

Cimtax
services 

Tax and

The National Budget

2015/16

23 March 2015

Foreword

The Minister of Finance and Economic Development, Honourable Seetannah Lutchmeenaraidoo presented his budget for 2015-16 with a strong focus on growth and economic development. As he puts it, Mauritius is at major crossroad, and decisions taken now will have a profound impact on the country's future.

The four main objectives of the budget are to steer the economy towards a path of high investment and high employment, secure long term sustainable development, achieve greater equality and social justice for one and all and lastly to promote transparency and good governance in the management of public affairs.

The budgetary provisions demonstrate the government's strong commitment to measures announced in the last electoral campaign as well as those designed to boost investment, amongst others. The creation of smart city projects is designed to revolutionise the way we live, work and play, in order to increase economic growth.

On the financial services sector, the measures outlined are aimed at consolidating and diversifying both the product base and markets. In this respect, the Minister announced the reactivation of the Financial Services Promotion Agency so as to promote more effective campaigns to diversify global business activities in Africa. A Financial Services Institute will also be created to provide specialised courses, thereby taking care of the capacity building within the industry.

The ocean economy is also mentioned as a new pillar of the Mauritian economy with the introduction of new Petroleum Bill to provide the legal and fiscal framework for the exploration and exploitation of hydro-carbon resources in the Mauritius Exclusive Economic Zone.

From a fiscal point of view, there is no change to the personal income and corporate tax rates, nor to the value added tax. The tax administration has also been softened with the reduction of 30% to 10% on the deposit required from a taxpayer for lodging an objection against tax assessment made by the Mauritius Revenue Authority or the Registrar General department. Furthermore, the statutory limit for an assessment to be raised is being reduced from 4 to 3 years.

With the measures that have been announced, it is proposed for the national expenditure budget to be Rs 106.2 billion (including Rs 12.6 billion for capital budget) with revenue of Rs 98.8 billion (of which Rs 77.8 billion of tax receipts) leading to a budget deficit 2015/2016 of 3.5% of GDP while public sector debts will be 54.2% of GDP.

The proposed measures are expected to further facilitate doing business in Mauritius and provide the necessary boost to investment resulting in job creation, thereby, achieving the desired level of economic growth which will lead to a more even distribution of wealth.

Tax team

Sector Review

- » **Financial Services - Global Business**
- » **Gateway to Africa**
- » **A Regional Centre for Talent**
- » **Energy & Sustainable Development**
- » **Business Facilitation and Investment Climate**
- » **ICT**
- » **Hospitality, Tourism & Leisure**
- » **Manufacturing**
- » **Creation of New Pillars**
- » **Public Infrastructure**

Financial Services - Global Business

- » Reactivation of The Financial Services Promotion Agency (FSPA) for more effective promotion campaigns, to diversify our Global Business activities in Africa.
- » Introduction of a Financial Sector Incentive Scheme to attract international Asset and Fund Managers to relocate their front-office operations in Mauritius.
- » Setting up of a Financial Services Institute focused on the provision of training courses based on the actual needs of the industry.
- » Provision of market makers, with an exit mechanism, by the Bank of Mauritius, to revitalise the secondary market for Government Securities.
- » Full cooperation with Indian authorities to finalise discussions on outstanding issues relating to the Double Taxation Avoidance Agreement, following the recent visit of the Indian Prime Minister to Mauritius.

Gateway to Africa and beyond

- » Redefinition of the role of the Mauritius Africa Fund.
- » Development of Special Economic Zones (SEZ) in collaboration with Madagascar, Ghana and Senegal and other African countries.
- » Setting up a regional shipping line to expand regional trade and enhancing the role of our port in the region.
- » Diversification of our Global Business Activities in Africa through the reactivation of the FSPA for more effective promotion campaigns.
- » Appointment of 8 Trade and Investment Managers to be posted in strategic cities around the World, including Beijing, Pretoria and Geneva.

Energy and Sustainable Development

- » Revival of the National Environment Commission, chaired by the Prime Minister
- » Setting-up of a Mauritius Renewable Energy Agency to promote the development of renewable energies.
- » Setting-up of the National Disaster Management Centre to ensure quick response to any major unforeseen event.
- » Ban of plastic bags which will also enable the flourishing of small scale initiatives as alternatives.

Business Facilitation and Investment Climate

- » Granting of greater powers to the Fast Track Committee to expedite the approval process and facilitate the implementation of major investment projects.
- » Abolition of total of 70 permits and licenses that have become obsolete and irrelevant.
- » Automatic Renewal of some types of licenses and permits for upto 3 years, upon payment of fees, including through e-payment.
- » Issuance of an omnibus permit for Operators in the tourism sector for their various activities.

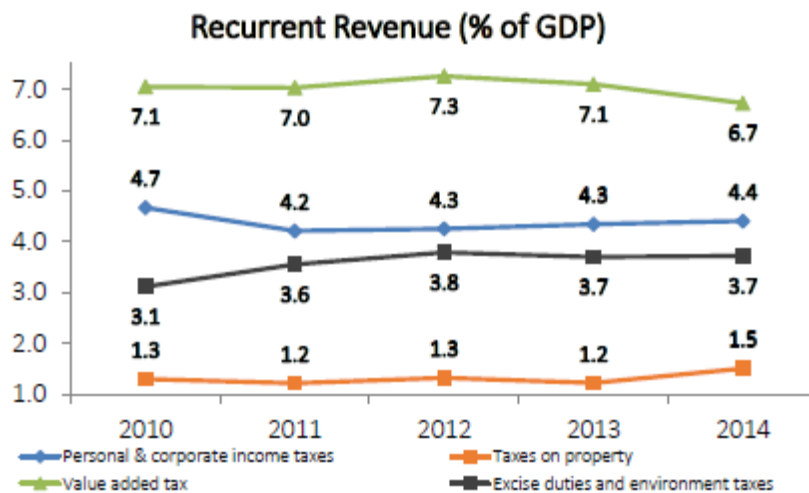
ICT

- » Installation of a third submarine cable that will connect both Mauritius and Rodrigues to the rest of the World.
- » Full broadband fibre connectivity on the island within the next 3 years.
- » Extension of ICT Skills Development Programme to unemployed youths.
- » Introduction of a Scheme allowing ICT companies which recruit a minimum of 100 employees, to bring in a quota of foreign qualified employees. This will encourage the global ICT players to set up business in Mauritius.
- » Increase in the number of free WIFI hotspots from 15 to 350.

PUBLIC FINANCE

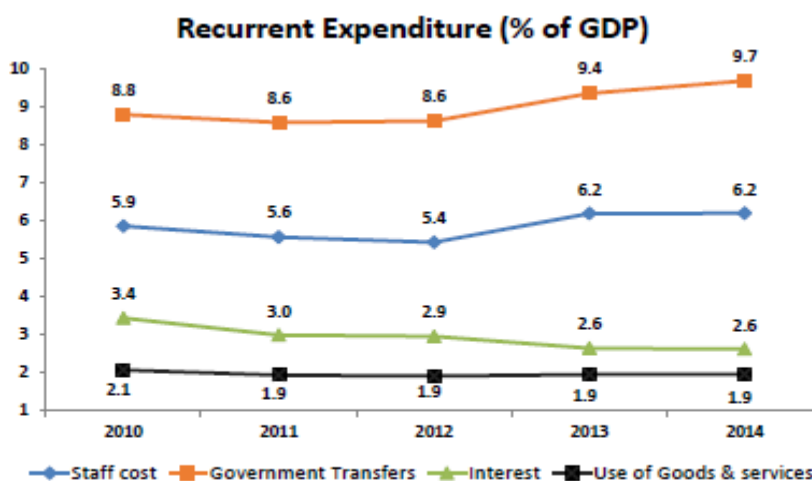
Recurrent Revenue

Recurrent revenue as a share of GDP remained stable at around 20.5% over the period 2010-14. Overall tax receipts were stable at 18.5%. VAT receipts were the largest source of Government income representing 34% of recurrent revenue, equivalent to 7% of GDP. In 2014, VAT receipts declined to 6.7% of GDP reflecting slower growth in domestic consumption and reduction in tourism earnings. Revenue from Personal and Corporate Income taxes grew by 7.3% in 2014 compared to 8.8% in 2013.



Recurrent Expenditure

Recurrent expenditure was 20.8% of GDP in 2014 higher compared to previous years due to salary review in the public service. Staff cost represented 30% of recurrent expenditure in 2014 and Government transfers, including grants to parastatal bodies, subsidies and social benefits represented 47% of recurrent expenditure.



Tax Rates on personal income and exempt income.

Income Year	2015	2014	2013
Flat Rate	15%	15%	15%

Exempt Income	2015	2014	2013
Travelling allowance up to	10,200	10,200	9050
Passage benefits	6% of basic salary	6% of basic salary	6% of basic salary
Lump Sum	2,000,000	1,500,000	1,500,000
Interest from local bank (For GBC 1 and Individuals)	Unlimited	Unlimited	Unlimited
Dividend	Unlimited	Unlimited	Unlimited

Submission of Personal Income Tax Returns

There will be two income tax returns to be submitted by individuals for the 18 months ending 30 June 2015:

- » The first one will be the normal income tax return to be submitted by 31st March / 15th April 2015; and
- » The second one to be submitted by 30th September / 15th October 2015 covering the 6 months period from January to June 2015.

Thereafter, submission of income tax returns will be done annually by 30th September /15th October.

Income Exemption Threshold/ Personal Reliefs and Deductions

Income Exemption Threshold					
Income Year			2015	2014	2013
			Rs.	Rs.	Rs.
Category A	(N1)		285,000	275,000	270,000
Category B	(N2)		395,000	385,000	380,000
Category C	(N3)		455,000	445,000	440,000
Category D	(N4)		495,000	485,000	480,000
Category E	(N5)		335,000	325,000	320,000
Category F	(N6)		445,000	435,000	430,000

Note:

N1	Category A refers to an individual who, in an income year, does not have any dependent;
N2	Category B refers to an individual who, in an income year, has one (1) dependent only;
N3	Category C refers to an individual who, in an income year, has two (2) dependents only;
N4	Category D refers to an individual who, in an income year, has three (3) or more dependents;
N5	Category E refers to a retired person who, in an income year, does not have any dependent;
N6	Category F refers to a retired person who, in an income year, has one dependent only.

Additional Deduction for Tertiary Education

The additional deduction in respect of a dependent child who is pursuing tertiary studies is being raised to Rs 135,000 for the first 6 years of study abroad and in Mauritius.

Interest Relief

Interest paid in a year on a secured housing loan contracted by a first-time home-owner is now allowed as a deduction in full.

Corporate Tax Rates and Tax Credits

Income Year	2015	2014	2013
Flat Rate	15%	15%	15%

Capital Allowances – Year of Assessment 2015	Annual Allowance	Annual Allowance
	Other Sector	Manufacturing Sector
Industrial Premises	5% (S.L)	30% (R.B)
Plant & Machinery	35% (R.B)	50% (S.L)
Hotels	30% (R.B)	N/A
Computer and electronic equipment	50% (R.B)	50% (S.L)
Commercial premises including shops and shopping malls, offices, showrooms, restaurants and other entertainment places and clinics	5% (S.L)	N/A
Motor Vehicles (Maximum Rs3m of allowances per vehicle)-passenger car	25% (R.B)	25% (R.B)
Equipment and machinery costing less or equal to Rs 30,000 / Rs 50,000 for manufacturing	100%	100%
Patents	25% (S.L)	25% (S.L)
Green technology equipment	50% (S.L)	50% (S.L)
Green investment Landscaping and other earth works for embellishment purposes	50% (S.L)	50% (S.L)
Scientific research	N/A	50% (S.L)

(S.L) straight line method (R.B) Reducing balance method

N/A not applicable

Tax Deduction At source

Income Year	2015	2014	2013
* Interest Payable by any person, other than by a bank or non-bank deposit taking institution, under the Banking Act, to a non-resident	15	15	15
* Royalties payable to –			
(a) a resident	10	10	10
(b) a non-resident	15	15	15
Rent paid to a resident of Mauritius	5	5	5
Payment to contractors and sub-contractors resident in Mauritius	0.75	0.75	0.75
Payment to providers of services.	3	3	3
Payment made to the owner of an immovable property or his agent	5	5	5
Payment made to a non-resident for any services rendered in Mauritius	10	10	10
* Not Applicable to GBL1 Companies			

Tax Administration

» Value Added Tax – VAT

No compulsory VAT registration for companies with Turnover of less than Rs 6 million (2014: Rs 4 million).

» Advance Payment System (APS) Returns

No APS for companies having turnover of less than Rs 10 million. (2014: Rs 4 million).

» Alternative Minimum Tax (AMT)

Abolition of AMT.

» Payment on Objection

Reduction of payment on objection of assessment from 30% of the amount assessed to 10%.

» Interest rate on late payment of taxes

Interest rate for late payment of taxes is reduced from 1% to 0.5% per month.

» Notice of Decisions of the Assessment Review Committee (ARC)

Where an agreement or a decision is reached before the ARC, it will now be compulsory for the MRA and the Registrar-General's Department to issue to the taxpayer, within 5 working days of the decision date, a written notice specifying the amount of duty or tax payable and the date limit payable.

» Tax Deduction at Source (TDS)

Companies with annual turnover of less than Rs 6 million will not be required to operate TDS.

» Large Company Statement

Companies with annual turnover above Rs 100 million will have to submit an electronic statement to the MRA every year showing details of payments over Rs 100,000 for purchase of goods and services.

» Customs

- » Introduction of a 5% penalty on late payment of customs duty and excise duty, as is the case in other revenue laws.
- » Allowing an aggrieved person who makes an objection after the prescribed time limit the right to appeal to the Assessment Review Committee.

About Cim Tax Services Ltd

Cim Tax Services is an independent professional services firm focused on providing high quality tax and regulatory advisory services to its clients. We enhance value for clients by focusing on solutions that are innovative, yet practical and that can be implemented.

We are a member of the Taxand Global Network for independent tax advisors. Taxand gives us a global reach as it networks leading independent firms in nearly 50 countries. The current member comprises of more than 300 tax partners and 2,000 individual advisors serving the global market place.

Our services include, inter alia, the following:

International Tax Planning

- » We assist clients in addressing complex structures with regard to investments, putting in place holding structures, structuring hybrid structures and using tax treaties.

Corporate Taxation

- » Manage all tax issues relating to ordinary business activities.
- » Assist companies in optimising revenue associated with strategic and organisational decisions
- » Ensure tax compliance.
- » Provide ongoing assistance and tax opinions on all direct and indirect taxes.

Tax Litigation

- » Representing clients, at all stages, at the Assessment Review Committee.
- » Working closely with counsel in Court.
- » Assisting clients in requesting advance rulings from the Mauritius Revenue Authority.
- » Assist clients in tax audit procedures.

Transfer Pricing Advisory Services

- » Analyse the tax issues in connection with intercompany transactions.

Real Estate

- » Real Estate tax advisory services.

Taxation of Individuals

- » Advise individuals to efficiently manage domestic and international tax issues associated with transfer of residency and sales of assets.
- » Tax planning for expatriates relocating to Mauritius.

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Disclaimer

- » Please note that Budget proposals may be subject to amendments during debates in Parliament. We, therefore, recommend you to seek professional advice before taking decisions based on these measures.
- » Full version of the budget speech can be downloaded at:

<http://mof.govmu.org/English/Pages/Budget20152016.aspx>