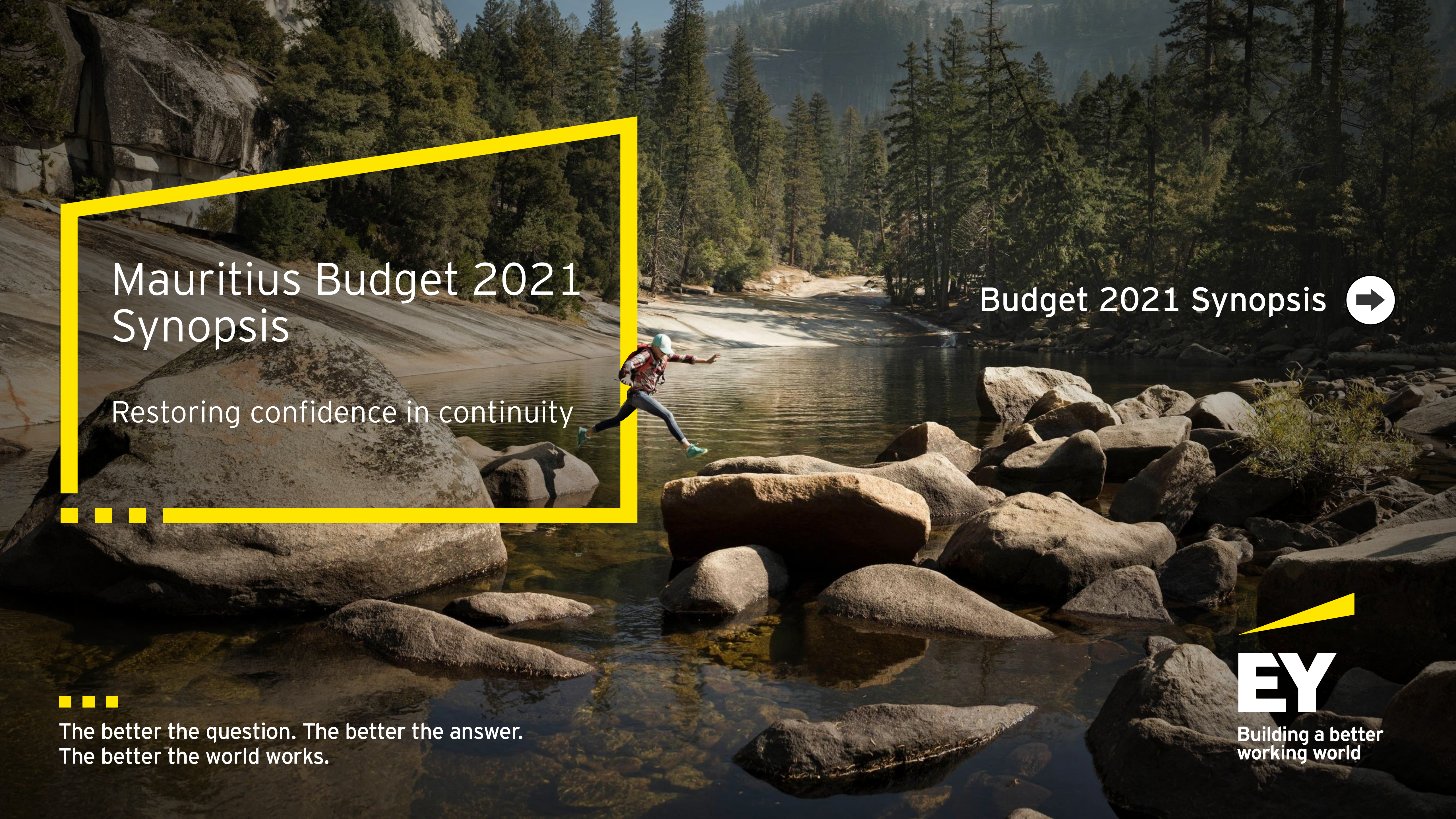


Mauritius Budget 2021 Synopsis

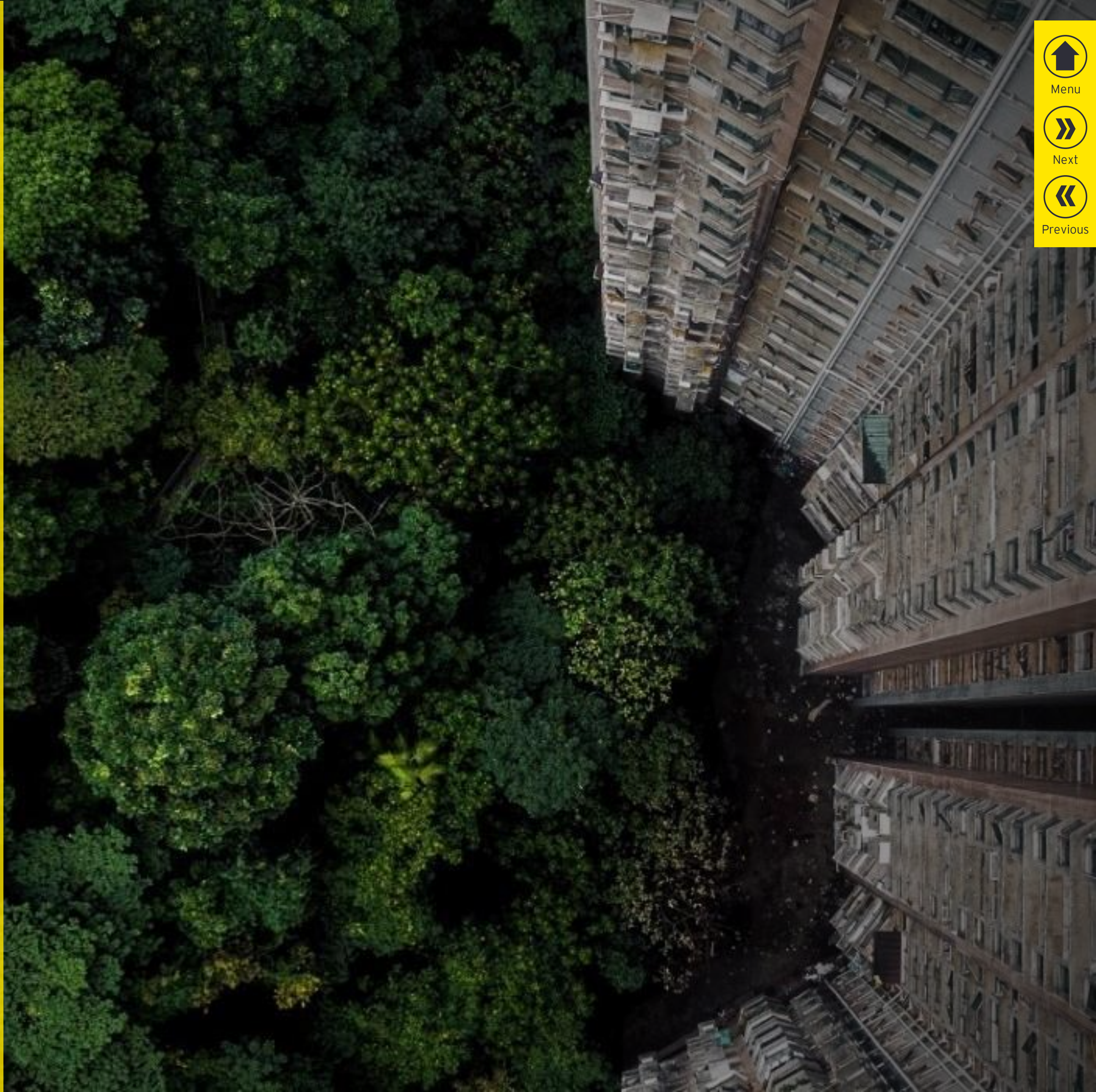
Restoring confidence in continuity

Budget 2021 Synopsis

The better the question. The better the answer.
The better the world works.

EY
Building a better working world

Contents



Menu
Next
Previous

Executive summary

An overview of the 2021 budget

Menu
Next
Previous

Foreword

Minister Padayachy resisted the temptation to balance his Budget for the next fiscal year, accepting a deficit of 5% (FY21 - 5.6%) while giving a "No TAX BUDGET". This alone goes towards restoring confidence, critical to boosting investment and consumer spending. He continues the vast infrastructural projects engaged in the last few years, announcing Rs65Billion expenditure over the next 3 years. He does not compromise on the Welfare State, keeping generous measures previously taken.

The boldest decision is that of transforming our energy sector away from fossil energy (all imported) to a 60% target of green renewables by year 2030. To help attain this target, he introduces a fair compensation of Rs3,300 per ton of sugar to cane planters for the energy input that bagasse represents. This will not only encourage the continued cane production, but reduce the losses made in the cane industry due to low sugar prices. However, although the Minister talks about SUSTAINABILITY, we believe not enough is done to transform our Island to catch up, when compared with many countries.

Providing clarity around the borders re-opening finally gives light at the end of the tunnel for our Tourism Sector, on its knees after 18 months of stand-still. The extension of GWAS till September shows this Government's commitment to continue supporting this vital industry.

The gradual opening of Mauritius to foreigners continues, with a 10-year occupational permit and the ability for spouses to work. We really need to promote our island with a "Mauritius welcomes you" campaign to make this count and to improve our immigration.

In summary, a Budget that shows continuity in policy and that should inspire confidence for the growth phase ahead.

Gerald Lincoln
Country Managing Partner

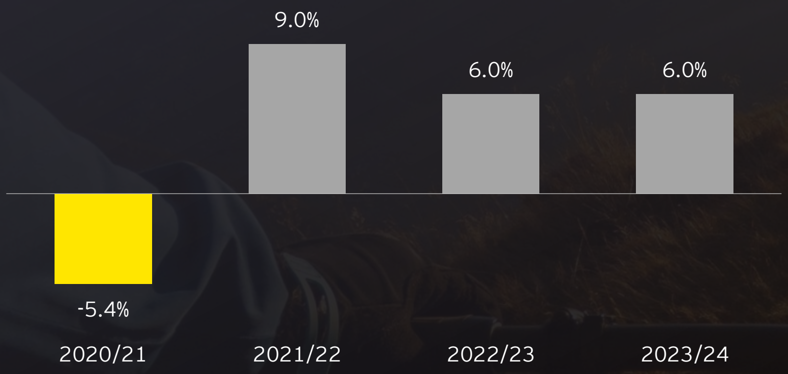
Highlights of the 2021/2022 budget

- Economic growth forecasted to be 9% for the year 2021/22
- Public sector debt as a % of GDP at the highest as GDP contracts for the 2nd consecutive year
- Fairer remuneration of bagasse in support of the cane industry
- Incentive to develop the production of pharmaceutical products and medical devises (including production of COVID-19 vaccines)
- Digitisation readiness with the roll-out of Central Bank Digital Currency and investment in education as well as R&D
- Reopening of the borders from 15 July 2021 (with a 14-day quarantine restriction) and full reopening to all vaccinated tourists as from 1 October 2021
- Improvement in the IHS scheme with an increased maximum of 80% of units and a minimum selling price down to USD375k
- Heavy investment of MUR65 billion in infrastructure projects including key needs such as water supply and flood management
- 60% energy production to be from renewable energy by 2030

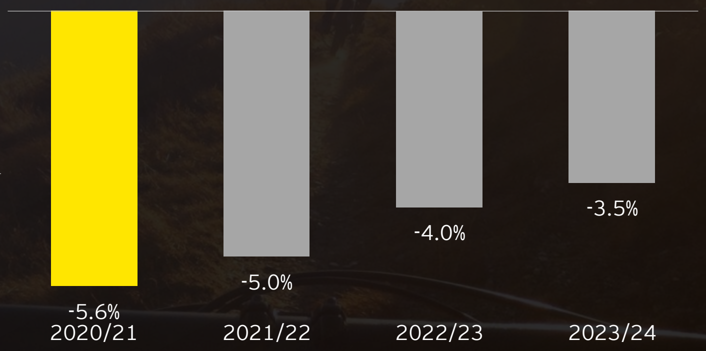
Menu
Next
Previous

Economic overview

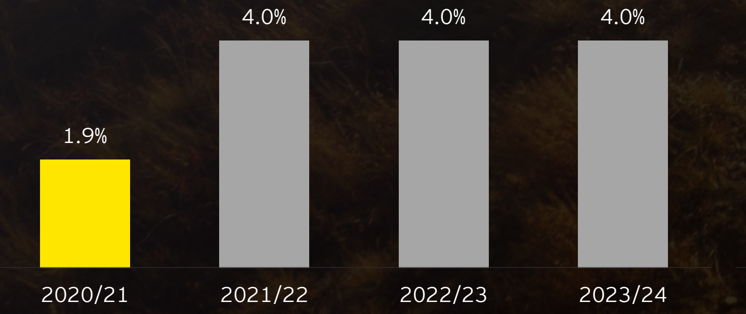
Economic growth



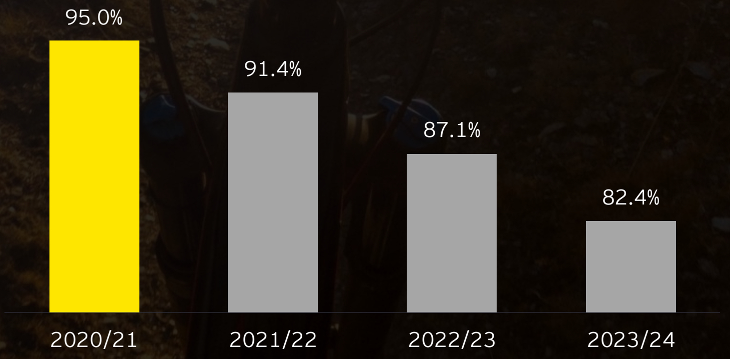
Budget balance deficit (% of GDP)



GDP Deflator (% change)



Public Sector Debt (% of GDP)



Source: Budget 2021/22

> The rebound being forecasted for the Mauritian economy post-Covid 19 is similar to that forecasted by comparable economies.
>
> This growth is fuelled to a large extent by the re-opening of borders and anticipated impact on tourism, as well as the multiplier effect of the significant investment in infrastructure projects.
>
> The forecasted budget balance and public sector debt ratios improve as a consequence of this growth.
>
> The GDP deflator which is proxy for inflation will be under severe pressure in such a high growth scenario. Containing inflation will require fiscal and monetary discipline on the part of the Government.

Budget lenses

Sectorial analysis

Menu
Next
Previous

Manufacturing & agriculture

Bagasse remuneration	Employment in Agri	Employment in Manufact.	Contribution of Manufact. to GDP	Total Export
Rs3.3k/t of sugar	41000	103k	12.1%	Manufacturing 85%

Budget proposition	Our point of view
▸ With the introduction of the biomass framework, all sugar cane growers will benefit from a remuneration of Rs3,300 per tonne of sugar for bagasse.	▸ The fairer remuneration of bagasse recognises the contribution of this important by-product and contributes to the survival of the cane industry. This increase is significant and goes towards the green energy plans set by Government
▸ Rs5 billion fund to modernize the manufacturing and, agriculture sectors. ▸ Several facilities will be made available to support the manufacturing sector such as cheaper financing, tax holidays and training. ▸ Freight Rebate Scheme and bunkering measures extended.	▸ We support these measures as access to funding will boost the manufacturing sector, support employment, and encourage re-investment and automation.
▸ Blue economy: Additional Fishermen cards, increase in bad weather allowance, lump sum for fisherman aged above 65 returning their card, MUR100k interest free loan and COVID-19 Special Support Scheme.	▸ Although we welcome those micro measures to support fishermen, deeper actions are needed to encourage investment in our blue economy given our vast maritime zone and its immense potential for development.
▸ Investment of Rs1 billion for the setting up of a manufacturing plant for local production of COVID-19 vaccines and other pharmaceutical products. ▸ Promotion of manufacturing of pharmaceutical products and medical devices through reduced tax rate to 3%.	▸ This measure is timely as there is significant demand for pharmaceutical products in a post-COVID world. ▸ With the appropriate regulatory framework, this is expected to attract new expertise and qualified professionals, and set the scene for a new economic pillar.

Menu
Next
Previous

ICT

Research projects	E-learning system	DIA trainee stipend	Wi-Fi in schools	Licensing portal
Rs125 million	Rs33 million	Rs15,000	Rs170 million	1 July 2021

Budget proposition

- Roll-out of a Central Bank Digital Currency (CBDC) on a pilot basis.
- Set up of Open-Lab for banking and payment solutions and FinTech Innovation Lab to encourage entrepreneurship culture.

- Investment of Rs33 million in an e-Learning Management System.
- Setup of Digital Industries Academy (DIA) by the EDB to enhance the sector's development and resilience.

- Broader mandates for Mauritius Research and Innovation Council (MRIC) for fostering research and innovation and Rs125 million being earmarked for Ministries to finance research projects in priority fields.
- Setup of emerging technologies council to promote emerging technologies such as Blockchain, Artificial Intelligence and Internet of Things (IoT).

- Automation of public service delivery through the development of a new Companies and Businesses Registration Integrated System and notice-based registry under the Mauritius E-Registry system; upgrading of the E-Judiciary system; launch of FSC One platform as online licensing portal.

Our point of view

- CBDC could enhance the efficiency of our payment system and enhance financial inclusion. However, given unknown factors (e.g. disintermediation of commercial banks and cyber threats), regulatory reforms will be required while incorporating lessons learned from large countries.

- The promotion of digital education and e-learning systems is welcomed as Mauritius and the rest of the world continues to move towards remote learning since the wake of the COVID-19 pandemic.
- The setup of the DIA is another positive step in the direction of encouraging digitalization within Mauritius.

- The need of the hour continues to be digitalization and innovation across all sectors. The promotion of research through investment and establishment of emerging technologies council will reinvigorate the Island as it calls for digital solutions in order to ensure a smart and sustainable future.

- The pandemic has renewed and anchored the role of digital Government in other countries – both in conventional delivery of digital services and new innovative efforts in managing the crisis. Mauritius still has a long way to go in terms of digitally transforming public service delivery as showcased by its low rank (63) in the E-Government Development Index 2020.

Finance

Tax Holidays	FATF Grey List Exit	Legislation	Digital Currency
5-10 years	Early Exit	BOM Bill	Pilot basis

Budget proposition	Our point of view
Tax holiday for Family Offices and Fund and Asset managers extended from 5 to 10 years.	We welcome this measure which will assist in attracting world class asset and fund managers to promote Mauritius as an International Financial Centre.
Introduction of a QR Code at national level to facilitate digital payments and upgrade of MAUCAS platform to allow for real time payments. Roll-out of a Central Bank Digital Currency – The Digital Rupee - on a pilot basis.	We welcome Government innovation which, together with appropriate infrastructure, mechanism and regulatory support, will contribute to the growth of our FinTech industry. Moreover these initiatives have the potential to be game changers to combatting financial crime.
Strengthening of the current legislative framework through the implementation of the BOM Bill/ Banking Bill reflecting international best practices on AML-CFT reforms. AML/CFT Core Group given legal force under the FIAMLA and establishment of the Financial Crime Commission.	The FATF grey listing is hurting the Mauritius IIFC, and we look forward to a fast implementation these measures which will strengthen and accelerate our regulatory reforms in the Global Business sector and fast-track our exit from the FATF 'grey' List.

Tourism

GDP contribution	Direct employment	Tourism receipts	% of total value of exports	Arrivals
8.7% in 2020	72.7k	Rs20.8b	15.8%	442.7k
19.5% in 2019	105.9k in 2019	Rs72.4b in 2019	37.2% in 2019	1.87m in 2019

Budget proposition

- From 15 July 2021, Mauritius will be open to all vaccinated visitors for resort tourism only. Tourists allowed outside of hotels after 14 days.
- As from 1 October 2021, all vaccinated tourists with a negative PCR test will be allowed on the Mauritian territory without any restrictions.

- Extension of the Wage Assistance and Self-Employed Assistance Scheme to tourism-related companies for 3 months period up to September 2021.

- Rs420 million budget for MTPA promotion of Mauritius; organisation of cultural tourism events locally and internationally; and joint marketing with tour operators and airline companies.

- Invest Hotel Scheme: A maximum of 80% of the units can be sold with owner-occupied days of a room, at a maximum of 6 months annually. The minimum selling price of a standalone villa is reduced from USD500k to USD375k.
- Reduction of the registration tax on transfer of lease of state lands from 20% to 10% for hotels for a two-year period.

Our point of view

- High level of interest from European tourists to resume travelling. The early communication allows industry ecosystem to ready for re-opening to international travellers.
- Clarity is required around air access and resumption of Air Mauritius (direct) flights from main markets which are critical to boost demand.

- While the Minister is optimistic on the pace of recovery, continued support in the form of GWAS is essential until our battered tourism industry recovers its financial stability.
- More support may be required if recovery is more subdued.

- Many other tourist destinations are already operating or communicated re-opening and taking bookings.
- Differentiated promotion of re-opening of Mauritius is critical. Significant resources should be devoted towards this to meet the 650,000 tourists target.

- The sale of existing and new IHS units will increase ability of hotels to raise funds for construction of new hotels or reduce gearing.
- The lower registration duty facilitates potential transactions and lower debt burden of hotel groups.

Construction and Infrastructure

Construction % of GDP	Budgeted spend	Flood management	Transport	Housing refund	Expected Private investment
4.4%	Rs65 billion	Rs12 billion	Rs22 billion	5%	Rs27 billion

Budget proposition

- Rs11.7 billion for national flood management including the construction and upgrade of c.1,500 drain projects multiple regions over the next three years.

- Rs22 billion for transport projects, including Rs4.5 billion to connect Reduit and Ebene to the Metro Express rail network.
- Rs8 billion private sector investment in the development of Urban Terminals at Vacoas, Rose Hill, Quatre Bornes and Curepipe.

- Measures to support homeownership including a refund of 5% (capped at Rs500k) to individuals on the cost of residential land or property acquired in the fiscal year 2021/22, exemptions from registration duties, support for loans and sale of new lots by SIC. The Government also renewed their commitment to deliver 12,000 social houses from the 20/21 budget.

- Rs27 billion in additional private sector investment is expected to be generated by the increased public sector expenditure.
- Approx. Rs20 billion of the Rs65 billion investment announced was already committed in the 20/21 budget (12,000 social housing and a dam in Riviere des Anguilles).

Our point of view

- This represents a key investment and will come as a much-awaited relief to households in flood-prone areas. It is equally important, however, that a budget for the regular maintenance of these drains be earmarked to ensure that the benefit to households of this project is sustained.

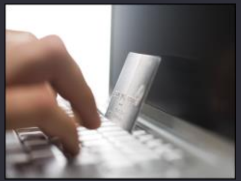
- Connecting the Ebene Cyber City and the University of Mauritius to the Metro Express rail network is an excellent measure.
- Successful development of urban terminals is critical to the attractiveness of the new metro express project as a more sustainable mode of transport.

- We welcome this measure, which will support the construction industry and provide much-needed respite to prospective homeowners currently exposed to rising costs of construction. This measure needs to be carefully designed and implemented to maximise its reach.

- We encourage the Government to provide clear timelines on the implementation of the full Rs65 billion and further information on the plans to attract the Rs27 billion private investment. The Government should lay out a comprehensive framework to incentivise the private sector and to ensure implementation is aligned with national sustainability objectives.

Menu
Next
Previous

Commerce



Imports	Exports	Main Import Partner	Main Export Partner	SMEs	Employment in SMEs
~ $5 billion	~ $2 billion	China	France	~ 124,000	~ 284,000

Budget proposition

- The introduction of an Export Development Programme to improve export readiness.
- The Freight Rebate Scheme and the Export Credit Guarantee Scheme is being extended to June 2022 to maintain competitiveness of exports.

- A monthly salary compensation of Rs375 and an increased grant of up to Rs200,000 will be paid to SMEs. Measures such as exemption of trade fees, extension of Credit Guarantee Scheme and extension of tax arrears settlement are put in place. A rebate of 30% for annual rental space for the next 3 years and an industrial park is being constructed for the SMEs.
- SMEs will be eligible to interest-free loan of Rs100,000 and a COVID Special Support scheme up to Rs1 million at an interest rate of 0.5% p.a.

- A 110% deduction will be allowed on the taxable income for the direct expenditure incurred on the purchase of products manufactured locally by SMEs and the procurement of goods manufactured locally is being favoured.
- Minimum shelf space of 40% for locally manufactured products for one year.

- Online platforms will be launched for start-ups SMEs to showcase their products and an e-export directory will be set up to display Mauritian products to the world.

Our point of view

- Mauritius will have an improved footprint on the African and global markets and will increase our SMEs’ competitiveness.

- The SMEs have been severely impacted by the Covid-19 pandemic and these measures should facilitate SMEs’ access to finance as well as warehousing facilities.

- This measure will encourage the ‘Made in Moris’ brands as well as the SME sector, thereby boosting local manufacturing industry.

- Showcasing of our products should boost the SME sector. Adequate quality programmes should also be put in place to promote confidence.

Menu
Next
Previous

Environment and sustainability

Renewable Energy	Circular Economy	CEB Green Investment	Biomass	Coal	Env Perf Index (2018)
60% by 2030	Rs2.2 billion	Rs5.3 billion	13% of energy prod	39% Energy prod	Ranked 90 out 180

Budget proposition	Our point of view
• Rs2.2 billion is being allocated to the National Environment Fund (NEF). • Rs100 million has been earmarked to establish the National Environment Cleaning Authority (NECA), under the aegis of the Prime Minister's Office. • Rs790 million has been budgeted for cleaning of drains, bridges, rivers as well as solid waste management.	• We welcome such measures to tackle environmental issues such as coastal erosion, solid waste disposal and landslides. • Given the multiplicity of agencies involves, the role of the NECA should be clarified to avoid duplication. • Following the Wakashio oil spillage, we would have expected environmental disaster prevention measures as an important theme in this budget.
• Clear targets of 60% has been set for energy production from renewable sources by 2030 and phasing out of coal prior to 2030. • Rs650 million has been earmarked for installation of solar panels on rooftops of Government buildings. • New solar and wind farms generating 50MW in total will be set up.	• We highly commend the phasing out of coal, which represented 31% of energy requirement in 2020. There are, however, no targets for phasing out of heavy oil. • Shifting our renewable energy from 24% in 2020 to 60% in 2030 will require a well-thought out plan and robust governance, as well as strong collaboration between public and private sectors.
• Excise duty will be removed on electric cargo vans, of up to 180 kW. • Subsidies on diesel buses will be phased out to support the transition to zero-emission road transport. • Subsidy on electric buses is being increased by 20%, with the purchase of 25 electric buses for the NTC fleet.	• Electrification of the transport infrastructure is paramount, given its high carbon footprint, and following in the steps of the Metro initiative. This will be supported by fast-charging infrastructure schemes. • Overall, this is a good start towards a green economy. Mauritius has an unparalleled opportunity to go further and declare a timeline for achieving carbon neutrality, in line with many other countries in a post-COVID era.

Menu
Next
Previous

Socio economic

Wage assistance	Education	New jobs	Unemployment	Basic pension	Public Sector
Rs8.5 billion disbursed	Rs17 billion in 2021	3,500 in green energy	9.2% in 2020/21	Rs28.9 billion	4,450 recruitments

Budget proposition

- Extension of the Wage Assistance and Self-employed Assistance schemes to tourism-related companies up to September 2021.
- Financial support in the form of interest free, low interest loans and allowances to SMEs and those self-employed.

- Maintaining the basic pension of Rs9k monthly for those aged 60 years.
- The maximum threshold for sustenance allowance for a family living in poverty increases to Rs10.5k as from 1 July 2021.
- Increase in orphan pension to MUR8k per month for those up to 23 years and monthly foster care allowance to MUR8k per month.

- Allocation of MUR 17 billion to the education sector. New measures include more support to Special Education Needs students (SENs), modernisation of technical and vocational education and support to online learning.
- National training and reskilling scheme and National Apprenticeship programme will cater for those who are unemployed and youth.

- Strong incentives provided to Mauritians to purchase or construct their own residence.
- Special desk to attract at least 50,000 foreign retirees and amendment to Invest Hotel Scheme to allow sale of up to 80% of units to foreigners.
- Extension of Occupation permit from 3 to 10 years.

Our point of view

- We welcome these as this will help safeguard employment in the shorter term.
- However, with respect to the financial support to SME's and self-employed, the Government needs to time bind these measures to ensure that we contain public debt to sustainable levels for future generations.

- The measures to support the vulnerable is commended.
- Given the current difficult circumstances, shifting from the proposed universal basic pension system to more targeted one along with effective anti-poverty programs would help cope with the increased social needs and reduce fiscal space.

- We commend the planned investment in education and our youth.
- In the context of the Covid-19 outbreak and lockdown, support to online learning platform will also ensure continued access to education and learning.
- National training and youth employment programmes will help improve the employability of the unemployed and the youth.

- Confidence in the economy and future increases in line with home ownership.
- Further opening up of the economy to foreigners is most welcomed as it creates conditions to attract FDI to improve the competitiveness of Mauritius and create employment.

Fiscal measures

Overview of fiscal measures

The Speech contains a number of fiscal incentives for households and businesses across various sectors. As with prior years several fiscal measures have been provided in the explanatory notes that will be the subject matter of the Parliamentary debates.

Mauritian nationals who acquire a house, apartment or bare land to construct a residential building will be eligible for a refund computed at 5% of the value of the immovable property, subject to a maximum of Rs500,000 per property if the acquisition occurs during the year ending 30 June 2022. The amount received by the individual will have to be refunded if the property is sold within a year of its acquisition.

The exemption on registration duty for a first-time buyer will be based on the first Rs5million.

The acquisition of specialised software and systems will qualify for a 200% deduction. A computer software is generally treated as a capital expenditure and it will be useful to understand whether for tax purposes the 200% deduction will imply irrespective of the fact that the software is of a capital nature for financial reporting purposes.

A 200% deduction will be available to a manufacturing company on market and product development expenses targeted to the African market.

Under the Premium Visa Scheme, Mauritian sourced income paid outside of Mauritius will not be taxable in Mauritius. The same tax treatment will apply to money spent by the individual in Mauritius using foreign credit or debit cards by the holder of a Premium Visa. Where income tax has been paid in the country of residence of the individual, no Mauritian tax will arise for the portion of income that is remitted to Mauritius. This amendment is effective as from 1 November 2020.

To encourage the breeding industry in Mauritius, no import duties and VAT will apply to animals bought for the purpose of training, breeding and re-export.

Developers of purpose-built factories for manufacturing of pharmaceutical products and medical devices as well as for clinical and pre-clinical trials will benefit from the following exemption:

a. Land transfer tax and registration duty;
b. Land conversion tax; and
c. VAT on construction.

Furthermore, biotechnology and pharmaceutical companies will be allowed a tax credit on the acquisition costs of patents. Companies engaged in the medical, biotechnology and pharmaceutical sector will be taxed at the rate of 3%.

We do not understand the rationale for certain amendments. For example, the Annex provides that section 75 of the Income Tax Act ("ITA") will be amended so that it applies to Global Business Companies and not just domestic companies. Section 75 of the ITA is triggered by an income generating activity or business in Mauritius, irrespective of the resident status of the entity. It is effectively an anti-erosion measure and already applies to a company with a Global Business Licence insofar as it has business activities in Mauritius.

EY
Building a better working world

Who can I contact for more information?

Gerald Lincoln
Country Managing Partner
Tel: + 230 403 4777
gerald.Lincoln@mu.ey.com

Shailen Ramgoolam
Partner
Consulting
Tel: + 230 403 4756
shailen.ramgoolam@mu.ey.com

Andre Lai Wan Loong
Partner
Assurance
Tel: + 230 403 4728
andre.lai@mu.ey.com

Ryaad Owodally
Partner
Tax
Tel: + 230 403 4777
ryaad.Owodally@mu.ey.com

Donald Li Fook
Partner
Strategy and transactions
Tel: + 230 403 4703
donald.lifook@mu.ey.com

Lavnya Mohonee
Partner
Consulting
Tel: + 230 403 4777
lavnya.mohonee@mu.ey.com

Antish Gya
Partner
Assurance
Tel: + 230 403 4777
antish.gya@mu.ey.com

Roshni Beeharry
Partner
Assurance
Tel: + 230 403 4777
roshni.Beeharry@mu.ey.com

EY | Assurance | Tax | Strategy and Transactions | Consulting

About EY

EY is a global leader in assurance, tax, strategy, transaction and consulting services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. For more information about our organization, please visit ey.com.