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Mauritius Budget Brief 2018-2019

14 June 2018

INSPIRED SOLUTIONS.

PURSUING A TRANSFORMATIVE JOURNEY

The Honourable Pravind Kumar Jugnauth, Prime Minister, Minister of Home Affairs, External Communications and National Development Unit , Minister of Finance and Economic Development, delivered his Budget Speech for the fiscal year 2018/2019 on 14th June 2018.

This year’s budget is set against seven main pathways supported by new poles of economic growth, with an objective of bringing Mauritius to an Inclusive High-Income country based on innovation and sustainable value creation.

7 main pathways:

- Focus on the youth and their future;
- Moving to Age of digitization through Artificial Intelligence, blockchain and Fintech;
- New wave of import substitution industry and export-led production;
- Building of strategic and modern infrastructure to achieve high income status;
- Protection and enhancement of the environment;
- Lifting the standard and quality of life by investing in health, sports and education; and
- Assuming its public responsibility in assuring and inclusive and caring society.

Features

A lot of emphasis is made on promoting the Fintech by the setting up of a National Regulatory Sandbox Licence Committee to consider all issues relating to Sandbox licencing for Fintech activities and the creation of new licensable activities by the Financial Services Commission ('FSC'), namely Custodian of Digital Assets and Digital Asset Marketplace. The Regulator will also put in place guidelines on investment into crypto currency as as digital asset.

A new harmonized fiscal regime for domestic and Global Business Companies and a specific fiscal regime for banks will be introduced.

The FSC will cease to issue Category 2 Global Business Companies licences ('GBC2') as from January 2019, with a grandfathering provision for existing GBC 2.

Two schemes are being introduced to attract High Net Worth indviduals. The first scheme will enable foreigners to obtain Mauritian citizenship provided they make a non-refundable contribution of USD 1 million to a non-refundable Mauritius Sovereign Fund. For their spouse and dependents, and additional contribution of USD 100,000 per member family is required. The second scheme will offer the opportunity for foreigners to obtain a Mauritian passport, if a contribution of USD 500,000 is made to the non-refundable Mauritius Sovereign Fund.

Features

- As per the Budget Estimates for 2018/19:

  - Total expenditure will amount to MUR 133.8 billion, of which MUR 115.9 billion for recurrent spending and MUR 17.9 billion for capital expenditure, as opposed to revised estimate for capital spending in 2017/18 being MUR 15.7 billion.

  - Toal revenue is estimated at MUR 117.4 billion, including tax receipts of MUR 99.7 billion, non-tax and other revenue of MUR 8.8 billion and grants of MUR 8.9 billion.

  - The overall budget deficit for 2018-19: MUR 16.3 billion, that is 3.2 % of GDP.

  - GDP rate forcasted at 3.9% and inflation rate at 3.5% (2018: 4.3%) for the year 2019.

  - Public sector debt as % of GDP is 63.1 %.

Financial Services

Financial Services

Global Business Companies

With the ever-increasing challenges faced by the Global Business sector, worldwide and in line with the OECD recommendations, the Government of Mauritius is commited to give its full support to the global business sector whilst ensuring compliance with the best international norms and standards.

- Category 1 Global Business Companies (‘GBC 1’) will not be able to claim for Deemed Foreign Tax Credit of 80% of the 15% tax liability of foreign source income, which will be abolished as from 31st December 2018. A partial exemption regime will then be introduced whereby 80% of the spectified income will be exempted from income tax on the following income:

❖ Foreign source dividends and profits attributable to a foreign permanent establishment
❖ Interest and royalties; and
❖ Income from provision of specified financial services.

Financial services

- The GBC 2 regime will be abolished as from 1st January 2019 and the Income Tax Act provisions applicable to the regime will be reviewed accordingly. GBC 2 licences issued prior to 16th October 2017 will continue under the same regime until 30th June 2021.

- The Global Business Companies will be required comply with enhanced substance conditions.

- A new framework will be established to govern and improve the oversight of Management Companies

The FSC, in collaboration with the Organisation of Economic Cooperation and Development (‘OECD’), will host a Regional Centre for capacity building and best practices in a mutual combat against financial malpractices.

In furtherance to the new development, the Financial Services Act will be amended to accommodate the following:

Financial Services

- Ensure that licensees maintain the requirements needed for the grant of a licence at all times
- Rename the Category 1 Global Business Licence as Global Business Licence
- Removal of all restrictions to dealing in Mauritius
- A Global Business Licence must be sought with the Financial Services Commission through a Management Company by all resident companies and partnerships incorporated/registered:
  - Whereby majority shareholdings are held by non-resident; and
  - Where conducts of the business are mostly outside of Mauritius

Fintech

The introduction of 2 new activity licences by the FSC namely:

- Custodian of Digital Assets;
- Digital Assets Marketplace

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Tax Measures

Corporate Tax

Global Business

- Abolition of the deemed tax credit of 80% on the tax liability on foreign source income , applicable for Category 1 Global business Company; and

- A partial exemption regime will be introduced whereby 80% of specified income will be exempted from income tax. The exemption will be granted to all companies in Mauritius, except banks, and shall apply to the following income:

    - Foreign source dividends and profits attributable to a foreign permanent establishment
    - Interest and royalties; and
    - Income from provision of specified financial services.

Corporation Tax

Extension to global trading activities

- 3% tax on the profits derived by any company from exportation of goods will be extended to global trading activities effected by companies.

Investment Tax Credit and Custom Duty on imported goods

- An investment tax credit of 5% over 3 years will be granted in respect of expenditure in new plant and machinery (excluding motor cars) by a company importing goods in semi Knocked-down form.
- Goods imported in semi knocked-down condition will be exempted custom duty, provided there is at least 20% value addition domestically.

Freeport Regime

- Corporate tax exemption granted to Freeport operators and private Freeport developers on export of goods will be abolished;
- 50% cap imposed on sales of goods on local market will no longer be applicable.

Corporation Tax

Tax deducted at Source ('TDS')

- Commission payment will have a 3% TDS
- The TDS will be increased from 5% to 10% on rent paid to a non-resident
- TDS on director fees will no longer be applicable.

Development of infrastructure in the Special Economic Zone ('SEZ')

A 5 year tax holiday has been introduced from Mauritian companies collaborating with the Mauritius Africa Fund for the development of infrastructure in the SEZ.

Taxation for Banks

The Deemed Foreign Tax Credit regime available to banks will be abolished as from 1st July 2019.

In replacement, a new regime specific for banks will be introduced which will make no distinction between Segment A and Segment B income with the following tax rates:

- Chargeable income up to MUR 1.5 billion will be taxed at 5%; and
- Chargeable income above MUR 1.5 billion will be taxed at 15%.

Special Levy on banks will be extended for an additional year up to 30 June 2019.

Income Tax

Income exemption thresholds has been increased as per table below:

Income Exemption Threshold (MUR)			
Year of assessment	**From**	**To**	**Increase**
Individual with no dependent	300,000	305,000	5,000
Individual with one dependent	410,000	415,000	5,000
Individual with two dependents	475,000	480,000	5,000
Individual with three dependents	520,000	525,000	5,000
Individual with four or more dependents	550,000	555,000	5,000
Retired/Disabled person with no dependent	350,000	355,000	5,000
Retired/Disabled person with dependent	460,000	465,000	5,000

Income Tax

Introduction of a Tax Band of 10%

- A rate of 10% instead of 15% is applicable for individual having annual net income of up to MUR 650,000

The above information has been extracted from the budget speech delivered by The Honourable Pravind Kumar Jugnauth, Prime Minister, Minister of Home Affairs, External Communications and National Development Unit and Minister of Finance and Economic Development, to the National Assembly, on 14 June 2018. The Budget proposals may be amended significantly before enactment. The content of this summary is intended to provide a general guide to the subject matter and should not be regarded as a basis for ascertaining liability to tax or determining investment strategy in specific circumstances. In such cases specialist advice should be taken.

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