762,500
Individual with four dependents	Rs. 555,000	Rs. 915,000
**Individual with x dependents	Rs 305,000	Rs 305,000 + (0.5x *305,000)

*** New Category - Individual with x dependents*

Economic Effect: -The measure will increase the income of households and offer a much-needed respite to those with more dependents and at the same time address the low fertility rate. It is expected to have a significant impact on consumption and could increase by up to **0.5 percentage points** in our GDP, ceteris paribus.

3.2.2. *Inclusive growth through improved Negative Income Tax Regime*

A recent study by the OECD[1] shows that income inequality has a negative and statistically significant impact on medium-term growth. A rise in income inequality by 3 Gini points would drag down economic growth by 0.35 percentage point per year for 25 years: a cumulated loss in GDP at the end of the period of 8.5 per cent.

To boost the economy through an increase in demand, there is a need to raise the purchasing power of those with the highest marginal propensity to consume i.e. those at the lower end. The MCCI estimates that the marginal propensity to consumer for those with an income of less than Rs. 25,000 is at 0.95 i.e. for each additional Rs.1 they have, 95 cents are directly ploughed back into the economy.

In 2017, the Government of Mauritius introduced the Negative Income Tax regime to support those at the lower end of the ladder. The measure has been targeted at some 150,000 individuals earning less than Rs. 9,900. In January 2018, Mauritius adopted the National Minimum wage

[1] Trends in income inequality and its impact on economic growth, OECD, 2014

and effectively today, the minimum wage of an individual is at Rs. 8,900. The NIT regime today has limited effectiveness, as the majority of individuals now earn close to the maximum amount of Rs. 9,900.

It is thus proposed to revamp the NIT regime in order to apply it in its fuller form, whereby a monthly support is given to those earning less than Rs. 305,000 annually (i.e. approximately 23,500 monthly) whilst income tax is levied at 10 percent to those earning more than 23,500 monthly. It is estimated that the measure will concern some 150,000 individuals earning less than the above amount and whose household income is of less than Rs. 390,000 annually.

The NIT has proven to incentivize employees to join the formal labour force and will bring households and individuals closer to the income level of Rs. 23,500.

Proposal:- *To broaden the Negative Income Tax as follows:-*

*10% * (Rs. 23,500 – x) where x is the monthly salary of the individual*

Economic Effect:-*It is estimated that the above measure will bring an additional Rs 2.5 BN of additional consumption in the economy and through multiplier effect contribute to an increase of around* ***0.8 percentage points*** *in GDP Growth, ceteris paribus.*

3.2.3. *Deduction of Employee contributions to Private Pension Schemes*

The Mauritian economy is faced with an increasingly ageing population, with the number of individuals aged more than 65 years old more than doubling to reach 300,000 by 2050, according to UN estimates. This will inevitably become a huge strain on state pension in the long-run, and there is a need to incentivize employees to engage in private pension plans. According to latest data available, there are less than 20 percent[2] of employees holding a private pension in Mauritius. Indeed, there is today a lack of financial incentives for consumers to enter these schemes.

It is proposed that pension schemes are treated as exemptions and are made deductible from chargeable income. Contributions to pension schemes up to a maximum of Rs 15, 000 per annum should be deductible from the individual's chargeable income.

Proposal: -To insert a Section 27D in the Income Tax Act as follows:

27B. Relief for Private Pension Premium

(1) Subject to this section, every person shall, in an income year, be entitled to deduct from his net income the actual amount paid in that income year as premium in respect of a private pension scheme contracted for himself and his dependent for whom he has claimed a deduction under section 27; or

[2] International Organisation of Pension Supervisors, 2016

(2) The relief under subsection (1) shall not exceed the amount specified

in Column 2 in Part III of the Third Schedule corresponding to the category specified in Column 1 of that Schedule.

(3) No relief under subsection (1) shall be allowed where the premium or contribution has been paid by the employer of the person;

PART III - RELIEF FOR PRIVATE PENSION PREMIUM

Column 1	Column 2
Category claimed as Income Exemption Threshold	**Premium Allowable (Rs.)**
All categories	15,000 for self only

3.2.4. *Review of additional exemption in respect of dependent child for pursuing undergraduate courses*

The Government of Mauritius promotes tertiary education of students by enabling an additional exemption to individuals where a dependent child is pursuing an undergraduate course in Mauritius or abroad. The deduction, in respect of tuition fees is to a maximum of Rs. 175,000 for students studying in Mauritius and Rs. 200,000 for students studying outside Mauritius. The recent announcement in January 2019, which provides free tuition fees for first degree-holders in public institutions, is expected to target some 21,000 students annually. There are currently approximately 17,000 student enrolments in private institutions and 9,200 students who enrol in overseas tertiary education courses annually.

With the implementation of the new measure, the current deduction of Rs. 125,000 applicable to publicly-funded institutions would no longer be of use. Moreover, it is anticipated that there shall be a shift from private institutions and overseas institutions towards publicly-funded institutions. In order to retain the competitive eco-system in the tertiary education field, it is proposed to review the deduction thresholds for students studying in private or overseas education.

It is hence proposed to increase the deduction for students studying locally to a maximum of Rs. 250,000 and for those studying abroad to Rs. 300,000. Moreover, the restrictions to a maximum of three children should be removed. In fact, the Budget 2017/2018 already recognised additional exemptions for four dependents and it is necessary that the deduction with respect to undergraduate courses is harmonized in the same spirit.

Proposal: **-**To amend the additional exemption in respect of dependent children pursuing undergraduate courses as follows:-

- Where a person has claimed an Income Exemption Threshold in respect of category B, C, D, E or G and the dependent is a child pursuing a non-sponsored full-time undergraduate course in Mauritius at an institution recognised by the Tertiary Education Commission or outside Mauritius at a recognised institution, the person may claim an additional exemption in respect of that child as follows:

Rs 135,000 or the amount of tuition fee paid up to a maximum of Rs 250,000 where child is studying in Mauritius; or
Rs 300,000 where the child is studying outside Mauritius.

- The additional exemption is not allowable :-

in respect of the same child for more than 6 consecutive years;
where the tuition fees, excluding administration and student union fees, are less than Rs 34,800 for a child following an undergraduate course in Mauritius;
to a person whose total income (net income plus interest and dividends received) or that of his/her spouse for the income year ending 30 June 2019 exceeds Rs 4 million.

3.2.5. *Extension of deduction for household employees to Creche & Babysitting Services*

With the issue of ageing and decreasing population, there is a real need to adopt an integrated model to support childcare. Mauritius should, in this respect, inspire itself from the French "Politique Familiale pour booster la natalite". More than **140,000 housewives** are today economically inactive, one of the reasons being the inability to find appropriate childcare whilst the parents are at work. In order to incentivise women to keep working as well as facilitate childcare costs, it is proposed to provide for an **income tax deduction of Rs. 100,000 from the income tax of the individual for the employment of nannies and 'child support' employees and the costs associated to creche fees. .** Such a model already exists through the Rs. 30,000 deductions on household employees provided in the Budget 2017/2018. It is thus proposed that the scheme be extended.

Proposal: **- 27D Deduction for Creche & Babysitting services**

(1) Where in an income year, a person employs the services of an approved Creche services he shall be entitled to deduct from his net income for that income year the cost of the crèche services or 100,000 whichever is the lower.

3.2.6. *Deduction on investment in Stock Exchange of Mauritius*

There is today a real need to boost the Stock Exchange of Mauritius and investment funds for the development of an inclusive shareholding platform for individuals. The SEM, in its strategy, has announced a targeting of 200,000 individuals holding shares in the Stock Exchange . Prior to the 2006 income tax reforms, individuals investing in the Stock Exchange of Mauritius or authorised mutual funds benefited from a deduction of 20 percent of the investment in the share capital of companies listed on the Stock Exchange of Mauritius.

In the country's efforts to promote investment and dynamism in the Stock Exchange of Mauritius, it is proposed that investments conducted in SEM by individuals be allowed a deduction of 15 percent of the investment amount, subject to a maximum of Rs. 100,000 of investment, in a given year.

***Proposal:* - 27F Deduction on investment in Stock Exchange of Mauritius**

(1) Where an individual has in an income year invested in the Stock Exchange of Mauritius, he shall be entitled by way of deduction from his net income the amount investment in that income year, up to a maximum of Rs. 100,000

3.2.7. *Tax Relief on donations to combat poverty under the 'Gift Aid' Concept*

Inclusive growth and shared progress forms part of the keys to economic success in countries worldwide, and especially in middle-income economies such as Mauritius. In the Budget 2014/2015, the Government made provision for senior citizens wishing to donate their pensions to charitable institutions to be exempt from payment of income tax on this amount.

It is proposed that this measure be opened up to all income-tax payers for a maximum of Rs. 100,000 annually to encourage citizens in society to contribute more to the social community and the inclusiveness of growth in society.

Individuals will be given the option of either deduction the amount from their taxes or through a "Gift Aid" concept, the charity may be allowed to reclaim the income tax paid on the donation from the MRA instead of the individual. In effect, this adds 15 percent to the donation of the individual to a charitable organization such that a donation of Rs. 100,000 will result in Rs 115,000 received by the charitable organization. Such charitable organisations may be registered with the National CSR Committee, to ensure efficiency in the process, and preventing, with targeting of specific inclusiveness projects being identified by the Government for funding.

***Proposal:* - 27G Tax Relief on donations**

(1) Subject to subsection (2), every person shall in an income year, be allowed a deduction from his net income in that income year in respect of any donations made to a charitable institution registered with the National CSR Committee

(2) The deduction allowable under subsection (1) shall not, in the aggregate, exceed 40,000 rupees

(3) an individual, who is eligible for the income tax deduction, may decide to not avail of the deduction, thereby enabling the charitable institution to get a 'Gift Aid' equivalent to the income tax deduction allowable to the individual.

3.3. Rationalisation of non-direct taxes and levies

Indirect taxes and other levies are 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 with a uniform tax rate, we are still faced with more than 40 taxes and levies affecting the business community. There is hence a clear need to conduct a rationalisation process of all indirect taxes and levies to ease business in Mauritius. The MCCI proposes the following measures:-

3.3.1. *Harmonisation of VAT products from exempt to Zero-Rated*

According to latest Statistics from the Mauritius Revenue Authority, there are today some 385 HS Codes out of a total of more than 6,300 HS Codes on which VAT is exempt (71 items as per Schedule 1 of the VAT Act). However, exemption of VAT on products prevents local manufacturers and entrepreneurs from deducting the VAT being input on the production process. This is detrimental to the local industry and is an anomaly in our VAT legislations. The MCCI is of the view that there is a need to harmonise our legislations to reclassify these HS Codes as Zero-Rated products. In February 2018, the Ministry of Finance and Economic Development (MOFED), made an amendment to the VAT classification for bread which was re-classified as zero-rated. In the same vein, and after consultation with operators, the MCCI believes that the following goods should be re-classified as zero-rated. This will enable local manufacturers to deduct their input VAT and ensure a reduction in the cost of production, especially at a time where industries are being affected by increased competition on the market

Proposal: **-** It is proposed to **delete** the following paragraphs from the “Goods or Services Exempted” list of the First Schedule of the VAT Act and **replace** it under the FIFTH SCHEDULE of the VAT Act

Goods or Services Exempted

7. Food or a kind used for human consumption –
(c) Primary agricultural and horticultural produce (including tomatoes, potatoes, onions and other vegetables, fruits, coffee, cocoa beans and nuts but excluding tea, honey spices) which have not been processed except for reaping, threshing, husking, crushing, winnowing, trimming, drying and packaging to put them into marketable condition and bird’s eggs in the shell

16. (a) Educational services
(b) Training services approved by the Mauritius Qualifications Authority

73. Cinematographic films, including royalties

80. 3D Printers

***Economic Effect:* -** *The harmonisation of the VAT System will promote and encourage local production through investment in production equipment, and thus help in improving the quality of their products.*

3.3.2. *VAT on Credit Card*

Input VAT cannot be recovered on certain items such as banking services provided by banks, services in respect of credit cards or motor cars (including repairs, maintenance, petroleum gas, etc) under S21(2) of the VAT Act.

Whilst these costs may be borne in the furtherance of the business of the taxable person, input VAT on such items is not recoverable in all cases and this increases the cost of doing business. Furthermore, this goes against the general principal under the VAT Act, which purports that input VAT may be recovered to the extent that such costs are incurred to make taxable supplies. This makes S21(2) of the VAT Act inconsistent in this respect.

The MCCI proposes that the VAT Act be amended and that VAT is made recoverable for these items.

The benefits will be cross-sectoral, with operators in retail, tourism and financial services bearing the direct advantages from this measure. The gains will moreover strew across other sectors of the economy.

Proposal: - To amend the VAT Act S21 (2) to repeal 2(b), (c), (d), (e), (g), (ga), and (h) such that the Section shall read as follows: -
No input tax shall be allowed as a credit under this section in respect of
(a) Goods or services used to make an exempt supply;
(b) Petroleum gas of heading No. 27.11 of Part I of the First Schedule to the Customs Tariff Act and used for the running of motor cars and other motor vehicles including the driver, motorcycles and mopeds

3.3.3. *Exclusion of 100% natural beverages from Excise Duty on Sugar Sweetened Beverages*

Since 2013, the Government of Mauritius introduced an excise duty on sugar content of soft drinks. In the 2016/2017 budget, the excise duty was extended to all sugar-sweetened non-alcoholic beverages. The main purpose of the tax is to discourage consumption of sugary products, especially given the high levels of diabetes in Mauritius.

Nonetheless, there are a number of inconsistencies in the excise duty, as it is applied today. As under the Excise Act, the definition of sugar includes sucrose, fructose, glucose, maltose, and lactose, the excise duty is today imposed on 100% fruit juices with no added sugar, and 100% milk-based products with no added sugar. This is a major inconsistency as the purpose of the tax is meant to apply only to **sweetened** non-alcoholic beverages.

During the MCCI's consultations with operators on the matter, it has been pointed out that a number of local manufacturers are under no other **choice but to consider moving away from 100% fruit juice towards a percentage of added sugar (under the Food Regulations, this can be a maximum of 50%) in order to reduce their costs and stay competitive. The application of the excise duty on such products is unfair and goes against the very purpose of the tax.**

In fact, the United Kingdom, in its recent introduction of the excise duty on sugar-sweetened beverages in 2018, **explicitly exempts drinks and beverages whose source of added sugar is solely from these ingredients.**

The MCCI thus proposes, in the same line as other major economies, to distinguish between **sweetened** beverages and **fruit juice, vegetable juice and milk-based beverages whose source of added sugar is solely from these ingredients.**

Proposal: -To amend the definition of sugar in the Excise Act as follows: -

Sugar" includes sucrose, lactose, maltose, fructose and glucose,
Sugar sweetened non-alcoholic beverages" –
(a) means any non-alcoholic beverages containing sugar not occurring naturally from the processing of a natural product; and
(b) Includes juices, milk-based beverages and soft drinks;

3.3.4. *Review of Excise duties on plastic containers to exclude multi-use containers*

The Budget 2018/2019 makes provision for the implementation of an excise duty on non-biodegradable plastic containers. The measure is applicable as from 2nd of May 2019. However, whilst the spirit of the measure to promote sustainable development is a laudable one, a number of issues have been identified: -

- The excise duty is applicable per **unit** of product and therefore a number of products, which are of less than Rs. 2 are taxable at a higher rate than the actual price of the product.
- The excise duty is also applicable on re-utilizable products and therefore goes against the spirit of promoting durable production with quality and standards.
- There is no clear utilization identified for the excise duty and companies involved in recycling of plastic materials are penalized.

Proposal: -To review the excise duty on plastic products as follows:-

- Similar to the EU, to afford a two year moratorium for companies to engage in innovation and processes to shift towards production of biodegradable products
- The excise duty of Rs. 2 per unit to be amended to be become an excise duty which is applicable on the weight (**Rs. X per kg)**
- Excise duty to be exempted on re-utilizable products such that the excise is imposed only on **single-use** products.
- Excise duty on plastic products to be compensated by an incentive of Rs. 100/kg for companies involved in recycling and re-utilization of plastic products. This shall enable a circular economy system and could be operationalized through the Green Mauritius Ltd – thus enabling the Extended Producers' Responsibility System, as proposed for the implementation of the e-waste management system.

3.3.5. *Abolition of Trade Fees*

The Budget 2016/2017 provides for the exemption from payment of Trade Fees, which are under Rs 5,000 for a period 3 years. Operators have welcomed this measure as it removes an unnecessary burden at the time of the business being incorporated. There is, however, a requirement to be issued an exemption certificate by the Municipality/District Councils. This is an unnecessary bureaucracy, which should be streamlined. Mauritius is, moreover, according to available data, one of the only few countries in the world, where trade fees are applicable, separate from the company registration fees.

It is proposed to abolish the trade fees, which causes confusion, unnecessary bureaucracy and an added burden to the operators. This will at the same time resolve the issue of District Councils charging a higher rate than municipalities, and different rates being applied by each Municipality, creating an unlevelled playing field in the business eco-system. There is furthermore a double licensing levy being charged on companies who are licensed under regulated activities such as financial services, banking, Internet Services, Freeport or Tourism and already pay the necessary licences for conducting such activities.

The MCCI is of the view that the operator should pay taxes on profits, and not be penalised by levies just for carrying out its trade activities.

Proposal: -To amend Section 122 (6) of the Local Government Act as follows:-

(6A) (a) This section shall not apply to an economic operator carrying out trade activities.

Economic Effect: - *The MCCI econometric analysis shows that the removal of trade fees for companies will allow the country to gain approximately 0.3 percentage points of GDP Growth, ceteris paribus.*

3.3.6. *License Fees - Registration fee for new company*

According to Statistics compiled by the Ease of Doing Business survey of the World Bank, the registration fees for a new company and the certificate of incorporation total Rs 3,100, which represents 0.9 percent of GDP per capital. This registration fee acts as a detriment to small entrepreneurs wishing to start a business. The MCCI is of the view that taxes and levies should be paid on profits and that an entrepreneur should have no cost just for starting a business. Company fees should only be payable after a company is active and not as the level of the incorporation of the company.

Proposal: -The Schedule to the principle regulations is amended in Part I by **deleting** item 1 (a) as follows

"In the Case of a private company –(a) At the time of incorporation Rs 3,000"

Economic Effect:- *The MCCI econometric analysis shows that a 1 percentage point decrease in the cost of doing business would allow an increase of 0.4 percentage points in GDP Growth. Hence, the removal of the registration fee for new companies will allow the country to gain approximately 0.36 percentage points of GDP Growth, ceteris paribus.*

4. INSTITUTIONAL REFORMS

4.1. 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, it is essential today for Mauritius to engage in the development of a comprehensive economic strategy to ensure business, trade and investment predictability. The MCCI firmly believes in the need for economic planning, which shall enable higher levels of business and investment confidence in the economy.

4.1.1. *Mauritius Recurring Economic Strategy 2020 -2025*

With the changing economic and business landscape both globally and in Mauritius , there is today a need to clearly define an economic strategy for the country, ensuring planning in terms of business and investment decisions, and priority areas of actions for the economic development of the country. In previous times, the Government of Mauritius used to have a Ministry of Economic Planning, which conducted strategic policy orientations for the development of the country. However, since the Ministry is no longer present, there is today an uncoordinated approach in the development strategies of Mauritius. In 2017, further to advocacy from the MCCI, the Government announced the setting up of a Strategic Economic Policy Directorate at the EDB to coordinate and conduct economic strategies for the Government of Mauritius. Nonetheless, the implementation of this measure has not yet been put into operation. In view of the importance of such economic strategies for Mauritius, it is proposed that a Joint MCCI-EDB project be implemented for the development of a recurring economic strategy for the next 5 years. The strategy, thus jointly devised by both the public and private sector, shall have a wide and more effective implementation and further ensure predictability for businesses and potential investors in the business landscape for the country.

4.1.2. *Mandatory Regulatory & Economic Impact Assessment*

The MCCI has welcomed the decision of the government in last year's budget to introduce the process of conducting Regulatory Impact Assessment (RIA) with a view to facilitating business. However, the MCCI would like to propose that this process is aligned with what is existing in developed economies by introducing a legislation to make this process a mandatory one. A legislation on RIA would assist in avoiding a decision of pick-and-chose of draft regulations to conduct the RIA and would therefore submit all trade and business regulations to this process.

The MCCI is of the view that **Regulatory Impact Assessments (RIA)** should be made mandatory for all new draft regulations or legislations, which affect business activity.

Proposal: - To introduce Regulatory Impact Assessment Legislation in order to conduct RIA on regulations impacting on business and trade.

4.1.3. *Devising an Industrial Strategy for Mauritius 2020 – 2025*

The Manufacturing Sector is currently in a declining trend, reaching less than 13 percent of GDP in 2018, whilst the Government vision is to achieve 25 percent of GDP from the manufacturing sector by 2025. With the disruptions in world trade and companies faced with enhanced competition and a low productivity level, there is today a need for a rethinking of the industrial policy of Mauritius in order to achieve the Mauritian objective of achieving a high-income economy based on high value-added activities.

The MCCI proposes a Joint Public-Private Strategy for industrial development to be developed for the next 5 years, jointly driven by the Ministry of Industry and the MCCI.

The new Industrial Strategy should include the following:-

- Revamping of the existing industrial sector and devising policies for their development
- Integrating Technology into manufacturing processes – Innovation and R&D policies
- Targeting of specific investments in the manufacturing sector
- Policies on Quality Standards & Norms
- Enabling competitive trading across borders, connectivity and logistics, including logistics facilities for specific sectors (such as pharmaceuticals and biotechnology)
- Import substitution and Buy Mauritian Policy Strategy
- Integrating E-commerce in the manufacturing sector.
- Market Access Strategies

The new policy strategy for the Industrial Development of Mauritius should be implemented over the period 2020 to 2025, with a clearly defined action plan and milestones.

4.1.4. *Mauritius Investment & Trade Policy Framework*

In the context of a constantly changing economic environment in the country, it is necessary for a Policy Statement to be adopted by the Government on an annual basis to highlight and explicitly set out the country's position on key areas of development and sectors of particular interest, Labour Policy, Property Acquisition, and the openness of the economy in terms of connectivity and foreign talents. The investment and trade policy of the country is today scattered in different documents and it is thus not clear to entrepreneurs. Such a rules-based approach shall enable entrepreneurs and investors to have a clear understanding of the economic direction of the country; with an **authoritative** document being published annually. Such a document **– The Mauritius Approach** - is today even more relevant in the context of the country's negotiations on the Continental Free Trade Agreement (CFTA), the Comprehensive Economic Partnership Agreement with India and the recently signed Free Trade Area with China.

4.2. 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. Indeed, this has led to the creation of Landscope Mauritius, SME Mauritius and the Economic Development Board. The MCCI believes that the public sector rationalisation strategy of the country should be enhanced, with the following strategies adopted:-

4.2.1. *Mauritius Food and Drugs Agency*

In order to foster a new wave of entrepreneurship and industrials, and with rising issues on food security, traceability, as well as issues of standards and norms on chemicals and drugs, there is today a need for a central and independent organisation- the Food & Drug Agency, similar to the FDA in the USA. Such an agency is in line with the institutional alignment strategy of the Government and the One-Stop-Shop concept and the single licensing initiative being devised at the level of the EDB.

The new Food & Drug Agency, similar to the FDA in the USA should be regulating and supervising food, tobacco, drugs, cosmetics, medical devices, vaccines, biopharmaceuticals, and veterinary products. The Agency shall also be responsible for the promotion and protection of public health through communication and awareness campaigns.

In order for the new structure to be at international norms, consultancy should be sought, and the recruitment of experts should follow. The new agency should seek accreditation from the EU, amongst others, thus allowing Mauritian manufacturers certified by the Mauritian FDA to more easily export to our main destination markets.

The new agency shall act as a central authority regrouping, inter-alia, the following agencies:-

- Agricultural Marketing Board (AMB)
- National Parks and Conservation Society (NPCS)
- Dangerous Chemicals Control Board (DCCB)
- Food Import Unit (FIU)
- Pharmacy Board
- National Agricultural Products Regulatory Office (NAPRO)
- National Plant Protection Office (NPPO)
- Radiation Protection Authority (RPA)
- MSB – Food and Agriculture Laboratory
- MSB – Food Microbiology Laboratory
- MSB- Metrology Laboratory
- Ministry of Fisheries,
- Ministry of Commerce and Industry
- Ministry of Agro-Industry and Food Security
- Ministry of Health and Quality of Life
- Legal Metrology Services

4.2.2. *Implementation of Single Licensing Agency*

Mauritian businesses are faced with a number of licences, permits and regulations which act as impediment to doing business. According to latest Government data, there are around 600 licences and permits in operation, which are issued by 63 public sector agencies. A rationalisation process has already started and the Business Facilitation Act makes provision for the elimination of a number of licences and permits.

However, due to administrative rigidity, policy decisions and health and safety issues, there are a high number of licences and permits which cannot be streamlined. Further to MCCI proposal, Budget 2017/2018 made provision for the implementation of a single licensing agency at the EDB.

The MCCI thus proposes that, in line with the rationalisation concept, a Single Licensing Authority be set-up to act as a central authority for the delivery of, inter-alia

- Business licenses,
- Import & Export Permits & Clearances
- Regulatory Permits,
- Intellectual Property Rights,
- Utilities Permits
- Labour Permits

The MCCI has identified a number of institutions concerned for the delivery of permits and licences. They include:-

- SME Mauritius
- Agricultural Marketing Board (AMB)
- Registrar of Companies
- Film Classification Board (FCB)
- National Parks and Conservation Society(NPCS)
- Financial Services Commission (FSC)
- Economic Development Board (EDB)
- Information and Communications Technology Authority (ICTA)
- Mauritius Freeport Authority (MFA)
- Mauritius Renewable Energy Authority (MARENA)
- Dangerous Chemicals Control Board (DCCB)
- Food Import Unit (FIU)
- Pharmacy Board
- National Agricultural Products Regulatory Office (NAPRO)
- National Plant Protection Office (NPPO)
- Radiation Protection Authority (RPA)
- Mauritius Standards Bureau (MSB)

- Industrial Property Office
- Central Water Authority (CWA)
- Central Electricity Board (CEB)
- Waste Water Management (WWM)
- Ministry of Fisheries,
- Ministry of Commerce and Industry,
- Ministry of Agro-Industry and Food Security
- Ministry of Health and Quality of Life
- Ministry of Labour, Industrial Relations and Employment

Proposal: - To set-up a **Single Licensing Unit** regrouping the above agencies for the delivery of all licenses and permits.

4.2.3. *Strategic Industrial Renewal Council*

The Manufacturing sector is today at a crossroad, with unprecedented challenges to the survival and further development of the industries, whether locally or at exports. Whereas there are today several institutional support institutions operating to support the sector, there is a prevailing deficiency in the coordination of these support mechanisms, which is impacting negatively on the development of the industry. It is thus necessary to set-up a dynamic and results-oriented mechanism in order to coordinate efforts targeted at the renewal strategies of the industrial sector, with specific support mechanisms targeted at enterprises. The Council, should be jointly steered by the Ministry of Industry and the MCCI, with the following aims:-

- Enterprise diagnosis in order to assess relevant issues and needs
- Direct intervention at the enterprise level, through a pool of experts (Technology, Finance, Design, Skills Development, Market Access)
- Provision of Financing Programmes (existing such as ISP but also a Technology Fund)

Such a concept was implemented, at a smaller scale, through the MBGS Programme.

4.2.4. *Operationalisation of the Utility Regulatory Authority*

The Utility Regulatory Authority Act was passed in parliament in 2004. After years of non-operation, the URA Act was amended and a Board of Directors appointed in 2016. The main objective of the body, which comprises the water, electricity and wastewater sectors, is to regulate the utility sectors. However, the URA remains inactive with no technical staff. With the changing landscape, especially in the electricity sector and private sector involvement, it is urgent to operationalise the URA at the earliest.

4.2.5. *National Employment Agency*

There is today a disorganised strategy for the targeting of skill sets and jobseekers. With the support of the Pole d'Emploie of France, Government has announced the implementation of a National Employment Department to act as a one-stop shop for registration of jobseekers, employment counselling, training and placement of jobseekers. The MCCI strongly supports this initiative and further looks forward to the speedy and effective implementation of this agency, to act as a central agency for the employment strategies and labour market information.

The National Employment Agency should, jointly with the private sector, devise priority areas for employment needs and further support the Government to address policy issues and review its foreign work permit policies in areas of scarce resources, on a rules-based approach.

4.2.6. *SME and Industrial Development Bank*

There are today various mechanisms for support to Entrepreneurs and SMEs for the development of the various services. On the one hand, the Development Bank of Mauritius (DBM) is being used as a lender of last resort, with the Government taking the business risks with competitive loans at 3 percent being proposed to Agri-preneurs, women entrepreneurs and start-ups. On the other hand, the Government invests in the operationalisation of loan programmes under the Investment Support Programme (ISP), by providing preferential interest rates and collaterals for loans being geared towards the industrial sector, especially through the LEMS Schemes. Nonetheless, it is seen that both organisations have limitations and there is no synergy between what is done by the DBM and by the ISP for the LEMS Schemes. It is thus proposed to conduct an institutional reform by rationalising the resources of both organisations to provide for a comprehensive SME and Industrial Development Bank, which is underwritten by the Government.

4.3. <u>Ease of Doing Business</u>

Since the mid-2000s, Mauritius has been focussing 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.

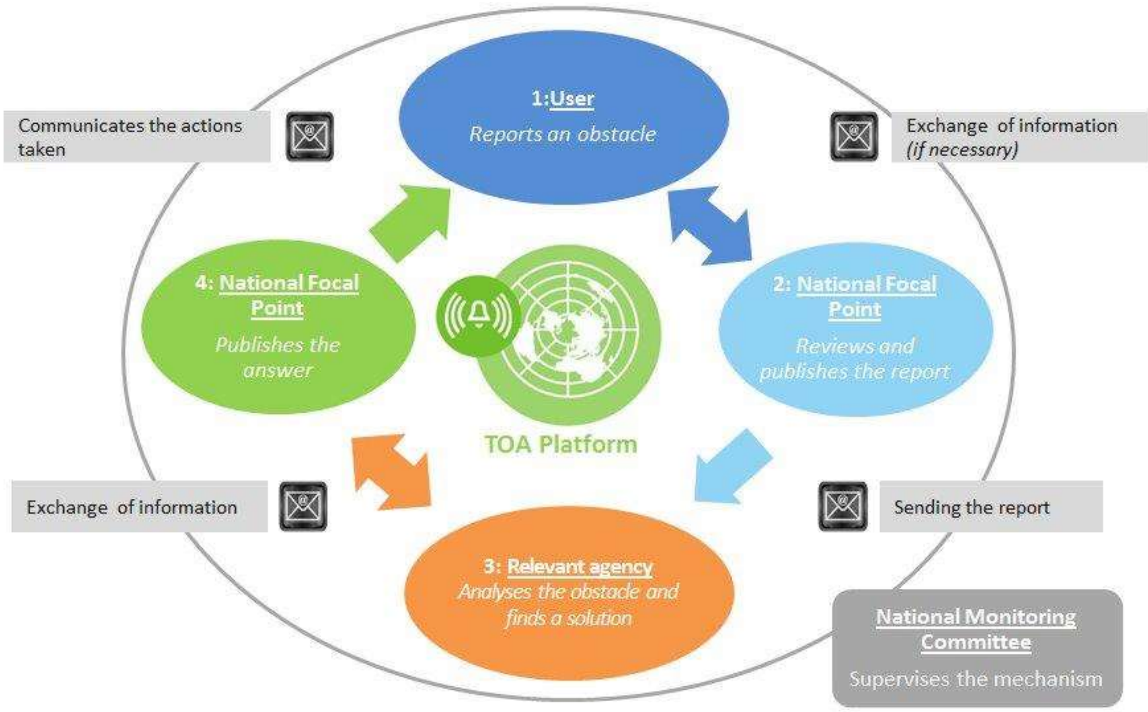
4.3.1. *Business Obstacles Alert Mechanism*

Since 2015, the MCCI with the support of the Government of Mauritius and the International Trade Centre from Geneva has implemented the 'Trade Obstacles Alert Mechanism' – an online electronic platform that aims to facilitate the resolution of trade obstacles by favouring the exchange of information between commercial operators and public institutions. During the last two years, more than 85 percent of trade obstacles have been resolved. The system provides for an interaction between the Government Agencies and the businesses in a structured and anonymous format through the MCCI as the focal point to register and thereafter resolve obstacles related to the import and export of goods.

Trade Obstacles include all mandatory legal requirements, other than tariffs, that companies have to comply with when exporting or importing goods. The TOAM platform today regroups more than 20 Ministries and Agencies, and a protocol was signed between all the different stakeholders and the MCCI. The TOAM platform is facilitated through expertise from the International Trade Centre (ITC). The signatories to the protocol endeavour to find a solution to the Trade Obstacles where appropriate and whenever possible, without bypassing procedures already established by law or otherwise.

The trade obstacles resolution cycle according to the TOAM is as per below: -

- The National Focal Point (NCP) is the Mauritius Chamber of Commerce and Industry (MCCI), which ensure the prompt transmission of information between public and private actors whilst maintaining confidentiality.
- The National Monitoring Committee, chaired by the International Division of the Ministry of Foreign Affairs, Regional Integration and International Trade, oversees the effective functioning of the mechanism by gathering all parties involved



It is proposed that the above model be replicated and extended in order to create a Business Obstacles Alert Mechanism for the resolution of local Business Obstacles affecting operators.

Such a platform shall regroup the different agencies and Ministries involved as well as a Focal Point which shall disseminate information in order to resolve the issues faced by businesses. Preliminary discussions with ITC in Geneva have been held by the MCCI in view of the extension of the platform whose IP is held by ITC and the necessary software amendments could be made in order to cater for business obstacles within a very short implementation timeframe.

Analysis conducted by the Economic Development Board (EDB) Mauritius shows that there are approximately 443 licences and permits being delivered by some 30 Government Ministries/ Agencies. The Government of Mauritius has, since 2015, set-up a national steering committee on Doing Business Reforms and there is wide consensus in both public and private sector on the need to eliminate administrative bottlenecks to doing business as well as creating a smooth enabling environment for doing business.

Through the creation of an extended Business Obstacles Alert Mechanism, operators would be able to report all business obstacles facing businesses in an anonymous manner. Business operators often observe that there are undue delays and administrative hurdles in the delivery of licences or permits by specific agencies, thereby affecting businesses in their operations and also in their expansion plans**. This will have a most profound effect on accelerating investments in the country.**

The setting up of a Business Obstacles Alert Mechanism will empower the Government in its effort to resolving business obstacles facing commercial and industrial operators. Business Obstacles include all mandatory legal requirements that a company has to comply with when conducting its business locally. It includes the payment of fees, as well as the acquisition of licences and permits amongst others. The BOAM platform would be facilitated through expertise from the International Trade Centre (ITC), and potentially the World Bank, as a continued process improvement initiative for the ease of doing business.

The business obstacles resolution cycle, according to the BOAM model would be similar to the TOAM model. It is proposed that a National Monitoring Committee led by the Economic Development Board be set-up to supervise the mechanism, and a National Focal Point such as the MCCI be appointed.

4.3.2. *'Silent is Consent' for business permits and licences*

With more than 443 business licences and permits, businesses are often faced with administrative delays on the part of authorities in delivering permits and licences. This often acts as a critical barrier to the opening, operationalisation and expansion of the business. The MCCI proposes that as part of a review of business and investment procedures, and in order to ensure greater stability and transparency in the system of delivery of administrative permits and licences, **a 'silent is consent' approach is adopted through a Bill enacted, similar to the *"Code des Régulations entre les autorités et le public"* in France and the legislation in Kosovo for Foreign Investment on "Silent is Consent".**

In fact, the concept is today already applied in the clearance of authorities on the Building and Land Use Permit. Article 6A of the Local Government Act (LGA) provides for deemed clearance by authorities if the latter fail to give clearance within the time specified.

(6A) (a) An authority referred to in subsection (4)(a)(ii) shall, within 5 working days of receipt of the application from the Chief Executive, give its clearance.

(b)Where the authority fails to give its clearance within the time specified in paragraph (a), the clearance shall be taken to have been obtained.

Proposal: -To introduce a "Silent is Consent' clause in the Business Facilitation Act such that the principle of the delivery of administrative licences and permits is defined by an overall silent is consent principle

- If no answer is given by the administrative authorities in the prescribed timeframes defined in the specific legislations, or in the absence of prescribed timeframes, within 2 months after an application is made, the application for a licence/permit is deemed to be approved and the business shall be allowed to operate. The acknowledgement of receipt shall thus be deemed to, in all circumstances, be the licence/permit.

4.3.3. *Incentivising Mediation and Arbitration to resolve Commercial Disputes*

Mauritius is currently ranked 27th worldwide on Enforcing Contracts, and 35th worldwide for Resolving Insolvency according to the World Bank Ease of Doing Business Report 2019. It takes on average 490 days to enforce contracts and 1.7 years to resolve insolvencies, and approximately 25% of the claim value as cost to the operator. In fact, those commercial disputes tend to be costly and time consuming to both parties. The World Bank thus promotes the use of Alternate Dispute Resolution (ADR) mechanisms to boost effective resolution of conflicts as alternatives to court procedures. In fact, the World Bank report recognizes the strong and enforceable nature of Mauritius' commercial arbitration legislations as well as the ability to resort to mediation. Despite extensive awareness campaigns conducted by the Government of Mauritius as well as the MCCI – through the MARC – the use of mediation and arbitration as alternatives to court disputes remain minimal. The World Bank promotes that Governments adopt financial incentives for parties to attempt mediation or conciliation. In Israel, for instance, there is a refund of court fees for companies who successfully engage in mediation. In Italy, the Italian government provides for a tax credit (up to £500) to every disputant who has paid the mediation registration cost (if the mediation is successful). However, if the mediation fails, the tax credit is reduced by half.

It is thus proposed that Mauritius provides a 15% tax credit on the cost of mediation or arbitration, through an institutional ADR mechanism. This mechanism shall promote out of court dispute resolutions and enable faster and more efficient resolution of commercial disputes.

4.3.4. *Extension of Omnibus Permits*

In today's constantly evolving economic and business environment, companies are involved in various activities in one sector. There are however a number of permits and licences that are required. In 2015, the Government introduced an omnibus permit for hotels and other accommodation to cover various activities falling under the same management. The MCCI believes that the same model should be adopted for the following sectors, in line with the One-Stop-Shop concept promoted by the Government: -

- Supermarkets
- Contract Research Outsourcing (CRO) Activities
- Contract Development Operation (CDO) Activities
- Freeport 'Master Permit'
- Tour Operators Permit

Operators in the above activities highlight that the procedures are particularly time-consuming and have a direct incidence on the day-to-day running of their business.

***Proposal: -** To introduce an omnibus permit for supermarkets, CRO, CDO, Freeport, Tour Operators Activities*

4.3.5. *Improving the Port Productivity*

One of the key enablers for the development of the country is the new thrust for strategic infrastructure and logistics at the port and the airport. In the port, the country is today faced with a below satisfactory level of less than 21 moves per hour in terms of crane productivity. There is an urgent need to improve the latter in order to achieve a minimum of 30 moves/hour in line with best practices in the region. Furthermore, during the first quarter of the year 2018, with weather disruptions, the port has been inactive for approximately 24 days which requires an integrated contingency plan which needs to be factored in given the vagaries of climate change. This has had a significant impact on our imports and exports. In order to improve the productivity at the port, a number of key measures are proposed: -

- Mitigation measures to enable vessels to operate during heavy swells or at different quays
- High levels of training to crane operators and review of the process of cargo handling at the port
- Review of Ports Act 1998 to enable transshipment rates for cargo between sea and air transport for integrated logistics operations
- Improved equipment and the possibility of strategic international expertise should be considered

A detailed report of the issues and proposals can be found in **Annex I**

4.3.6. *Review of Export Permits on scrap metals*

In January 2016, with a large number of cases of theft of scrap metals in households, the Cabinet of Ministers agreed to a ban on the export of scrap metal by operators. The latter are thus encouraged to sell their scrap metals to steel manufacturing plants in Mauritius. Further to representations from operators on the impact of the ban on metal industries operating in the manufacturing and the Freeport sectors, decision was made to allow the latter to export their metal waste and by-products. Nonetheless, operators from the wider industrial sector assert that a number of manufacturers in other sectors such as the printing, the air-conditioning sectors for instance, today generate a large amount of scrap metal which they are unable to export.

Operators are further concerned that given the quasi-monopoly situation on the local market, the rate being given to them for their scrap metals is much lower than what they would receive from exporting the scrap metals.

In the same vein, the **Competition Commission of Mauritius (CCM) published a report in December 2016 recommending to Government to lift the ban on export of scrap metals**. Manufacturing operators have thus requested that the ban be lifted in the manufacturing field, in order to promote a circular economy.

It is thus proposed, in the first instance, to lift the ban on export of scrap metals, through a delivery of a scrap metal exporter and dealers licence, upon payment of a licence fee. **Such scrap metal exporters and dealers shall be restricted to buying scrap metal only from genuine businesses generating or having scrap metals.** Through such a system, the review of the scrap metal legislations shall have no unintended consequences on potential scrap metal thefts in households.

Proposal: The MCCI proposes a review of the restrictions imposed on scrap metal dealers and exporters, through an amendment to the Regulations as follows:-

(1) To insert a new definition of scrap metal exporter

(2) A new scrap metal dealer or exporter may buy/receive scrap metal only from a registered business, bearing a BRN and having been into operation for more than one year.

(3) The licensee may not buy/receive scrap metal which is coming from a household or individual

(4) The licencee shall pay a yearly licence fee of Rs. 50,000, renewable annually

4.3.7. *Removal of Import Restriction on pork processing*

According to the guidelines for importation of meat and meat products, “local food processors using pork meat as an input will be authorised to import pork meat from abroad subject to their purchasing fifty percent of their meat requirement on the local market.” However there is no restriction regarding the importation of finished pork products or pork meat by parties other than local food processors, thus creating an unequal playing field.

There are today a number of pork food processors in Mauritius who, in order to meet the criteria of the Ministry and to compete against imported products, need to have access to quality pork raw materials at global market prices and in sufficient quantity. Local food processors usually have high levels of quality and standards, especially as they produce mainly for high-end hotels and restaurants, and further need to meet the HACCP certification.

However, the present meat market in Mauritius do not satisfy the main quality standards and are further unable to produce quality production to satisfy the needs of the pork processors. **In line with the Competition Commission’s recommendations, as made in January 2019, it is proposed to do away with the restrictions on import of pork for food processing.**

4.3.8. *Extension of Grandfathering Provision for Customs Brokers*

There is currently a grandfathering rule for freight forwarding agents to employ customs brokers, up to 31st December 2019. Further to advocacy from the private sector, it was agreed that two Customs House Brokers examinations be conducted prior to December 2019. A first examination is now expected in mid 2019 and it is unclear whether a second examination will be able to be scheduled by the end of the year. Given several disturbances in the freight industry with a limited number of customs brokers available, there is a need to extend the deadline for the termination of the grandfathering Agreement to December 2020. This will enable sufficient time to MRA Customs to conduct the customs brokers examination in a smooth manner.

Proposal: To review the Customs Regulations 19 Section 8 as follows:-

Notwithstanding paragraph (7)(c), a freight forwarding agent, who has been authorised to act as such prior to March 2006, shall be allowed up to **31 December 2020** to operate without hiring the services of or employing a customs broker or employing a customs agent for the purpose of making bills of entry on his behalf`

4.3.9. *Enabling private operators to access the Credit Information Bureau Register*

Mauritius continues to, for a number of years, to perform weakly on the 'Getting Credit' Indicator of the Ease of Doing Business Report of the World Bank. Though the public registry coverage of the Credit Information Bureau is quite extensive, a number of private non-bank operators in he Hire Purchase and FinTech sectors are today not connected to the MCIB. It is thus necessary to speed up the process of linking those operators to the MCIB, and enabling access to the information for such operators. This will give better access to those at the bottom of the pyramid who remain 'underserved' and integrate a large number of SMEs in the financial intermediation system.

4.3.10. *Implementation of the Mauritius Trade Link*

The Mauritius Trade Link (Single-Window) for online application of import/export permits and clearances was officially launched in January 2016. The MCCI has been facilitating the consultations with the private sector operators, implementation and training of operators on the online system for the application of their import/export permits.

As at 31st March 2019, only 7 government agencies out of 13 agencies were operational on the system. It is therefore imperative that all government agencies are fully integrated on the Mauritius Trade Link by the end of 2019. The MCCI would therefore propose a fast-tracking in the implementation of the Mauritius Trade Link. There is also a need to allocate resources for the fast-tracking of the automation process of the different government agencies in terms training, IT equipment and internet connectivity.

Proposal: - To fast track the implementation of the Mauritius Trade Link so as to integrate all government agencies issuing import/export permits by December 2019.

5. FOUNDATIONS FOR MACRO-ECONOMIC TRANSFORMATION

5.1. Strategic Public Infrastructure Development

The transformation of the country's economic model necessitates investment in strategic public infrastructure to facilitate the development of existing and emerging sectors of the economy. The three main components - the airport, the port and the inland travelling needs of the country are today in need of an additional boost. The development of the country's public infrastructure is further being challenged by major weather disruptions and climate change. A comprehensive development of the Mauritius public infrastructure is hence crucial for the development of the economy. Indeed, after a number of years of negative growth, public sector GDFC has shown a rebound of 14.7% growth in 2018 and there is an expected 53.8% growth expected in 2019. Public sector investment in the economy shall enable an improvement in the production capacity of the country in the upcoming years. The MCCI thus supports strategic public infrastructure development initiatives in the following areas:-

5.1.1. *Implementation of New Airport Terminals to increase airport capacity*

In line with MCCI's proposals, the Government announced, in the Budget Speech 2018/2019 investment in a new airport terminal to enable Mauritius to cater for 8 Million passengers annually. The MCCI is a proponent of directing public sector investment in strategic infrastructure of the country. The MCCI thus supports the rapid implementation of the new airport terminals and further development of the Airport as a Hub, which caters for the Tourists but also businessmen and transit passengers as well as air cargo. This shall enable a rapid development of the country through enhanced market access.

5.1.2. *Implementation of the Port Breakwater to mitigate against disruptions*

The Island Terminal and Port Breakwater is a critical aspect of development for our port operations and the movement of goods. With the weather disruptions affecting our economy, it is today becoming increasingly vital to implement a Port Breakwater at the earliest possible. The recent financial and economic assessment of the Project points to a total cost of approximately USD 800 Million. There is thus a need to adopt PPP and BOT mechanisms for the new Island Terminal and Port Breakwater in order to ensure a feasible and smooth implementation of the project through strategic partnerships for the port operations.

5.1.3. *Implementation of the Passenger Cruise Terminal*

As Mauritius welcomes more and more cruise passengers, and with a higher spending per tourists for cruise passengers, the implementation of the new Passenger Cruise Terminal should be prioritised in the upcoming Budget. The new Passenger Cruise Terminal should include and cater for an eco-system to favour tourist shopping and leisure, with emphasis on cultural tourism around the cruise terminal area.

5.1.4. *Land Drainage Master-plan Strategic Implementation*

With the ever-increasing weather disruptions and climate change in Mauritius, it is crucial for Mauritius to urgently adopt a strategic land drainage master plan with defined timelines for implementation. The recent flash floods observed since 2013 show that Mauritius is not immune to weather disruptions and there is an urgent need to adopt a comprehensive land drainage master plan, which should go hand-in-hand with our urban development strategy. Indeed, last September, the IMF published a working paper which shows that for emerging countries like Mauritius, a **one percentage increase in temperature lowers growth in the same year itself by 0.9 percentage points.**

The Mauritius Land Drainage Masterplan was announced last year as a priority to cater for the issues surrounding our land drainage. In this respect, a Digital Elevation Model of Mauritius is currently being implemented through aerial imagery. The MCCI believes that such a project should be a priority for Mauritius, with **an urgent need to implement the Land Drainage Masterplan over the upcoming years.**

5.1.5. *Integration of Metro Express with other public mass transit systems*

With the implementation of the Metro Express as from September 2019, it is necessary to engage in a complete integration of the public mass transit system to enable customers to travel seamlessly between the Metro and other public mass transit systems such as Buses. It is proposed to introduce an **integrated smart card system for travellers to access the Metro and the Buses, through a bundled approach to tariffs.**

5.1.6. *Public Infrastructure Fund – The Mauritius PIF*

The Mauritius Government is currently engaged in a massive public infrastructure programme which includes high-capital projects such as the Metro Express, the Road Decongestion Programme, and the Port Masterplan amongst others. Such projects currently need to be funded from Overseas Grants, Government funds or through loans from commercial banks or international agencies.

Such projects could be partially financed by private equity investment. In this respect, the MCCI proposes the setting up of a public infrastructure fund, encompassing different asset groups. Such a fund will be akin to the Port Louis Fund or the Macquarie European Infrastructure Funds to focus on investments in high-quality infrastructure businesses across the island and will provide a commensurate rate of return on investments made relating to the risk profile. The public infrastructure fund may re-group the country's utilities, road infrastructure, port and airport amongst others. This will provide the ability to leverage on the income generating assets of existing utilities as adequate securities to raise long-term equity finance to fund further investment in productive infrastructure. Local and international operators and individuals will also be invited to invest in the equity of the Fund. The fund would provide an alternative source to bridge the ever-increasing gap between investment demand in key public infrastructure projects and available resources to develop the economy's infrastructure of the future whilst keeping the debt to GDP ratio at an acceptable level.

Proposal: - To set up a Public Infrastructure Fund, similar to the Macquarie European Infrastructure Fund

5.2. Enhancing Connectivity and 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. It is thus necessary to reverse the trend and ensure sustained positive growth in our exporting markets. This can only be achieved through strategic policy initiatives to enhance our connectivity and access to markets and through support to our industries at internationalisation.

5.2.1. *National Export Strategy*

Since 2014, the MCCI has been closely associated in the consultations and the elaboration of the National Export Strategy (NES) for the country alongside ITC experts and other stakeholders. The launch of the NES in March 2017 has provided a comprehensive review of our export strategy for the next decade. Nonetheless, the recommendations from the NES Reports have so far been implemented on a 'silo' and limited basis with few Ministries or Organisations implementing the recommendations through some 17 sub-committees.

The MCCI proposes that, similar to the NES Core Team comprised of public and private entities which spearheaded the project, a High-level NES Implementation Team comprised of public and private sector key stakeholders be set-up for the rapid implementation of the recommendations, **with a specific Budgetary allocation earmarked for the implementation of NES projects.** This would ensure that policies identified to sustain and boost the growth of exports are implemented in a complementary and evidence-based manner following the extensive work carried out by the ITC alongside the Mauritian stakeholders.

5.2.2. *Comprehensive Africa Strategy*

With the upcoming African Continental FTA and tremendous opportunities that will arise for Mauritian companies to do business with African countries, there is a need develop a comprehensive and multi-pronged Africa Strategy with regard to investment, trade, economic diplomacy and economic co-operation.

The introduction of fiscal incentives and appropriate support structures will undoubtedly assist Mauritian companies willing to do export or invest in Africa as it will help mitigate the high risks associated with doing business with African companies.

5.2.3. *Matching Grant Scheme to engage in international events on Export and Innovation*

There is today a lack of coordination and efficiency in the different schemes provided to SMEs and companies in order to engage in export promotion exercises and participation in technology and innovation fairs. The bureaucracy surrounding the refunds of participation to these events at times act as an impediment to companies wishing to participate in innovation fairs and export events. It is hence essential to rationalise the schemes and provide an effective instrument for the delivery of support to enterprises wishing to export and engage in innovation fairs abroad. Presently, companies with a turnover of more than Rs. 50M are unable to benefit from the scheme, whilst it is often those in the Rs. 50M and above category which have a higher capacity to export.

The MCCI proposes that the SME Participation Scheme in International Fairs be reviewed and extended to provide Enterprises, with a **turnover of more than Rs. 50M wishing to engage in Buyers/Sellers Meetings, technology and innovation fairs abroad. This could be achieved by providing a matching grant facility on a decreasing scale to accommodate companies with a higher turnover than Rs. 50M. It is thus proposed to have a 50-50 matching grant for companies with a turnover of less than and up to Rs. 250M and a refund of 25 percent only for companies with a turnover of up to Rs. 500M.** The matching grant should be open to all enterprises with a demonstrated contribution in employment creation and local value-addition. Such a demand driven scheme, with a matching private sector contribution will also lead to more defined and better researched opportunities in market and technology sourcing.

Proposal: - The MCCI thus proposes that a **matching grant scheme, on a decreasing scale** be introduced for companies wishing to engage in international events on export and innovation.

5.2.4. *Extension of Freight Rebate Scheme for direct exports to South Africa and Tamatave Ports*

Mauritius is a small island economy state which is far from its markets, and faces high costs in terms of freights. In this vein, the Government of Mauritius introduced a Freight Rebate Scheme which provides for a refund of 25% of the Basic Freight cost to a maximum of USD 300 per 20-feet container and USD 600 per 40-feet container exported to eligible ports in Africa, Madagascar, and Reunion Island. Presently, companies are not benefiting fully from the scheme due to its limitations in terms of Ports of Final destinations.

In fact, two main destinations for Mauritian exports – Tamatave Port and South Africa are currently excluded from the Scheme. South African ports are currently excluded as a port of final destination, whilst the latter is one of our main possible export markets outside of the EU and the USA.

Given the current economic context, and the situation facing our export sectors, it is crucial to extend the scheme to the Tamatave and South African ports. This shall, at the same time, have a positive benefit especially for the Textiles sector, which shall highly benefit exporting companies. A maximum refund per company can be placed in order to mitigate costs for the Government.

Proposal: - The MCCI thus proposes that the Freight Rebate Scheme be extended for direct exports to South Africa and Tamatave Ports.

5.2.5. *Extension of Speed to Market to all manufacturing sector and to African & U.S continent*

In the wake of uncertainty following 'Brexit', the Government announced the setting up of a 'Speed-to-Market' Scheme which provides for a 40 percent refund on air freight cost to exporters of textile and apparel manufacturing to Europe, including the UK, for the next two years. The Scheme has been operational as from 1st April 2017. The Scheme is expected to be phased out as from 1st of April 2019. However, given the prevailing uncertainties on Brexit, the trade disruptions between the US and the World, it is necessary to re-inforce our market access strategies.

Further to representations made in 2017, the Speed to Market Scheme was extended to the Jewellery, Medical Devices, Fruits, Flowers, Vegetables and chilled fish Sectors during the Budget 2017/2018, and further to articles of leather, footwear, watches, and fabric plush toys.

Nonetheless, there are still a number of manufacturing items which are not covered by the Scheme, and are heavily reliant on airfreight. For instance, the growing **Life Sciences and Biotechnology Sector** as well as the export of **Honey** highly depends on airfreight. It is hence necessary to extend the measure to all sectors.

With the new industrial strategy being implemented, and the positioning of the Mauritius airport as a key logistics centre, it is also proposed that the scheme be extended for exports to Africa and the United States. This will particularly benefit the manufacturing and SME sectors, which are heavily impacted by high freight costs.

In an effort to ensure the STMS is accessed and available to all enterprises, it is proposed that the scheme be limited to a maximum of Rs. 5 Million per company.

Proposal: -It is proposed that the **'Speed to Market'** Scheme be extended to all exports towards Europe Africa, U.S.A for the next two years, up to a maximum of Rs. 5 Million per company

5.2.6. *Trade and Marketing Strategy office in Kenya and Tanzania*

The 2016/17 Budget made provision for 8 Trade and Investment Managers to be posted in different embassies for the promotion of Mauritian exports and investment strategies. Today, There is a critical mass of operators wishing to penetrate the African market with a warehousing and collaborative approach. In order to support this strategy, and ensure effective promotion of Mauritian exports, it is proposed that EDB sets up two Export and Investment Promotion Offices in Kenya and Tanzania, with **local** expertise from these countries to drive a comprehensive B2B and marketing approach for Mauritian products in those countries. Such offices should work in close synergy with the private sector in Mauritius.

5.2.7. *Implementation of a Regional Feeder Vessel including Rodrigues*

As Mauritius engages in diversification of its markets and into the regional market, it is faced by a lack of regional vessels. In fact, in 2013, the Indian Ocean Commission (IOC) conducted a case study showing the need for a regional feeder vessel to address the issues inhibiting growth of trade in the region. On average, current inter-state transport between IOC members represents **30 to 40% of the cost of the final consumer products.** This leads to issues towards the intra-regional trade. Moreover, a number of operators have observed that the current frequency of vessels between Rodrigues and Mauritius is too low, and that there is a need for a second vessel to service Rodrigues. **It is thus proposed that Mauritius leads a project for the implementation of a regional feeder vessel for the Indian Ocean, including a Mauritius-Rodrigues service.**

5.2.8. *Extension of the Export Credit Insurance Scheme*

The Government of Mauritius, through the Economic Development Board, currently operates a Scheme for exporters to mitigate risks and thus encourages operators to make use of export credit insurances through an Export Credit Insurance Scheme **for direct exports to Africa**. In fact, export credit insurance, though highly recommended as a practice, has a high cost involved to operators, who are unable to bear the full costs of taking such insurance covers. In this respect, the EDB has signed a Memorandum of Understanding with Credit Guarantee Insurance Co Ltd and thus provides to pay **50% of the premium charged subject to a ceiling equivalent to a maximum of 0.2% of the insurable** turnover. The MCCI has received numerous representations by existing and new exporters to enlarge the Export Credit Insurance Scheme to cover all countries with which Mauritius currently has trade agreements. This is particularly critical for the Indian Ocean Region, China and India. This shall ensure a higher stability of exports and confidence of operators to engage in exports.

Proposal: -It is proposed that the **'Export Credit Insurance Scheme'** be extended to all exports towards Africa, the Indian Ocean Region, India, China, and the United States for a maximum of 50% of the premium charged up to a maximum of the 0.2% of the insurable turnover.

5.2.9. *Export Factoring Scheme for enterprises in order to mitigate cashflow issues*

Cashflow is one of the most important aspects affecting businesses today, and most particularly at exports. Similar to the SME Factoring Scheme being provided to operators, Government of Mauritius should engage itself in providing support to Export Factoring by enterprises. It is proposed to provide for an export factoring scheme with the Government providing for **a 50% subsidy on the factoring fee at exports, up to a maximum subsidy of Rs. 5M per enterprise** in order to enable operators to mitigate against risks at exports and solve cashflow problems. In order to ensure that Government is not faced with high costs on the factory fee to support enterprises, it is proposed to limit the support on export factoring to companies in the manufacturing and agro-industry. It could be further narrowed down with recommendations being made through the Coordinating Committee on Support to Industries, to ensure that genuine companies having cashflow problems benefit from the Scheme.

5.2.10. *Extension of 3 percent corporate tax on exports to Digital Goods*

In the recent years, Mauritius has adopted a preferential taxation policy to favour exports of goods and international paper trading. In the same line, and in order to promote Mauritius as an export-friendly destination, it is important to extend the measure to encompass Digital Goods. Digital goods are today developing at tremendous speed with a constantly changing landscape, transforming the global flows of goods. A number of countries worldwide have a definition and HS Code for Digital Goods.

Proposal: -It is proposed to include digital goods in the definition of 'goods' for the purposes of the Income Tax Act. Digital goods would therefore include goods such as software and benefit from the same taxation regime as other exports of goods.

5.2.11. *Air Connectivity*

Air connectivity is today an essential aspect of any economy. Nonetheless, there are today less than 10 weekly flights to Africa from Mauritius, and it takes between 20 to 30 hours to reach a number of African destinations. The case is similar when we look at destinations in Asia and America. The MCCI, as a pro-active institution has been a strong proponent of enhanced air access and believes that the Air Corridor between Africa and Asia with Mauritius and Singapore as hubs is a highly welcome initiative.

The MCCI has identified the following as key destinations in the near future: -

- China
- Nairobi
- Lagos
- Mumbai
- Singapore

There is a need for Mauritius to aim at having regular direct flight to the above destinations. Increased air connectivity will be a useful tool to attract multi-national companies and international law firms to set-up regional offices in the country.

Proposal: -To introduce regular direct flights to China, Nairobi, Lagos, Mumbai and Singapore.

5.3. R&D & Innovation 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

Since 2015, the MCCI has advocated for an innovation led economy and has urged for the introduction of the Innovation Box Regime, and the double deduction on R&D Expenses with positive outcomes. The MCCI has also been a strong advocate of the Industrial Property Bill, as announced in the Budget 2016/2017 which shall pave the way to the adherence of Mauritius to the Madrid Protocol, the Patent Cooperation Treaty and The Hague Agreement. In this context, the MCCI is also spearheading a project to promote technology transfer in Mauritius from European companies, with support from the European Union (EU) through the setting up of an IP and Technology Transfer Desk at the MCCI in the upcoming months.

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 MCCI would thus propose a number of measures and operationalization mechanisms to enable the development of an innovation economy:-

5.3.1. *Technology and Digitalisation Fund*

As part of the restructuring council, it is proposed to set-up a technology and digitalisation fund of Rs. 200M for companies to adopt new Plant & Equipment and technology in their processes. The Scheme, under the Restructuring Council (Stimulus Package) shall effectively provide a **1:3 Matching Grant for technology adoption by companies up to a maximum of Rs. 10M per company.** In order to ensure effective use of the fund, a Joint Public-Private Committee shall be empowered to assess applications by enterprises.

5.3.2. *Operationalisation of the double deduction on R&D Expenditure*

Further to advocacy from the MCCI, the Budget 2017/2018 made provision for the double deduction in respect of qualifying expenditure on R&D directly related to the entity’s trade or business and provided the R&D is carried out in Mauritius. The Budget measure is now applicable for nearly two years and the MCCI has been surveying its members on the applicability and use of the measure in their enterprises. Though the measure is extremely relevant to members and R&D has been identified as a critical measure for the development of the economy, we note that companies are currently unable to benefit from the measure due to an absence of clear guidelines on the applicability of the measure.

The MCCI, in its latest Business Confidence Indicator survey for the fourth quarter of 2018, surveyed its members on a number of budgetary measures, and the double deduction on R&D expenditure is currently being unutilized by a majority of operators, despite more than 30 percent of the companies surveyed indicating R&D expenditure as the main investment over the upcoming twelve months.

It is to be noted that there the budget measure is expected to be applicable only until 2022. It is thus urgent to clarify the procedures and guidelines in order to benefit from the double deduction on R&D expenditure, given that the measure is expected to be phased out in .

Similar to what is done in other countries, we would propose that the **R&D expenditure incurred by the company is certified by a registered accountant, similar to what is currently the case for the grant of Preferential Certification of Origins (iEPA, COMESA, SADC) where the value-addition is certified by a registered accountant.**

5.3.3. *Implementation of the New Industrial Property Bill*

The Government of Mauritius announced, in the Budget Speech 2016 the provision of a new Industrial Property Bill which shall enable Mauritius to position itself as an IP Hub in the region through its adherence to three IP Treaties – the Madrid Protocol, The Hague Convention, and the Patent Cooperation Treaty. Currently, Mauritian companies are unable to benefit from international protection and have to file their IP in different countries through agents, or by travelling to these countries, which is very costly for the companies. The Bill is currently finalised and awaiting presentation to Parliament. It is thus urgent for Mauritius to adopt the new Industrial Property legislation at the earliest in Parliament.

5.3.4. *Double tax deduction on the cost of registration of patent, trademark and product licensing overseas*

With the Mauritius aim at becoming a high-income innovation driven economy, it is necessary to provide the necessary incentives for companies to register their trademarks, patents and other IP overseas. Currently, Mauritian companies having to protect their IP overseas are faced with high costs. Nonetheless, in order to effectively protect IP, companies have to register their IP overseas. It is thus proposed to provide for a double tax deduction on the overseas cost of registration of patent, trademark and product licensing. This will **further be an incentive in the context of the new IP Bill, where the registration overseas could be done from Mauritius itself through the WIPO treaties.**

Such an incentive, as currently practiced in Malaysia, is likely to boost IP registration in Mauritius and for local companies to protect their IP, even outside the Mauritian jurisdiction.

5.3.5. *15 percent deduction on the acquisition/ technology transfer cost of IP Rights*

In order to effectively boost innovation in Mauritius, it is necessary for Mauritius companies to engage in technology and knowledge transfer. According to the WIPO World Innovation Index 2018, Mauritius is ranked 70th and 81st worldwide in terms of Innovation linkages and knowledge absorption, with only 0.3% of total trade being part of IP payments. It is necessary to boost the knowledge and technology transfer eco-system in Mauritius in order to ensure a real boost in the development of enterprises and unlocking the next level of development for the country. Similar to the investment tax credit being currently provided for investment in Plant & Machinery, **it is proposed to provide a 15 percent deduction to enterprises on the acquisition/technology transfer cost of IP Rights.**

5.3.6. *Enabling Patentability of Computer Software*

The MCCI highly commends the new Industrial Property Bill, which shall bring a much needed boost to the Mauritian economy. Nonetheless, the new Bill currently excludes explicitly the "Computer programmes" from Patentability. Given the importance of software creations for Mauritius, it is highly recommended to remove computer programmes from the list of patentability exceptions. In fact, the current trend of modern intellectual property laws shows that computer programmes are the cores of any electronic devices and at the forefront of any technological development. In fact, the US Patent Act clearly considers computer programmes as inventions, and therefore, patentable.

It is thus recommended to remove programme computer from the exception to patentability list and include the concept of "computer-implemented invention" within the Mauritian Industrial Property Bill in order to provide a robust protection to industries operating in this sector.

A report on the following can be found in **Annex II**

5.3.7. *Implementation of an Integrated E-Health Database*

With an ageing population in Mauritius, there is today a critical mass of healthcare patients, which are using a mix of public and private healthcare institutions. However, there is currently no database for the healthcare history of patients, with patients going through different steps and tests in hospitals and clinics without a history of their health treatments. This lack of coordination creates inefficiencies in the system and patients are unable to be provided with an integrated healthcare between the public and private sector and between different hospitals and clinics. It is therefore necessary to implement an integrated e-health database system for all healthcare patients.

5.3.8. *Incentivising Self Check-outs*

With a rapidly ageing population and a decrease in the working population, operators are currently facing difficulties in attracting individuals to work at check-outs in supermarkets and other retail outlets, with a high staff turnover observed. This is further shown in our Business Confidence Indicator (BCI) survey where operators have been pointing to labour market difficulties and high staff turnovers to be a key detriment to the development of their businesses. In view of the changing economic eco-system, it is necessary to incentivise self check-out systems to mitigate against such issues. It is thus proposed that a scheme be implemented to enable operators to adopt self check-out systems in their companies.

5.3.9. *Incentivising e-commerce and adoption of e-payment systems*

The MCCI has developed, in partnership with the Mauritius Post and SME Mauritius, a unique e-commerce solution for tax-free shopping operators and SME handicraft artisans. **This new platform provides operators with a unique selling point for a 24/7 e-commerce platform to sell genuine goods to clients, tourists and worldwide.** The platform provides companies with a unique page to showcase and sell their products.

Moving forward the MCCI positions itself to become the 'Alibaba'/ 'Amazon' platform in the country, providing a unique platform where the tourist can buy goods from different shops and being delivered to its place of residence – whether in Mauritius or abroad or for tax-free shopping to be conducted with delivery at the airport.

E-Commerce Scheme for the MCCI 'Amazon' platform

The MCCI proposes that a new Scheme be developed to enable companies to join the E-Commerce platform with a Rs. 10,000 grant to companies for subscription to e-commerce.

5.4. Demographics & Labour Market Strategies

In the last few years, since the economic crisis, unemployment rate has been continuously on the rise, reaching 7.9 percent in 2015. With a number of schemes and incentives introduced, the unemployment rate has fallen to 7.1 percent in 2017. The figure remains nonetheless high in comparison to a number of countries which have gone through a recession. This is largely due to an increasing level of skills mismatches in the country since the turn of the 21st century, as shown by a recent World Bank report.[3]

In addition, the country will be faced by an ageing population in the next decades. Indeed, according to the United Nations Population Prospects, it is estimated that the working age population will recede by nearly 150,000 individuals by 2050 and in 2100 the working age population will be less than half what it is today.

There is thus an urgent need to prepare our labour market for the challenges of the next decades and undertake radical reforms. The MCCI proposes the following measures for the labour market in Mauritius: -

5.4.1. *Career Guidance and Labour Statistics*

In order to afford targeted guidance to the students, Government should professionalise and strengthen the career guidance at secondary school level, so that professionals of tomorrow are geared towards demand-based careers, aligned to the economic growth strategy of the country. There would be further benefits in systematically publishing labour demand and supply statistics, with emphasis on different job levels and sectors of activity. This would ensure that students are empowered to make career choices based on the demand needs of the country.

5.4.2. *Increase the HRDC refund ceiling to 3 times the contribution*

The HRDC training levy and refund mechanism is shown to be one of the most effectively used measures by enterprises in their efforts to improve the competencies of their employees and hence improving productivity levels in enterprises. The HRDC Training Fund is at the same time today in a high surplus. In order to maximise on the funds available to improve competencies of enterprises, it is thus proposed to increase the HRDC refund amount to 3 times the contribution. This figure is currently limited to 2 times the enterprise's contribution and acts as a detriment to the smaller and developing enterprises, as opposed to the larger enterprises, who have higher wage bills.

5.4.3. *Extension of HRDC to working professionals*

There has been over the years a move towards the liberal professions, with a higher number of lawyers, doctors and engineers operating as working professionals, and self-employed

[3]*Mauritius, Inclusiveness of Growth and Shared Prosperity, World Bank, September 2015*

individuals. It is proposed to extend the HRDC Grant to these categories, who may decide to integrate and register with the HRDC. The extension of the HRDC Grant refund to such professionals will encourage continuous training.

Proposal: - Amend Section (18) of the HRDC Act as follows: -

(1) Subject to section 18A,

(a) Every employer shall, in respect of every employee, other than a household worker, who is an insured person, pay a training levy in accordance with subsection (2a).

(b) Every self-employed earner, who is an insured person, ***may*** *register with HRDC and pay a training levy in accordance with subsection (2b)*

(2) The levy under subsection (1) shall be payable

(a) On the employee's total basic wage or salary, excluding overtime, bonuses and allowances, in respect of a month at the rate specified in the First Schedule.

(b) On the earner's total profits, in respect of a month at the rate specified in the First Schedule.

Economic Effect: *- The measure has the potential to increase the use of HRDC Grants by working professionals to conduct continuous training. With an estimated 100,000 working professionals who are self-employed, the HRDC levy is expected to increase by Rs. 500M.*

5.4.4. *Accreditation of Online Courses by the MQA*

Training and development is at the heart of the economic development of the country in order to address capacity building and skills mismatches in the workforce. As technology becomes more and more affordable, online learning is offering possibilities for skills development through online training programmes, and enable significant benefits to individual employees and organisations alike. However, the MQA currently does not accredit courses delivered fully online and insist on a minimum of face-to-face interaction. Given the e-strategy of Mauritius for the development of skills, it is essential to enable recognition of online trainings.

Proposal: - MQA Recognition and facilitation of accreditation of fully online courses.

5.4.5. *Dual Training Programme*

The Dual Training Programme (DTP) system combines apprenticeships in a company and education at a vocational school in one course. This system is practiced in several countries, notably Germany, France, and for some years now in China. The DTP system plays on three main linkages- Training institute and Enterprise, Training institute and Trainee, Trainee and Enterprise- to address skills mismatch and improve the performance of enterprises through better trained workers.

Since several years, a number of private operators have been offering courses that reconcile academic instruction with hands-on work experience, with job placements holding a predominant place in the curriculum. Graduates of the courses on offer are deemed as being highly employable, with a majority of them being able to find a job within weeks of completing their studies.

Currently, under the DTP Scheme, the training cost is refunded up to a maximum of 50% of the maximum training cost or Rs. 50,000, whichever is the lesser, per annum. However, training courses, if they are meant to be effective and have a wide impact, are today much higher, and it is shown that the refund limit is currently acting as a barrier to the development of a number of sectors.

It is hence proposed to **align the training fund limit to 70% of the training cost up to a maximum of Rs. 125,000**. This will incentivise both companies and unemployed individuals to engage in such dual training, especially in specific sectors such as the manufacturing, and Technology-oriented courses.

Proposal: -Amend Section (18) of the HRDC Act as follows: -

1 (c) every employee, under the Dual Training Programme, who is an insured person, may register with HRDC and pay a training levy in accordance with subsection (2c)

(2) (c) on the employee's total basic wage or salary, excluding overtime and bonuses at the rate specified in the First Schedule.

(Please refer to 3.3.1, 3.3.2 & 3.2.3 for other HRDC Amendments)

5.4.6. *Foreign Workers – Rationalisation of the Work Permits & Occupation Permits (Removal of Statutory Ratios)*

Mauritius faces the prospect of an increasingly ageing population. By 2054, the proportion of people aged 60 and above in the population is projected to be 33.8 percent[4], around a third of the country's total population. This will not only decrease our working population but also create a higher demand for health-related jobs. It is essential to address these issues proactively.

In order to transform the economy, it is essential to recruit foreigners at every job level, similar to what is currently practiced in countries such as the US, Singapore and Hong Kong. **The MCCI proposes that limitations (quota) on the recruitment of foreign employees be completely removed.** This will not only help to address the skills mismatch, but also help to maintain a dynamic working population.

Proposal: -To Amend the Guidelines for grant of Work Permits as follows: -

[4] *Family Planning and Demographics Yearbook, Ministry of Health, 2014*

2) Main criteria for the grant of Work Permits

The main criteria for the grant of Work Permits are as follows:

(i) foreign workers should possess the skills, qualifications and expertise required for the job applied for;

(ii) foreign workers should normally be aged between 20 and 60 years. Departure from this policy is exceptionally made for investors and expatriates who are above 60 years and who possess specific expertise;

(iii) A contribution of one month salary be paid into a Mauritius training fund for each work permit granted

5.4.7. *Extension of the SME Graduate Scheme to medium sized companies of more than Rs. 50M to Rs. 200M*

According to the latest Statistics available from Statistics Mauritius, it is estimated that there are currently some 39,800 unemployed persons, with nearly one in two of them aged between 16 and 25 years. It has been observed that despite a number of training programmes conducted, the youth unemployment is still high. At the same time, entrepreneurs, in particular SMEs, feel that there is however a skills mismatch and lack of work experience, and that the latter require further training before productivity can be achieved. Last year, the Government of Mauritius announced the provision of an **SME Graduate Scheme which provides employment for 1000 young graduates at SMEs, with the Government providing a stipend of Rs. 14,000 and the employer providing Rs. 1,000 for travelling purposes.** In our latest Business Confidence Indicator Survey, where we conducted a Survey with members on the awareness and use of Budgetary Measures, the new SME Graduate Scheme is shown to be highly demanded by enterprises. However, the measure is currently restricted to companies having a turnover of less than Rs. 50M. It is thus necessary to improve the Scheme in order to enable medium sized companies with a maximum of Rs. 200M turnover level to benefit from the scheme.

5.4.8. *Study Work Rights for Foreign Students*

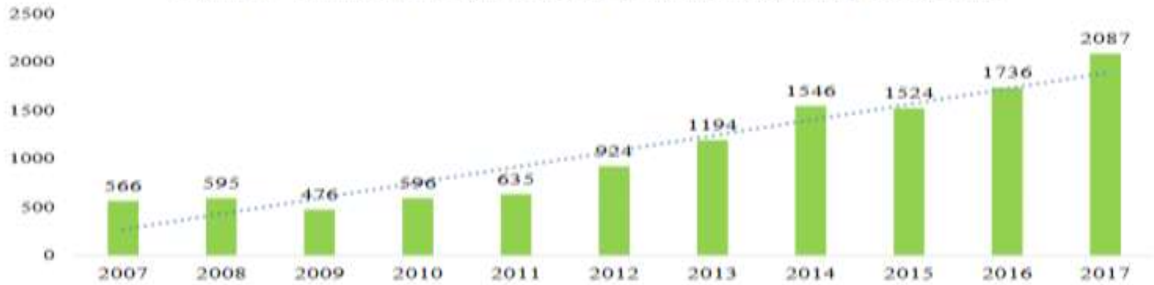
There is today a growing number of international students choosing Mauritius as a destination to pursue their higher education. Such students have been allowed to work for a maximum of 20 hours monthly during their course of study, subject to an authorisation letter from the Ministry of Labour. However, following Cabinet Decision in 2015, foreign students are no longer allowed to work in the country.

It is thus proposed that the **study work rights of a maximum of 20 hours be re-instated and automatically applicable to all foreign students.** The risk of students taking up full-time employment instead of studies can be mitigated through the implementation of compulsory reporting of foreign student presence by the authorised training institutes.

5.4.9. *3-Year Post Graduation Occupation permit for foreign students*

According to latest Statistics by the Tertiary Education Commission (TEC), Mauritius currently has 2,087 foreign students studying in its tertiary institutions. With the aim of making Mauritius an education hub, enabling a greater integration with the region, as well as addressing issues relating to the declining labour force, it is proposed to create a new category of Occupation Permit for foreign students, such that, on completion of their studies, and with a valid work contract with an employer, a foreign student would automatically be granted a 3-year occupation permit.

Figure 5: Number of foreign students studying in Mauritius (2007-2017)



The Post-Graduation Occupation Permit may be limited, if need be, to the priority needs areas for Mauritius such as IT, Engineering, Financial Services, Robotics etc..

We estimate that, with the right eco-system, Mauritius can attract 10,000 foreign students by 2030.

5.4.10. *Review of the Occupation Permit to promote a family-friendly regime*

The Mauritius openness strategy for value-added activities is today quite limited with only 4,685 active occupation permit holders in the country, representing less than 0.8% of the labour force. There is thus a need to review our occupation permit delivery in order to further attract high value-added individuals. One of the main drawbacks to the Occupation Permit in Mauritius as an investor or a professional is the inability of the spouse to gain employment. In fact, the spouse of Occupation Permit holders, though allowed to apply for residence permits, are not allowed to work, unless they also make an application for an Occupation Permit. As Mauritius moves towards a high-income economy, foreign expertise in targeted sectors is critical for the development of our economy.

Given the economic benefit of such professionals to Mauritius, automatically enabling the spouse of occupation permit holders to be employed is critical.

It is thus proposed to review the benefits to the OP Schemes as follows:-

Investor, Professional or Self Employed – The spouse of an OP Holder shall automatically gain an OP for the duration not exceeding that of the OP holder.

5.4.11. *Gender Mainstreaming in the Workforce & Income Tax deduction of Cost of Creche Fees*

With the issue of ageing and decreasing population, there is a real need to adopt an integrated model to support childcare. Mauritius should, in this respect, inspire itself from the French "Politique Familiale pour booster la natalite". More than **140,000 housewives** are today economically inactive, one of the reasons being the inability to find appropriate childcare whilst the parents are at work. In order to incentivise women to keep working as well as facilitate childcare costs, it is proposed to provide for an **income tax deduction of Rs. 100,000 from the income tax of the individual for the employment of nannies and 'child support' employees and the costs associated to crèche fees. .** Such a model already exists through the Rs. 30,000 deductions on household employees provided in the last Budget. It is thus proposed that the scheme be extended.

5.4.12. *Universal Child Allowance*

In order to boost fertility rate in Mauritius, it is proposed to introduce a universal child allowance for all children born on or after **1st of July 2019**. The Allowance shall be a monthly allocation of **Rs. 2,000 per child for the first two years**. This ensures that the child benefits from the basic necessities such as milk, diapers, clothing etc..

Mauritius currently enjoys approximately 13,000 live births in one year and with the introduction of the monthly universal child allowance, we estimate, according to our econometric model, an increase of approximately 5 percent in the fertility rates in the second year of operation i.e. approximately 13,500 births per year. The estimated total cost of the programme is of less than Rs. 500M annually.

5.4.13. *Rupee-for-Rupee Child Development Savings Account*

Similar to the Singaporean system, it is proposed to have a Child Development Savings Account, where a rupee-for-rupee savings invested by the parent in the CDSA is matched rupee for rupee by the Government, up to a maximum of Rs. 100,000 over the child's first **12 years.**

The Child Development Account funds can be used at any institution to pay for :-

- Child care centres, kindergartens and special education schools
- Pay for the child's medical-related expenses , including vaccination or purchase private medical insurance.

5.4.14. *Setting up of a Bureau for the attraction of the Mauritian Diaspora*

It is estimated, according to latest figures that there are currently some 300,000 global Mauritian Diaspora worldwide. As part of the efforts to boost the Mauritian working force and attracting talents to Mauritius, it is proposed that a Bureau for the attraction of Mauritian Diaspora be set-up at the Economic Development Board (EDB) for a co-ordinated mechanism to attract the Mauritian intellectual capital back to the country. The Office shall have a target of **at least 10 percent of the global Mauritian Diaspora over the next ten years in specific sectors of the economy where there is a need for talents**. The Bureau shall have the following roles and responsibilities: -

- Building of a Mauritian Diaspora intelligence database in order to list all the global Mauritian talents
- Leverage on the Economic Counsellors appointed in our various embassies to identify the competencies and promote linkages with local firms and institutions
- Identify the sectors of activity of the Mauritian Diaspora worldwide
- Disseminate the areas of key interest for Mauritius to the Diaspora

The Bureau shall also engage in a review of the Mauritian Diaspora Scheme mechanism in order to ensure that a level playing field is maintained and that such efforts mentioned above are not detrimental to the nurturing of local talents.

5.5. <u>SMEs, Entrepreneurship and Access to Finance</u>

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, strategies to enhance access to finance and promote entrepreneurship should be strengthened: -

5.5.1. *Increasing the SME definition from Rs. 50M to Rs. 200M to enable companies to benefit from SME Schemes.*

There are today a number of Schemes and Government benefits being provided for the MSMEs, in order to boost entrepreneurship. However, the definition of SMEs at Rs. 50M for the purpose of Government support is currently quite restrictive, especially as we move towards a value addition and export-led growth. It is thus necessary to improve the Scheme to target companies up to a turnover of Rs. 200M.

5.5.2. *Promoting Inclusive Business value chain through subcontracting of non-core activities*

SMEs are the backbone of the economy in Mauritius, contributing to a more than 40 percent of the economy's GDP. According to latest data from the Statistics Mauritius, there are more than 124, 000 small establishments in Mauritius. There is a real need to boost entrepreneurship and SME integration in the value-chain.

The concept was indeed adopted last year, through SME Mauritius, which provides for a refund of 15 percent of the transaction value per annum (with a ceiling of Rs. 100,000) for sub contracting of non-core activities by SME enterprises to smaller enterprises.

Nonetheless, the measure is currently limited in effectively promoting SME Development, due to its applicability only to SMEs who are outsourcing their non-core activities. It is proposed that the measure be extended to all enterprises, up to a maximum turnover of Rs. 500M, and a ceiling of Rs. 500,000 per enterprises. This shall enable a development of an eco-system surrounding the SMEs, to act as support enterprises for larger enterprises.

To review the **Inclusive Business Scheme** as follows:-

Eligibility criteria – Enterprises turnover should not exceed Rs. 500M

A refund of 15% of the transaction value per annum (with a ceiling of Rs. 500,000) per eligible enterprise for sub-contracting of non-core activities to SMEs.

SMEs are companies with an annual turnover not exceeding Rs. 50M

5.5.3. *Micro-Finance Scheme for Projects of up to Rs. 500,000*

There is a clear need to boost and enable entrepreneurship in the Mauritian population through the provision of Government-backed micro-financing schemes. Recently, the Government has announced a concessionary 3% interest rate loan for women entrepreneurs up to a maximum of Rs. 500,000 with a full guarantee by the Government of Mauritius. In an effort to boost entrepreneurship in the country, there is a need to adopt bold measures to incentive entrepreneurship projects. It is thus proposed to adopt a **Micro-Financing Scheme to provide new entrepreneurs, with a solid project, with a concessionary loan of 3% for a maximum of Rs. 500,000, with Government-backed guarantee. The Target Sectors should be the Agro-Industry, Manufacturing, Ocean Economy, Services amongst others. Such a Scheme should be available at all commercial and development banks.**

5.5.4. *Corporate Income Tax exemption on first Rs. 500,000 of profit derived by companies*

The shaping of the new world economic order demands strong and bold measures. The flat rate of 15 percent of corporate tax is today no longer applied as a number of schemes are provided for specific sectors, while there are special levies on other sectors. Moreover, the competitive world we are living in demands a constant review of our policy and a dynamic fiscal model.

In an effort to rationalise efforts to effectively promote entrepreneurship at the SME level, it is proposed that a harmonisation of the corporate taxation system be carried out through a **zero** percent tax on the first Rs. 500,000 of profit derived by all companies. This measure **effectively gives Rs. 75,000 back to the SMEs and companies** which can be further invested back in the productive inputs such as investment in Plant & Machinery, Research & Development and Training.

***Proposal:* -**To amend the First Schedule of the Income Tax Act as follows:

Column 1 **Profit before Tax**	**Column 2** **Rate of Income tax**
First Rs 500,000	0
More than Rs. 500,000	15

5.5.5. *Small Company Payments Bill*

One of the main issues faced by SMEs in their business operations is the problem of cash flow, with late payments by larger companies and public-sector organisations. SMEs assert that they are often faced with significant delays in the payment made by larger companies, thus impacting heavily on their cash flow and ability to expand. **The MCCI would thus propose the introduction of a small company payments bill to ensure that payments due to SMEs are paid within a statutory limit of typically 30 to 60 days.** This will have a significant effect on the cash flow of SMEs and will enable the latter to invest further in expanding their businesses. Such legislations are present in a number of countries throughout the world. We would thus propose a Small Company Payments Bill in line with the EU Late Payment Directive adopted in 2011 in Europe.

***Proposal:* -** To introduce a Small Company Payments Bill with the following provisions: -

The Small Company Payments Bill shall be applicable to any company with a maximum turnover of Rs. 50M, in line with the SME legislation in Mauritius.

- **Public authorities** have to pay for the goods and services that they procure **within 30 days** or, in very exceptional circumstances, within 60 days.
- **Enterprises** have to pay their invoices **within 60 days**, unless they expressly agree otherwise at the time of contract and provided it is not grossly unfair.
- Automatic entitlement to **interest for late payment**
- **Statutory interest** of at least 5% above the Bank of Mauritius' Key Repo Rate.

5.5.6. *Asset Leaseback Scheme*

The current economic environment shows a number of companies faced with cashflow problems, whilst they continue to own high value of assets, in terms of Plant & Machinery, and Buildings for instance. The new Scheme shall be an extension of the previous "Sale and Lease Back of Property" Scheme which was provided by the State Investment Cooperation (SIC) under the Restructuring Working Group. The new Scheme for asset leaseback, which shall include plant and machinery as well as buildings shall be proposed to enterprises having cashflow issues, but with a good orderbook with the following conditions:-

- Sale and lease back period of a maximum of 7 years
- Leasing cost – 5% p.a. on sale value
- Buy-back option: over a period of 5 years
- Buy-back price: Purchase price + 5% return per annum
- Initial associated costs borne by company

6. DRIVING SUSTAINABLE AND INCLUSIVE GROWTH

6.1. 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.

6.1.1. *Removing restrictions on self-consumption for MSDGs*

In order to effectively boost renewable energy in Mauritius, it is essential to provide for the necessary mechanisms to support enterprises investing in solar powered energy. There is currently a CEB Scheme – the Medium Scale Distribution Generation (MSDGs) which provides for medium voltage connected renewable energy systems, with capacities of less than 5 MW.

However, the scheme currently has a restriction of a maximum of 30 percent for the self-consumption for MSDGs. This acts as a barrier to enterprises to use the MSDG Scheme and move towards sustainable and renewable energy mixes.

It is thus proposed to do away with the 30 percent restriction on self-consumption for MSDGs.

6.1.2. *Removal of Contention Fee on Solar Units for Businesses*

For the provision of its energy, Mauritius is highly dependent on the import of fossil fuels and coal. There is room for the growth of renewable energy and a shift towards a fully sustainable development model. In the budget 2015/16, the Government has encouraged households to implement solar energy units through a tax deduction on the investment. The measure was extended to corporate businesses and industries in the Budget 2017/2018. Nevertheless, a number of companies currently contemplating the implementation of photovoltaic units are today faced with a high recurrent cost imposed by the CEB through the **Contention Fee.**

Proposal: -To consider the mitigation of the **Contention Fee** by the CEB on photovoltaic for businesses and industrials.

6.1.3. *Removal of Excise duties on electric and decrease for hybrid cars*

As Mauritius moves towards a more sustainable development model, there is a need to incentivise use of cleaner technologies and to reduce our dependence on petroleum imports. In 2017, our petroleum product imports represented more than **13 percent** of our total imports i.e. more than Rs. 30 BN annually. There needs to be a strategic policy rethink to incentivise sustainable modes of transport and reduce our dependence on petroleum imports. It is thus proposed that, as part of a Green Mauritius strategy, all excise duties be removed on electrical and that there should be a decrease in excise duties for hybrid cars. This shall incentivise individuals and businesses to move towards such vehicles instead of petrol-based engines. There is also the need for implementation of charging stations throughout the island to support the development of such electric vehicles

Proposal: - To remove Excise duties as follows: -

Hybrid motor cars:	**Existing**	**New**
Up to 1,600 c.c.	25%	10%
1,600 – 2,000 c.c.	45%	25%
Above 2,000 c.c.	70%	55%
Electric cars:	**Existing**	**New**
Above 180 Kw.	25%	0%

6.1.4. *Mainstreaming e-mobility for clean and sustainable transport systems – Toward Self-Sufficient Models of Electric Vehicles*

Mauritius is one of the mostly dense countries in terms of vehicles per inhabitants, with more than 550,000 vehicles registered, as 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 of related to fuel-based vehicles.** It is thus necessary for Mauritius to move from fuel-based vehicles towards self-sufficient electric vehicles.

In Mauritius, vehicles are driven annually for 20,000 to 25,000 km whilst a solar-power electric vehicle has autonomy of more than 330 km. Thus, on average, the average driver may recharge his vehicle **every 4 days**. Nonetheless, the use of electric vehicles is currently very limited in Mauritius. In order to boost a move towards self-sufficient electric vehicles, it is proposed that the Government of Mauritius instills a similar mechanism as the UK EV Workplace and Household Scheme

It is currently estimated that the cost of a self-sufficient solar-powered EV Charger is of approximately Rs. 500,000.

Through the targeting of 10,000 such vehicles over the next 5 years, Mauritius can decrease its petroleum import bill by approximately **Rs. 1 Billion annually**. This has the potential to bring an improvement **of 0.3 percent in annual GDP Growth as from 2022**.

It is thus proposed that an **EV Workplace and Household Scheme** be set-up by the Government as follows:-

- 15 percent tax deduction on the cost of installation of Solar-powered EV Chargers similar to the deduction currently available to companies
- 50-50 Matching Grant to companies and individuals investing in solar-powered EV Chargers as part of their vehicle costs
- Automatic admission to the CEB Grid for individuals buying an Electric Vehicle and having a solar-powered EV Charger.

6.1.5. *Mainstreaming e-mobility in Smart Cities and Villages*

In line with the Government strategy to promote environmentally friendly cities and villages and promotion of healthy living by the population, Mauritius should adopt strategies and incentives to promote the use of e-bikes and e-scooters as alternatives to vehicles, especially in smart cities and villages. Such concepts should be further promoted with the introduction of the Metro Express as from September 2019. With some 19 stations expected along the Curepipe to Port-Louis route, residents living in those towns could use e-bikes and e-scooters to reach stations, instead of cars with the problems associated with parking.

The MCCI would thus propose that individuals investing in e-bikes should be able to deduct such investment from their taxable income up to a maximum of Rs. 20,000.

It is further proposed that the Government, through Metro Express and the National Transport Authority (NTA) invest in docking stations near the main metro stations in Port-Louis, Beau-Bassin and Rose-Hill in the first stance.

The Government should further purpose and operate, similarly to the Santander Cycles (formerly Barclays Cycle Hire), a public bicycle hire scheme in the City of Port-Louis, in an effort to reduce fleet inflows into Port-Louis. Such a scheme could be operated in collaboration with the Port-Louis Development Initiative (PLDI) and the urban regeneration programme being devised for Port-Louis. In London, the bikes and docking stations have an annual ridership of more than 10 Million users. For the City of Port-Louis, the Scheme could be implemented with an initial 50 e-bikes and 10 docking stations across the City’s main areas.

6.1.6. *Support towards Sustainable Public Transit Systems*

According to the Ministry of Public Infrastructure figures, the public bus fleet stood at 2,031 vehicles, with an accumulated operating mileage of 178 Million Kilometres, and consuming more than 71 Million Litres of diesel. With the improvement of battery performance in electric buses, a number of cities are today moving towards pure electric buses. As Mauritius adopts a rejuvenation of its bus fleet and an Integrated Bus Management with the rail and bus systems, it is necessary to **review the Bus Modernisation Scheme to incentivise bus Companies to use move towards electric buses**. On average, the subsidy given by Government on the Bus Modernization Scheme has been of approximately one third of the cost of the bus. It is thus proposed to incentivise companies to move towards electric buses as follows:-

	Type of Bus	Approximate Cost	Subsidy
	Electric Bus	Rs. 12	Rs. 4M

In addition to the support being given to electric buses, specific support could be translated to the implementation of trackless trams in certain specific business districts and areas, which will go hand-in-hand with the Metro Express for longer commutes. Such trackless tram have a lower cost element and are being implemented in a number of business areas and districts across the world including Shanghai, Birmingham, Guangzhou amongst others. According to the CRCC, the largest producer of such equipment, the cost of deployment of such systems is estimated at approximately USD 7 Million/km.

6.2. Towards a Circular Economic Model

In recent years, the importance and opportunities of the circular economy has been highlighted in a number of forums and reports. At the beginning of the Fourth Industrial Revolution, there is today a global move to tap into the opportunities of the circular economy, in order to move to a sustainable economic model of development.

In Mauritius, 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 the development of a circular recycling-based society[5]. Based on Ministry of Environment's target of 55 percent of resource recovery, and a global average price of $400 per kg[6], we estimate that the marketable amount from waste only is of some Rs. 270 Million daily. Nonetheless, the cost of a proper recycling and waste management system is high and cannot be done by operators alone.

6.2.1. *Promoting Integrated Recycling Management Systems*

Through the E-Waste Management system, the MCCI in collaboration with the Ministry of Environment are working together to operationalize a national system for collection, transportation, recycling and export of e-wastes in Mauritius, with the principle of an Extended Producer Responsibility, with the use of an advanced recycling fee being used for the promotion of a circular economic model.

It is thus necessary to finalise and implement the above project and that the concept be replicated in other readily recyclable waste streams such as used oils, office waste, scrap metal, and plastic products for instance. The existing environment protection fees being levied should thus be used for the setting up of such systems for recycling and export of such products. This is in line with the country's objective of achieving social, economic and environmental sustainability.

6.2.2. *Implementation of an independent body for testing of Hazardous Waste*

The manufacturing industry generates industrial waste which includes both hazardous and non-hazardous wastes. Industries have throughout the years disposed of those wastes as per the requirements of the legislation through facilities provided by the local authorities. In an endeavour to preserve the environment, the authorities have set up an Interim Storage Facility for Hazardous Wastes (ISFHW) in 2016, with a management contract given to a private company. Such an initiative is highly commendable and will contribute to preserving the environment against contamination from hazardous waste which could possibly end up in landfills, or in the nature. However, it is felt by operators that there is no clear distinction between hazardous and non-hazardous wastes in order to ensure that the wastes are channelled through the appropriate disposal route. **It is necessary to implement an independent body to ensure that the differentiation of wastes between hazardous and non-hazardous wastes**

[5] Mauritius National Environment Policy 2007

[6] Industrial Waste Assessment – Opportunities for Industrial Symbiosis, 2017

be conducted in an impartial manner. Indeed, there is a cost element to operators with a Rs. 100/kg imposed on manufacturers for the disposing of Hazardous wastes.

6.2.3. *Food Waste Recycling & Zero Waste Landfill Certification*

In a number of advanced countries today, food wastes are being recycled more and more, enabling a more circular and sustainable economy. In South Korea, for instance, there is today a zero waste policy being implemented and a 45 category recycling initiative. It is thus proposed to implement and promote food waste recycling in order to reduce the waste generation and collection at landfill sites such as Mare Chicose.

Proposal:-

Incentives can be provided to companies adopting a zero-waste policy and who achieve the Zero Waste to Landfill Certification.

6.3. Enabling Inclusive Growth and Reducing the Gini Co-efficient

6.3.1. *Enabling Joint Corporate Social Responsibility Projects*

The Corporate Social Responsibility (CSR) levy of 2% has benefited a number of individuals in the lower end of the ladder with enterprises contribution to the society. Given the implementation challenges experienced over the last few years, it is proposed that companies be allowed to use their CSR funds directly on specific projects being prioritised by the CSR National Committee. Such projects, which could range from the poverty alleviation initiatives to the environment initiatives, will be clearly announced and published by the Committee. With such targeted approaches on projects jointly implemented by the public and private sector, we are confident that Mauritius can definitely be a model of public-private development for social inclusiveness.

(Refer to 3.2.2 and 3.2.7 for other inclusive growth measures)

7. OTHER SECTORAL MEASURES

7.1. 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.

There is thus a need for a comprehensive policy to enhance the agro-industry in the economy. In 2019/2020, the MCCI proposes the following measures for the Agro-Industry:

7.1.1. *Agricultural Land Bank Mechanism*

In the Budget 2018/2019, the Government of Mauritius announced the creation of an agricultural land bank in order to address issues related to abandoned and unused lands. The MCCI supports the creation of such a mechanism which shall enable operators and agri-businesses to access abandoned and unused lands upon payment of a concessionary fee to the landowner. The MCCI believes that such a project shall have a huge potential for the development of the agricultural sector, especially with issues surrounding access to land. It is thus necessary to implement this project at the earliest possible.

7.1.2. *National Traceability Solution to ensure Food Security*

As Mauritius moves towards a high-income economy, based on sustainability, Food safety and security of consumers is becoming more and more an issue of national interest. It is today crucial that Mauritius adopts a comprehensive national traceability solution in order to ensure food safety and security. Similar to the EU Regulations No. 178/2002, the Food Safety (Recall) Regulation (2016) in India, the Food Safety Modernization Act in the US and the China Food Safety Law which imposes the traceability of all food products in those markets through a comprehensive traceability solution, the MCCI proposes that Mauritius adopts a National Traceability Solution. This could be facilitated through partnership with GS1 Mauritius for a comprehensive project on traceability. The setting up of a GS1 standards based traceability system shall further enhance companies' export readiness and ensure level playing field at exports as an increasing number of retailers worldwide demand certifications and traceability solutions from exporters.

It is proposed that Mauritius implements a National Traceability Solution as follows:-
- Ensuring global standards in traceability and product recall
- Implementation of a central platform by the Government, including a Smart Consumer App

7.2. 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. The MCCI is highly concerned by the effects of this premature de-industrialistion on the Mauritian economy and believe that there is a need to use all necessary economic levers to support those industries, given the high value addition and spill-over effects on other sectors of the economy.

7.2.1. *Preferential Industrial Leasing of Land*

Since the reforms held during the 2000s, there has been an increase in the leasing cost of industrial land to enterprises, which is today at the same rate as those of campement sites. There is thus a need to provide for concessionary rates for industrial leasing of land in order to boost local production and ensure a minimum self-sufficiency in the economy.

7.2.2. *Double tax deduction on cost incurred of obtaining recognized quality systems and standards.*

In order to maintain their competitiveness, companies in the manufacturing sector are today faced with a number of standards and quality systems at import and export. These account for a high percentage of the cost of production of companies, particularly in the Agri-Business, Leather, and Electrical Sectors. Based on survey conducted with the Industry, we estimate that companies pay, on average in between Rs. 500,000 to 5,000,000 in terms of the costs to obtain recognised quality systems and standards. For companies with a turnover of less than Rs. 500M, such costs are quite high for the operator. In order to enable them to gain a competitive edge on the local market, as well as prepare themselves for exports, it is proposed to introduce a double tax deduction on the full cost incurred for the purposes of obtaining recognised quality and standards. Such a model is currently being practiced in a number of countries, including Malaysia.

This is in line with the Government's aim to promote organic, green and fair-trade products for the benefit of consumers.

Proposal: - To Amend Income Tax Act to insert new subsection, 55A 55A (a) Where a person has incurred any qualifying expenditure directly related to the obtaining or renewal of a certification for recognised quality systems and standards issued by

a local or international certification body, he may, in the income year in which the qualifying expenditure was incurred, deduct twice the amount of the expenditure, provided.

In this subsection –“qualifying expenditure” –

(a) means any expenditure incurred for the purposes of obtaining recognized quality systems and standards; and

(b) includes – expenditure incurred on consultancy, fees charged by the certification body for obtaining or renewing the certification and staff costs.

7.2.3. *Matching Grant Scheme for acquisition of quality standards and norms*

With the high costs involved in acquiring quality standards and norms, including meeting export standards of particular countries, it is proposed to set-up a matching grant scheme for companies acquiring specific quality standards and norms, including ISO, HACCP, Global Gap amongst others. Support to acquire standards is today only available to SMEs, whilst it is the medium-sized companies which have a higher ability to innovate and acquire quality standards and norms.

Proposal: - Matching Grant Scheme for acquisition of quality standards and norms by companies up to a maximum of Rs. 1M per company

7.2.4. *Ensuring a level playing field and safety for Paint Products*

The Dangerous Chemicals Control Act and the Dangerous Drugs Act were introduced in 2004 to regulate the importation, processing and trading of dangerous chemicals for the purpose of protecting health, environment, workers and the public. Whilst today, Paint producers locally are subject to the legislation on importation of the raw materials used, there is currently no process in place to ensure that paint manufacturing from countries being imported in Mauritius are up to the same standards on the chemicals they contain or that they do not contain dangerous chemicals. Indeed, chemical blends such as paints are today not subject to any control for chemical content upon importation. This situation, whilst unfair to local manufacturers, is also harmful to the health, environment, workers and the public.

It is hence proposed that :-

- Prior to authorization for the importation of paints, a certificate be issued by an accredited independent authority, or through self-declaration, confirming that the consignment is free from the dangerous chemicals listed in the Mauritian legislations.

- Empowering the MSB or a relevant authority to conduct random sample tests on finished paint products being imported into Mauritius

7.2.5. *Extension of Preferential Port Handling Charges to manufacturing*

Mauritius is currently ranked at 70th on the Trading across Borders indicator of the Ease of Doing Business. Entrepreneurs continue to be faced with high port handling charges, from the Mauritius Ports Authority and the Cargo Handling Corporation (CHCL). Moreover, border and documentary compliance administrative hurdles are quite high, with an estimated 57 documents needed.

Manufacturing companies are faced with high port handling charges while importing raw materials and semi-finished goods with the costs associated with the import of one container at $538. At exports, the port handling charges for one container of goods are estimated at around $431. This is high compared to countries like Vietnam, Malaysia and Singapore, which are our direct competitors in a number of manufacturing segments. According to the World Bank Doing Business Report 2018, around 23 economies including a majority of E.U countries, the cost associated to the import and export of goods is at zero.

It is thus proposed that, in order to boost the competitiveness of the manufacturing sector and to compensate for our Small Island Developing State (SIDS) status, the **manufacturing sector should be given the same preferential Port Handling Charges as companies operating in the Freeport Sector.**

Proposal: - Preferential Port Handling Charges applied to the Freeport Sector should be extended to the whole manufacturing sector.

7.2.6. *Enforcement of Mandatory Standards and Norms*

The Mauritian economy is today faced with products of different quality and standards. It is necessary that the Mauritian population are afforded quality products at an affordable price. Often imported products with poor quality standards are dumped into the Mauritian market at low prices. This is at the detriment of the manufacturing industry and entrepreneurs who innovate in their processes and ingredients in order to offer quality products. It is at the same time at the detriment of the consumers who are sold products of often poor standards, with a cumulated cost which is much higher to the consumer at the end.

It is thus necessary to enforce mandatory standards on a range of final products from the agro-industry, chemicals, amongst others. This will further ensure a level playing field between local production and imports and will enable Mauritian manufacturers to more easily access our main export markets. The following standards and norms should be enforced in priority:-

1. MS 3:2010 +A1:2011+A2:2013 Emulsion paints for interior and exterior use – Specifications
2. MS 8:1985 Specification for pure soap for laundry
3. MS 11:2008 – Synthetic laundry powder detergent for household use – Specification and test methods
4. MS 12:2009 – Toilet soaps – Specifications and test methods
5. MS 14:1980 – Standard for hard laundry soap – Built type

6. MS 20:2009 – Dried milk – Specifications
7. MS 21:2010 – Fermented milks – Specifications
8. MS 24:1994 + A1:1997 – Specification for decorative high gloss enamel paint for interior and exterior use
9. MS 26:2011 – Standard for margarine
10. MS 27:2011 – Standard for edible fats and oils
11. MS 28:2012 – Standard for edible sunflower seed oil/sunflower oil
12. MS 70:1988 – Specification for poultry feeds
13. MS 153:2009 + Amd 1:2012 – Specification for fat spreads.

7.2.7. *Minimum shelf life space of 50 percent at import to mitigate against dumping practices and ensure quality of products*

With the elimination of trade barriers, a number of Mauritian manufacturers are experiencing unfair competition from imported products that often have a low shelf life remaining and that are dumped on the local market. Consumers often do not pay attention to this low shelf life remaining, with the product expiring before consumption. Last year, the Government announced a new regulation to impose a minimum shelf period of 50 percent of the shelf life for the import of certain food items. The Regulations are currently being finalised with a first list of 6-7 products to be implemented. We are of the view that the this list should be enlarged to cater for a number of strategic local industries faced with dumping-like practices, with low shelf life remaining at imports.

7.2.8. *Operationalisation & extension of Bid Price Preference for local products*

The Budget 2016/2017 makes provision for an increase in price preferences for SMEs for shoes, uniforms, schoolbooks, printing materials and furniture from 10 percent to 20 percent. It is proposed that the Bid Price Preference be extended to all manufacturing products and companies. This will give a much-needed boost to the local manufacturing companies.

Larger manufacturers should benefit from a 10 percent price preference while SMEs should benefit from a preference of 20 percent on public purchases. This will not only encourage larger businesses to subcontract but also form consortiums with SMEs.

In fact, it is estimated that the multiplier effect on the economy of “Other Manufacturing Goods” excluding textile and sugar, is of 1.92. Through a margin of preference of 10 percent on, for example a contract of 100, the additional impact on the economy would be of 92. The Government would gain an additional 15 percent on the multiplier of 92, i.e. 13.8 %. Hence, through a margin of preference of 10 percent, the Government revenue would still increase by 3.8 percent, on a net basis.

It has further been pointed out that the Public Procurement Office (PPO) is faced with difficulties in implementing the Margin of Preference for Procurement of Goods. It is proposed that, as is the case for the Preferential Certification of Origins (iEPA, COMESA, SADC), where the value-addition is certified by a registered accountant, the same principal is applied for the granting of Margin of Preference for the purpose of Procurement of Goods. In an effort to rationalise the criteria, it is proposed to bring the value addition down from 30 percent to 25 percent. Companies meeting the 'value addition of 25 percent, shall thus be eligible for the margin of preference for goods

A. *Proposal: -* Amend Circular No. 13 (2012) of the Public Procurement Office as follows:-

Margin of Preference for Procurement of Goods

1.0 A Margin of Preference for procurement of goods shall apply to local Small and Medium Enterprises as follows:

1.1 For International Bidding

(a) A local Small and Medium Enterprise with an annual turn-over not exceeding Rs 50M shall be eligible for a preference of 20 % for goods manufactured locally, where the value of local inputs in terms of labour and/or materials account for at least 25 %.

(b) Any other local enterprise with an annual turn-over exceeding Rs 50M shall be eligible for a preference of 10 % for goods manufactured locally, where the value of local inputs in terms of labour and/or materials account for at least 25 %.

(c) The bidding shall be accompanied by a signed undertaking from an ACCA or FCA registered accountant that the local inputs in terms of labour and/or materials account for at least 30%

1.2 For National Bidding

(a) A local Small and Medium Enterprise with an annual turn-over not exceeding Rs 50M shall be eligible for a preference of 20 % for goods manufactured locally, where the value of local inputs in terms of labour and/or materials account for at least 25 %.

(b) Any other local enterprise with an annual turn-over exceeding Rs 50M shall be eligible for a preference of 10 % for goods manufactured locally, where the value of local inputs in terms of labour and/or materials account for at least 25 %.

(c) The bidding shall be accompanied by a signed undertaking from an ACCA or FCA registered accountant that the local inputs in terms of labour and/or materials account for at least 25%

7.3. Wholesale & Retail

With demand-demand growth in the economy and improvement in the purchasing power of consumers, we have noticed that growth in the consumption expenditure of households has been on the rise. This is largely reflected in the wholesale and retail sector which has experienced solid growth, of around 3.6 percent last year. In 2018, the sector contributed to approximately 11.8 percent of the country's total GDP. Growth in the sector is however expected to weaken in 2019, and there is a need for a number of business enabling measures to give a real impulse to trade -

7.3.1. *Introduction of Plain Packaging on Tobacco Products*

On 1st November 2018, Cabinet agreed to the introduction of Plain Packaging on Tobacco products. According to the Ministry of Health, the main objectives of this measure are to reduce the attractiveness of tobacco products and to eliminate the effects of tobacco packaging as a form of advertising and promotion, amongst others.

Importers and manufacturers have highlighted a number of legitimate concerns to be taken into consideration prior to the implementation of plain packaging. Given the major implications for the manufacturers and importers in terms of sourcing, production and logistics, there must be proper consultations with the private sector with a moratorium of at least one year prior to implementation of the new measure. The MCCI is proposing the setting up of a Committee chaired by the Ministry of Health and Quality of Life for consultations with all stakeholders. The MCCI also proposes that the implementation of the measure be deferred until all practical implementation issues have been addressed.

7.3.2. *Introduction of Excise Stamps on beer and wine*

In view of a practical and smooth implementation of the regulations regarding the introduction of excise stamps on bottles of beer and wine, operators have requested for a moratorium period of at least 6 months from the date of publication of the regulations. It is proposed to maintain the exclusion of alcoholic beverages in cans in the regulations for the affixing of excise stamps for the following reasons:

- Many practical issues for affixing excise stamps given that the high volume of sales and bulk packaging of goods
- Low risk of tampering with alcoholic content of the product without permanently damaging the products
- Low rate of duties payable and goods of low value

7.4. Construction

The construction Industry is a vital part of the economic landscape and gives an indication as to the state of the economy. After more than 5 years of contraction in the construction industry, the sector 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, re 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. **There is thus a real need for a number of corrective and incentivising measures to give an additional boost to private construction projects in the economy**. For the Budget 2018/2019, the MCCI proposes the following measures: -

7.4.1. *Review of VAT refund on acquisition and construction of new residence*

The VAT refund scheme on the acquisition and construction of a new residence provides a number of inconsistencies, which act as a barrier to a boost in the construction industry.

1) **Value of less than Rs. 4 Million**

The VAT refund Scheme is applicable only to a residence with a cost of less than Rs. 4 Million. This measure is unfair and against the spirit of boosting construction as an individual acquiring or constructing a residence of Rs. 4.2 Million will not benefit from the measure. The VAT refund is today already restricted to a maximum of Rs. 500,000 of refunds.

The MCCI thus proposes that the restriction on the value of the residence be completely removed.

2) **Household Income Eligibility Threshold**

The VAT Refund Scheme is applicable only to households with an income of less than Rs. 2 Million per annum. This is restrictive and unfair to a household where the income is of Rs. 2.2 Million per annum. The household will be unable to claim back any VAT which may amount up to Rs. 500,00. The MCCI is of the view that measures to boost construction and property ownership for households should be applicable to everyone.

The MCCI thus proposes that the household income eligibility threshold be similar removed.

7.4.2. *Review of Relief of Payment of Registration and Land Transfer Duties*

The exemption of registration and land transfer duties for Mauritians aspiring to home ownership provides for a number of inconsistencies and these should be addressed as follows: -

1) **Construction Timeline**

Currently, the relief of payment of registration and land transfer duties is valid up to 30 June 2020, with construction to be completed by that date. It is considered by operators and households that the timeline for construction is too short and there is thus a need to extend the construction timeline to the **30th of June 2025**.

2) **Value of less than Rs. 6 Million**

The exemption for the payment of Land Transfer Tax and Registration Duty is applicable only to a residence with a cost of less than Rs. 6 Million. This measure is unfair and against the spirit of boosting construction as an individual acquiring or constructing a residence of Rs. 6.1 Million will not benefit from the measure.

The MCCI thus proposes that the restriction on the value of the residence be completely removed and the **limit be applicable on the first Rs. 500,000 of land transfer and registration duty, similar to the VAT Refund Scheme**

3) **Eligibility Criteria**

The exemption is applicable only to households with an income of less than Rs. 3 Million per annum, and for those where the person or his/her spouse was not a sole owner of any immovable property as at July 2016. This is restrictive and unfair to a household where the income is of Rs 3.2 Million per annum. The household will be unable to benefit from the exemption which may amount up to Rs. 500,00. The MCCI is of the view that measures to boost construction and property ownership for households should be applicable to everyone and that there should be no restriction of prior property and household income.

7.4.3. *Arbitration Measures in the Construction Industry*

The majority of construction contracts in Mauritius are based on the FIDIC standard contract model, which include arbitration as an option.

However, the current practice is for parties to choose ad hoc arbitration instead of institutional arbitration in construction contracts. Even major infrastructure contracts involving the state have mostly ad hoc arbitration clauses.

Ad hoc arbitrations often take years to conclude, are opaque and more difficult to manage as not supported by the set of rules and support services, which an arbitration institution provides. Moreover, when obstacles arise in the proceedings, parties are forced back into the court system, which further delays resolution of the dispute.

MARC's objective is to encourage the inclusion of MARC arbitration and mediation clauses in construction contracts, namely through:-

- The introduction of a legislative framework for imposing mandatory institutional arbitration in government construction contracts above a certain amount in value;

- The introduction of a legislative framework for private mediation, with an emphasis on the enforcement aspects of a mediation settlement agreement.

- Ensuring that construction adjudication and institutional arbitration are available as alternative options instead of imposing mandatory adjudication in construction contracts

7.4.4. *Enabling access to affordable Housing in Urban Regeneration Zone Areas*

The last Budget 2018/2019 recognised the need to encourage a sustainable, diverse and vibrant urban community across the island. In fact, during the last few years, Mauritius is moving towards the Work, Play and Live concept to encourage communities, which are linked through their housing, work areas and leisure activities. As part of the proposals to promote such a concept, it is proposed that access to affordable housing be expanded in the new Urban Regeneration Zones. Such access could be facilitated through an agreement between the PLDI and the MHC, as a local public company, to **propose the schemes afforded to individuals to private developers under the Urban Regeneration Zones to facilitate loans at similar rates as the MHC Housing Schemes**. This shall enable a more affordable access to housing by individuals in the Urban Area and promote the integrated eco-system.

7.4.5. *Port Louis Cultural & Art District*

The MCCI supports the PLDI Initiative towards the regeneration of our history capital of Port-Louis. It is thus proposed to create a Cultural and Art District on the land side of the Aapravasi Ghat Buffer Zone Area, as protected by the UNESCO. Such historical areas should be preserved and given the necessary support for enhancing its visibility as a historical and cultural heritage for Mauritius. However, for a number of years, the development in the area has been done in a silo and unplanned manner, with a slow state of urban decay visible in specific areas. Through the development of an integrated arts and cultural district, it is anticipated that the Port-Louis Central Area could be given an additional boost and re-invigoration. It is thus proposed that a set of measures be adopted for the development of the Port Louis Cultural & Art District (**Annex III)**

7.4.6. *Integrated Housing Rentals Database*

With the changing economic landscape and issues related to access to affordable housing, a number of individuals are opting for rental of apartments and houses. This is complemented by an increasing number of foreign workers and expatriates opting for rental of housing. In order to encourage confidence in the property market, it is thus proposed to establish a central housing rental database for individuals which would enable the tracking of available spaces as well as ensuring that non credible tenants and bad payers are screened out. Such a system would promote the development of the housing rental, in particular to young professionals who find it difficult to find suitable spaces for house rentals. Moreover, proprietors of houses and apartments would benefit from the system, which would enable them to screen-out renters who have a history of bad payment. Such concepts of databases are already present in the delivery of credit facilities through the MCIB and are today being implemented in the Insurance Industry.

7.5. 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. The continued opening of air access and tourism promotion campaigns has allowed the sector to be given a real boost. However, 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. A very strong impetus is required that can have the multiple effects of boosting arrivals, increasing tourism spending in the country and most importantly, to provide an overall stimulus to the overall economy through spill-over effects.

7.5.1. *Air Connectivity*

Air connectivity is today an essential aspect of any economy. Nonetheless, there are today less than 10 weekly flights to Africa from Mauritius, and it takes between 20 to 30 hours to reach a number of African destinations. The case is similar when we look at destinations in Asia and America. The MCCI, as a pro-active institution has been a strong proponent of enhanced air access and believes that the Air Corridor between Africa and Asia with Mauritius and Singapore as hubs is a highly welcome initiative.

The MCCI has identified the following as key destinations in the near future: -

- China
- Nairobi
- Lagos
- Mumbai
- Singapore

There is a need for Mauritius to aim at having regular direct flight to the above destinations. Increased air connectivity will be a useful tool to attract multi-national companies and international law firms to set-up regional offices in the country.

Proposal: -To introduce regular direct flights to China, Nairobi, Lagos, Mumbai and Singapore.

7.5.2. *Mauritius/Reunion Integrated Tariff Package*

The Mauritius-Reunion route is considered to be amongst the most expensive in the world in terms of its price per kilometre, with a limited number of operators. Despite being one of the closest tourist arrivals country for Mauritius, Reunion Island accounts for approximately 17 percent of total tourist arrivals. It is also, according to latest 2016 statistics, amongst the lower expenditure group for tourists i.e. of an average of Rs. 24,700 per Reunion tourist. This is compared to tourists from Switzerland or China, where the figure is of more than Rs. 57,300 and Rs.55, 000 respectively. One of the reasons of this low expenditure per tourists from Reunion is the high cost of airfares on the Mauritian-Reunion route.

The MCCI thus proposes that, in order to enhance the effect of Reunion tourists in Mauritius, that an integrated tariff package be put in place, where tourists staying in an approved hotel or lodging in Mauritius for a minimum of 4 nights would benefit from an integrated tariff package of EUR 150 as opposed to an average of some EUR 500 – 800 currently. Such a model has been positively successful for Rodrigues and it is thus proposed to extend the concept to the Reunion Island.

Proposal: - To introduce an integrated tariff package of EUR 150 for a minimum stay of 4 nights

7.5.3. *Enhancing Tax Free Shopping (TFS) for Tourists*

With an integrated marketing approach and recent Budgetary measures, the number of TFS transactions has doubled from less than 35,000 in 2012 to an average of 70,000 for the past 3 years (2015-2017), with the annual sales value of products bought by tourists increasing from

Rs. 880 Million in 2012 to over Rs. 1.2 Billion in 2017. During this period, the number of passengers handled by the MCCI Tax Refund Counter at the airport has increased from less than 20,000 to more than 50,000 in 2017.

With the positioning of Mauritius as a hub for both a tourist as well as a transit destination for a number of African countries, in line Africa-Asia Air Corridor, we have to gear ourselves to handle 100,000 passengers taking opportunities of our island wide Tax Free Shopping for Tourists. The aim is to increase TFS sales from Rs1.2 billion to Rs. 4 billion annually.

The MCCI has embarked on a massive 'state of the art' Tax Refund System (TRS) software project at a total cost of Rs. 9 million in order to offer a comprehensive technological platform for the management of the complete Tax Refund process in Mauritius. This will enable a completely paperless system with a hassle-free refund for the visitor, before the end of the year.

In order to support this ambitious project, the MCCI recommends the following support measures: -

- An intensive international campaign by the MCCI with the help of MTPA
- Use of in-flight entertainment system of international airlines to sensitize tourists on the TFS opportunities available in Mauritius
- Use of an advanced Electronic Customs Approval (eCA) system to digitalise the TFS Tax refund process for an enjoyable experience for the tourist
- To limit Customs verification to Tax Refund above Rs. 5,000 only at landside at the airport for checked-in items only.
- To limit Customs verification for Tax Refund above Rs. 5,000 only at airside at the airport for cabin items only.
- Deferred payment for passengers who have not been able to get their Tax Refund after Customs verification.
- A single Tax Refund digitalised form for both DDTS and VAT paid supplies transactions.

The new Tax Refund System will not only integrate all transactions, customs approval and refunds electronically with advanced verification and reporting features, but also cater for digital services like e-commerce and online purchasing for transit passengers.

7.5.4. *National Air Carrier Policy*

As a critical part of the economic development, a national air carrier policy in the country should be adopted. This strategy will require the Government to intervene, financially and strategically to assign clearer objectives when it comes to the economic development of the country. The key performance of a national air carrier should not be benchmarked against profits but rather be used for the development of the economy, with strategic destinations which might be unprofitable at the start, but the overall effects of the destination on the economy should be taken into consideration in building longer term trade and investment routes. A rethink of the corporate status and long term national benefits alignment by all stakeholders would be most desirable especially after 50 years of operation.

7.5.5. *A 'Mauritian Experience' Publication*

The tourism industry has been a catalyst for economic development in the economy, with vast spillover effects on all sectors of activity. There is a need however to boost tourism expenditure and to have a coherent approach in promoting the Mauritian destination. The Mauritian tourism industry needs to move from a hotel-only industry to a tourism industry, thereby promoting the entire tourism value chain.

The MCCI proposes the introduction of a new pocket size publication to depict the Mauritian experience to tourists. This new marketing tool will be an asset in targeting the tourists even before they land in the country. The publication which will contain a panorama of the endless opportunities in Mauritius - ranging from our rich historical and cultural sites, the entertainment, leisure and shopping activities, to include even investment and business opportunities amongst others - **should be mandatory on all inbound flights to Mauritius by all carriers**. Available in English, French and Mandarin, the booklet will provide passengers onboard with a first-hand experience in his own language.

. **Proposal: -**To introduce a 'Mauritian Experience' publication which will be mandatory on all inbound flights to Mauritius.

7.5.6. *Digital Advertising Technology at Airport & Port*

As part of an integrated marketing strategy to promote Mauritius as a tax-free shopping destination, it is essential to use prime advertising spots to promote locally produced and sold products to tourists. Promotion of products and Mauritian services will then be managed at this unique spot by the MCCI, promoting the Mauritius destination. The MCCI proposes to implement a digital screen at the Airport and in the New Island Terminal to promote Mauritian products and services. The Digital Screen shall be used, inter-alia for the following:-

1. Promotion of Mauritius as a business and investment destination – jointly with EDB
2. Promotion of Mauritius Jewellery and artisans – jointly with the Jewellery advisory Council and the SME Mauritius
3. Prime advertising for tax free shops
4. Promoting Mauritius as a unique International Financial Services Hub

7.5.7. *Extension of the Voucher System to all Tax Free Shopping outlets*

Further to MCCI’s Budget Proposals in 2017/2018, the Government has implemented a Rs. 200 voucher to tourists purchasing handicraft products from approved shops (with a minimum purchase of Rs. 1,000). However, the impact of the measure has so for been limited with a very small number of tourists aware of or making use of the voucher.

It is proposed that, in the spirit of promoting Mauritius as a duty and tax free shopping destination, the voucher be extended for use at all “Tax Tourist Refund” and “Duty-Free Shops” registered with MCCI and MRA. The MCCI believes that this shall contribute to enhancing the tourist proposal through the incentivisation being conducted by the delivery of a voucher to the tourist and trigger the tourist’s appetite for increased consumption of Mauritian products.

We firmly believe that the extension of the voucher system would give an additional boost to tourism consumption and shopping expenditure in Mauritius.

7.5.8. *Implementation of an Omnibus Tourist Operator Permit*

The tourism economy is now moving towards more and more integration. In 2016, the Government of Mauritius introduced an omnibus Hotel Certificate to cover all commercial activities carried out within a hotel. Today, tour operators currently have to take multiple licenses which include the Tour Operators' License by the Tourism Authority and the PSV License issued by the National Transport Authority (NTA). It is thus proposed that an omnibus permit be issued for the delivery of a consolidated license to tour operators.

7.5.9. *Promoting Mauritius for 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 can be promoted, especially during the low-end tourist seasons. It is thus proposed that the MTPA & EDB allocate **specific marketing executives for the marketing and promotion of the country as a combined MICE Market, with a coordinated approach between the different stakeholders and the publication of the "Mauritius Offer" in targeted magazines and websites, as well as a targeted approach with companies and organizations holding conferences to promote the Mauritius destination.**

7.6. ICT/BPO

The ICT/BPO Sector has, for a number of years, been one of the most dynamic sectors in Mauritius with a long phase of growth of over 10 percent annually. Nonetheless, since 2011, growth in the sector continues to slow down significantly, reaching 4.4 percent in 2017. In 2018, the sector showed a slight rebound in growth at 5.3 percent. The share of GDP from the sector has also remained stagnant, at around 5.7 percent in the last few years. The sector remains faced with a number of challenges and it is felt by operators that the sector is losing its edge on competing economies. The MCCI is of the view that there is a need for a number of key measures for the sector: -

7.6.1. *Review of tariffs for International Private Leased Circuits (IPLC)*

The competitiveness of Mauritius as an ICT/BPO destination is highly dependent on the price of Internet Service. Throughout the world, the IPLC is reviewed downwards on a regular basis and there is a need to constantly review our IPLC prices in order to remain competitive. The MCCI believes that the price of IPLC can be reduced by a minimum of 15 percent in 2018-2019. This will hence allow the country to have a more affordable Internet pricing.

Proposal: - ICTA to reduce the IPLC price by 15%.

7.6.2. *Smart Parking Solution*

With the implementation of the Metro Express, and a number of parking places being created at Urban Stations, Mauritius could lead the way towards the implementation of a universal Smart Parking solution, which will allow drivers to access information on available parking spaces before they even set off on their journey. The Smart Parking, which involved both infrared and magnetic technology enable us to detect individual car parking space information.

Proposal: -To implement a National Smart Parking Solution for Government owned parking spaces across major cities and towns.

7.6.3. *Smart Mauritius*

As part of the Mauritian strategy to digitalise our Government and public sector services, it is proposed that the Estonian model (E-Estonia) be replicated with the partnership of the private sector. It is today essential to create and implement Smart Parking, Health and Police services to enable a smooth digital public sector system which is user-friendly and enables all bureaucratic and administrative processes to be done online in an efficient way.

7.6.4. *Unbundling of Telecommunications Services for ISP*

There is today limited competition in the Internet Service market. In order to increase competitiveness, MCCI proposes that amendments are made to existing regulations to allow unbundling of telecommunications services, as is practiced in a number of advanced economies. Unbundling prices would be set by the ICTA rather than the incumbent operator.

7.6.5. *One Duct Policy*

With a number of telecom operators and utilities having to install cables and pipes on the road infrastructure, it is often found that there is often multiple road drilling and repairs for such purposes. The expenses are multiplied by each operator involved without taking into consideration the disturbance to the public and road users. The Government should set-up a central **One Duct Policy** where every operator can install their cables or pipes for their respective uses. There will be wide ranging economic and social advantages of such a model.

The Government should seize the opportunity of the work being carried out in the context of the Metro Express to facilitate the implementation of the One Duct Policy in parallel.

7.6.6. *Regulatory & Business Enabling Measures for the ICT Sector*

There is today a number of regulatory and administrative issues affecting the ICT Sector. It is proposed that the following issues be resolved in priority to enable a smooth and dynamic progression of the sector:-

- Unbundling of the Copper and Fibre Connections in Mauritius
- Removal of the Moratorium of 3 years on Fibre Optics Cable
- Sharing of the Fibre network to other ISPs at a cost plus basis

- The Fraud Tracking Mechanism for ILD (International Calls) is considered by many operators to be ineffective. Nonetheless, this element of the regulation acts as a burden to operators and it is necessary to repeal the regulation
- The Universal Service Fund (USF) is considered as a burden to small operators, whilst the latter are unable to benefit from the USF. It is proposed to decouple the USF with ILD operations such that it is reviewed as a percentage of profit on telecommunications services. Furthermore, if the USF is charged, it should be on profits, and not on turnover and small operators should be exempted from the USF contributions.
- The licensing regime should be reviewed with the idea of having a universal license to operators. The latter shall be given a license to operate telecom services and pay on a usage basis on the type of service being delivered to the public.
- TV White Space Technology and frequency spectrum should be allowed. This will enable affordable internet access to people in remote areas

7.6.7. *ICT Academy*

There is today an ICT Academy being run by the Ministry of ICT for a number of years. Private operators believe that such an academy should, in order to cater for the needs of a constantly evolving sector, be focused on developing local skills through continuous training. Such an academy should be run with the objectives of providing lifelong learning for ICT professionals. This Academy should be driven by the private sector which has a better understanding of the needs of the industry.

7.6.8. *Start Up Mauritius*

It is proposed to develop a single digital portal – Start Up Mauritius – which will provide all information and enable interaction between entrepreneurs and different stakeholders including Venture Capitals, Angel Networks, Incubators, Legal Practitioners in order to link success business leaders to support new entrepreneurs in the crucial phases of business developing through coaching and mentoring. This should be complemented with a Seed Enterprise Fund for such start-ups to provide a maximum of Rs. 1M through venture funds.

7.6.9. *Increased education scholarship for ICT/BPO*

In order to boost the skills in the specialised Digital Economy, it is proposed that, as part of the Government Scholarship Schemes, a number of Laureates going for studies in the ICT sector be catered for. This would send a strong signal to aspiring students as well as operators that the ICT sector is being given specific consideration and that there is a deliberate policy to boost specialised skills in the sector.

7.7. 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.

With the recent reforms conducted in line with the global initiatives at the level of the OECD and the EU, Mauritius is changing its business model to consolidate its compliance with global norms and practices. The sector is today considered to be at a crossroad and Mauritius is today considered to be a compliant jurisdiction with the OECD, which should give us the necessary gravitas to retain and attract firms. Nonetheless, with the pending challenges at the level of the EU on our partial exemption system and the effects of the new India DTAA, the sector today needs bold reforms and concerted policies to enable the Mauritian economy to become an important International Financial Centre for the region.

The MCCI is proposing the following for the continued advancement of the sector: -

7.7.1. *Signature of Double Tax Avoidance Agreements*

As part of the Mauritius offer on financial services, and linked to the global economy, Mauritius has secured a number of Double Tax Avoidance Agreements with its trading and investment partners. The MCCI is of the view that such a strategy should be enhanced and DTAA signed and implemented with a number of countries, most particularly in African economies

- Kenya (Ratification process to be fast-tracked by Kenyan Authorities)
- Morocco (Ratification Stage)
- Nigeria (Ratification Stage)
- Cote d'Ivoire (Signature Stage)
- Spain (Negotiation Stage)
- Hong Kong (Negotiation Stage)
- Moldovia (New)
- Georgia (New)

7.7.2. *Integrated Scheme for Company Headquarter/Relocation to Mauritius*

With challenges to the world economy, uncertainties with respect to Brexit, Mauritius today has a unique possibility to adopt strategies to attract companies, especially **Fund Managers** to relocate to Mauritius, including Asset & Fund Managers, Private Wealth Management Companies, as well as Treasury and Procurement segments. In order to conduct a targeted approach to such companies, and attracting a critical mass of 50 such companies, an integrated scheme should be given to such companies in terms of tax holiday and the ability to relocate with their existing employees, provided they commit to employee an equivalent number of Mauritian employees. Today, one of the challenges to attracting such companies is the lack of skilled manpower in those specialised sectors.

***Proposal:* -** Companies relocating part of their business to Mauritius should be given the following facilities: -
- 8-Year Corporate Tax Holiday
- Group occupation permit for existing company employees, with commitment to employing equivalent number of local employees.

7.7.3. *Setting up of Secondary Government Bond Market*

To ensure the cost optimisation of Government borrowing and the efficient determination of the risk premium on private sector borrowing, it is of fundamental importance that our financial centre is endowed with a market-determined yield on Benchmarked Government Bonds. The SEM and CDS have already worked out an attractive and highly cost-efficient model for the setting up of a secondary market for Benchmark Government Bonds in association with the Bank of Mauritius, Financial Services Commission and some Commercial Banks (Primary Dealers). It is of fundamental importance that this model be implemented, to optimise the costs of borrowing for government and modernise the framework governing the issuance and secondary trading of government debt instruments.

Proposal: **-** Setting up and operationalization of secondary market for Benchmark Government Bonds on the Stock Exchange of Mauritius

7.7.4. *Enabling Framework for Securitisation of Financial Assets*

Mauritius has over the years introduced a number of changes to its regulatory framework in an effort to facilities the setting up of new businesses. It is today important that the regulatory framework be adpted in order to encompass regulations on the securitization of financial assets. This shall create the enabling environment for the creation of new financial products such as Asset=based Securities (ABS) and Mortgage-backed securities (MBS). This shall enable Mauritius to move up the value-chain, with more substance-based financial activities.

Proposal: **-** Establishment of regulatory framework to facilitate securitization of financial assets

7.7.5. *Promoting crowdfunding and FinTech through interest income exemption*

As Mauritius moves towards the development of new and innovative investment and loan portfolios, including crowdfunding and Fintech, it is essential to promote investment by individuals in such initiatives which have the dual effect of promoting individual investments and further promoting the eco-system for providing access to finance to SMEs, which have a difficulty in securing loans from the Bank. In this respect, and similar to interest income derived from debentures and certain bond categories, it is proposed to provide for an exemption of interest income by individuals and institutional entities from the interest income derived through investment in crowd funding and FinTech

Proposal: - To amend the Income Tax Act, Part II – Sub Part B, by inserting after 3(e), 3(f) for interest payable on – (f) Investment in crowd funding and FinTech platforms under the regulatory sandbox license or the FSC

7.7.6. *Extension of Partial Exemption System*

Further to the reforms of the Global Business sector, the Government of Mauritius introduced a new partial exemption system in replacement of the Deemed Income Tax Credit. In order to enable the development of the industry, it is essential to extend the partial exemption system to other business activities as follows:-

Proposal: - Extension of partial exemption to the following activities:- (1) Holders of an Investment dealer License (2) Holders of Payment Intermediary Services License (3) Global Shared Services Activities (4) Consulting and IT Services (5) Professional Services (6) Royalty Income (7) Rolling Stock and Machinery (8) Re-Insurance and broking of re-insurance services as follows:- - Professional Reinsurer - Captive - Reinsurance Broker - Reinsurance Agent - Insurance Manger

7.7.7. *Banking Levy*

Similar to the Telecommunications industry, the banking industry is today faced with a solidarity levy on its profits, in addition to the corporate income tax. The levy is ultimately passed down to customers through different fees. The MCCI proposes that the solidarity levy be revisited.

7.7.8. *Private Investment Fund (PIF)*

To respond to market demands, a number of competitors to the Mauritian jurisdiction including Jersey and Guernsey have introduced a new fund regimes which will enhance the competitiveness of the jurisdictions in which to establish funds. It is thus proposed to provide for a new regimes with the following benefits:-

- Close relationship between investors and the licensed manager, who will be responsible for providing warranties on the ability of the investors to assume loss. It therefore dispenses with the formal requirement for information particulars such as a prospectus in recognition of that relationship, significantly reducing the cost and processing time of launching of a fund.

- The PIF, which can be either closed or open-ended, may contain no more than 50 legal or natural persons holding an economic interest in the fund.

- Both the PIF and its manager benefit from an application process, can be completed in one business day. The two processes may be completed in tandem, ensuring a short regulatory timescale

- **Fast tracking** of the application processes for a PIF by the FSC

7.7.9. *Review of Domestic Arbitration Legislation*

The Domestic Arbitration legislation, as part of the Code of Civil Procedures (CCP) dates from 1981. In the last decades, there have been numerous developments in the field of arbitration and it is felt that there needs to be a review of the Domestic Arbitration legislation to enable competitiveness vis-à-vis other jurisdictions. Thus, the MCCI, through the MCCI Arbitration and Mediation Centre (MARC) supports a review of the Mauritius legislation, which can be based on the Decree 2011/48 in France.

7.7.10. *Legislating regulating third-party arbitration funding in Mauritius*

Resolving complex arbitration disputes can be expensive and a significant burden on parties whilst funding difficulties arise as a consequence of the dispute itself. Currently, there is an emergence of more third-party funding in international commercial arbitration and investment treaty arbitration. Businesses that may find themselves one day a party to a dispute in international arbitration should consider the possible benefits that third-party funding can offer and should be acquainted with the potential risks. While the industry is still largely unregulated, certain jurisdictions are taking steps to recognise its growth and regulate this mechanism.

From recent global developments, three different approaches to the regulation of third-party funding in international arbitration can be seen to be emerging. In some jurisdictions, the legality of and rules around third party funding are legislated (Hong Kong*[7] and Singapore**[8]), whereas in other jurisdictions the legality of third-party funding is being developed on an ad hoc basis by case law (England and Wales). The third approach is essentially that of self-regulation, where in the absence of either legislative or judicial guidance, professional standards are being developed (France).

Proposal:- *Setting up of a public-private committee to develop a framework or legislation to govern the third-party funding mechanism for arbitration cases which are seated in Mauritius or which apply Mauritian law.*

7.7.11. *Pension Scheme*

The Mauritian economy is faced with an increasingly ageing population, with the number of individuals aged more than 65 years old more than doubling to reach 300,000 by 2050, according to UN estimates. According to latest data available, there are less than 20 percent in Mauritius[9] of employees holding a private pension in Mauritius. Indeed, there is a lack of financial incentives for consumers to enter these schemes.

It is proposed that pension schemes are treated as exemptions and are made deductible from chargeable income. Contributions to pension schemes up to a maximum of **Rs. 15,000** per

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[7] http://gia.info.gov.hk/general/201812/07/P2018120700601_299064_1_1544169372716.pdf

8 https://sso.agc.gov.sg/Bills-Supp/38-2016/Published/20161107?DocDate=20161107

[9] International Organisation of Pension Supervisors, 2016

annum should be deductible from the individual's chargeable income. This will encourage participation in private pension plans.

Proposal: -To insert a Section 27D in the Income Tax Act as follows:

27B. Relief for Private Pension Premium

(1) Subject to this section, every person shall, in an income year, be entitled to deduct from his net income the actual amount paid in that income year as premium in respect of a private pension scheme contracted for himself and his dependent for whom he has claimed a deduction under section 27; or

(2) The relief under subsection (1) shall not exceed the amount specified

in Column 2 in Part III of the Third Schedule corresponding to the category specified in Column 1 of that Schedule.

(3) No relief under subsection (1) shall be allowed where the premium or contribution has been paid by the employer of the person;

PART III - RELIEF FOR PRIVATE PENSION PREMIUM

Column 1	**Column 2**
Category claimed as Income Exemption Threshold	**Premium Allowable (Rs.)**
All categories	15,000 for self only

ANNEX I :- Improving the Port Productivity

IMPROVING THE PORT PRODUCTIVITY			
	Issue Background	**Implication / consequences**	**Proposal**
1	Port closure due to bad weather *(heavy swells)* led to more than 30 days on non-activity in 2018.	Negative impact on both import and export. Mauritian manufacturers had to ship and import goods by air which brought to higher costs that will be passed on to the consumers and loss of Markets.	Mitigating measures to allow the vessels to operate even when there are heavy swells.
2	Low productivity of CHC at MCT terminal.	The number of cranes' move on the MCT is very low *(15 to 18 moves per hour)*. There are Vessels are leaving Port Louis without having loaded all containers and import vessels leave berth without having completed their discharge.	Benchmarking ourselves with other similar countries. Give training courses to crane operators for better efficiency.
3	Ports Act 1998 Section 2 (1) defines transhipment cargo as ‘any cargo landed from a vessel and placed in the custody of the Authority for the purpose of shipment on another vessel’. This section further defines a vessel as ‘anything constructed or adapted to carry persons or goods by water…’.	If transhipment cargos arrive by sea and is thereafter transferred by air transport, transhipment rates are not allowed.	Amend the section 2 (1) of the Ports Act so that vessel is defined as ‘anything constructed or adapted to carry persons or goods by sea and air.
4	Lack of equipment at the CHC and, very often the shifting of container for examination, cannot be done timely.	Delays, miss appointment at Customs for verification and importer must pay storage and demurrage charges.	More equipment and better organisation at CHC.
5	CHC storage invoices are available after several days.	Cannot complete our invoicing process as client is requesting same with all other documents to compute costs of goods.	CHC invoices to be ready within 24 hours of delivery and must be available on line.

ANNEX II

Patentability of Software

(1) SOFTWARE PROTECTION[10]

The current Mauritius Patent, Industrial Designs and Trademark Act 25- 2002 states that

(1) For the purposes of this part [PART III - Patents]
"Patent" means the title granted to protect an invention; "inventions" means an idea of an inventor, which provides the solution to a specific problem in the field of technology.
(2) For the purposes of subsection (1), an invention may be, or may relate to a product or a process;

The above definition allows an extensive interpretation of what can be considered as an invention. Indeed, all creations of the mind that provide a solution to a specific problem can be understood as inventions according to the current Mauritian law.

Moreover, the fact that the act states that invention "may be" or "may relate" to a process this leaves the doors quite open to accommodate software in the arena of patentable inventions. The forthcoming Mauritius Industrial Property Bill in its part III " Patents, Utility Models, Patent Cooperation Treaty Sub-Part A-Patents provides that " The following shall be excluded from patent protection:

(a) Discoveries, scientific theories and mathematical methods;
(b) Literary, dramatic, musical or artistic works and any other aesthetic creation;
(c) Schemes, rules or methods for doing business, performing purely mental acts and playing games;
(d) Computer programmes."
Based on the above, computer programmes and related software are expressly excluded from patentability. There is no more room for interpretation.

Recommendations

Given the importance of software creations for Mauritius, it is highly recommended to remove computer programmes from the list of patentability exceptions. It is true that these creations of the mind have been considered as literary works under various jurisdictions. However, the current trend of modern intellectual property laws shows that computer programmes are the cores of any electronic devices. They are at the forefront of any technological development. It is, then, on this bases that they are more and more pulled under the patentability scope of modern patent laws.[11]

[10] An information technology solution is a set of related software programmes and/or services that are sold as a single package.
[11] On this subject see the US Patent Act. See also the Indian and Chinese Patent laws.

If the US Patent Act clearly considers computer programmes as inventions, and therefore, patentable, the European Patent Office (EPO) would not patent the software as such. But if included in an electronic device, them the whole creation of the mind comes under of the patentability scope of the European Patent Convention. As patents are perceived as incentives for innovation, the EPO has developed the concept of "Computer-implemented invention" to boost the thriving ITC industries.[12]

Based on the above a European start-up would file a patent application not for the computer programme as such[13] but for a computer-implemented invention, which involves the use of a computer, computer network or other programmable apparatus, where one or more features are realised wholly or partly by means of a computer program.[14]

In sum, it is recommended to

(1) Remove programme computer from the exception to patentability list. This will leave the doors open for interpretation.

(2) In fact, Mauritius should include the concept of "computer-implemented invention" within the Mauritian Industrial Property Bill. This will provide a much better and a robust protection to industries operating in this sector.

(3) However, if Mauritius wants to promote information technology activities, which is a the policy implemented in the developed world, and if Mauritius wants to promote the legal process outsourcing practices, then, it is definitely better to clearly opt for patentability of computer programmes.

(2) THE JOINT RESEARCH AGREEMENT

In order to foster innovation by promoting collaborations between academia and industry, it is recommended that

(1) A national directory encompassing references to academic expertise sorted by field of technology be set up.
(2) This directory should be established in collaboration with the ministry in charge of higher education and managed by MCCI.

[12] The concept of "computer-implemented invention has been developed by the EPO because the "The term "software" is considered to be ambiguous, because it may refer to a program listing written in a programming language to implement an algorithm, but also to binary code loaded in a computer-based apparatus, and it may also encompass the accompanying documentation." < https://www.epo.org/news-issues/issues/software.html>.
[13] Under the EPC, a computer program claimed "as such" is not a patentable invention (Article 52(2)(c) and (3) EPC). Patents are not granted merely for program listings. Program listings as such are protected by copyright. For a patent to be granted for a computer-implemented invention, a technical problem has to be solved in a novel and non-obvious manner.
[14] See EPO website < https://www.epo.org/news-issues/issues/software.html >

ANNEX III

Urban Regeneration Scheme – Cultural & Art Special Zone

The setting up of a Cultural & Art Special Zone is proposed with the following incentives

Areas	Incentives
Refurbishment and construction of new buildings located in the action area plan approved by Government forming part of the cultural & Art Special Zone	1) Exemption from registration duty and land transfer tax on acquisition of land and building located within 'action area plan' of the Cultural & Art District for land consolidation 2) Customs & VAT Exemption for renovation and reconversion of buildings 3) Income Tax Holiday for a period of 8 years on income derived from sale or rental of immovable property 4) Exemption from BLP Fees
Work, Live and Play	1) Housing allowances in Urban Regeneration Areas to be treated as exempt income from income tax to promote integrated housing, whereby companies may given housing allowances instead of transport allowance to employees living within a specific area
Creative industries and heritage	1) 5-Year Corporate/Income Tax holiday on income derived by world class artists residing in the Cultural & Art Area 2) Exemption from Duty & VAT on sale of art and cultural goods 3) Tax deductions for donations to heritage organisations or funds 4) 8-Year Tax Holiday for highly specialized foreign labour under Occupation Permit in domains of Entertainment, Media, Arts, Technology

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