



Budget 2022-2023

Key Highlights

08 June 2022

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Executive Summary

A “Smokescreen” Budget

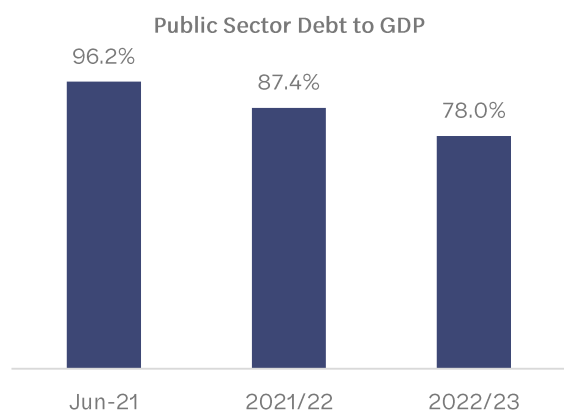
Our country is emerging from the Covid pandemic weaker than before in terms of the main macro-economic fundamentals or imbalances. With the uncertainty faced with the Russia-Ukraine conflict, we are now facing the spectre of inflation expected to be 8.6% in 2022. Amidst the above conditions, we were expecting some serious reforms or measures to address the situation.

There is no panacea and with inflation looming and higher interest rates, growth can only come from new investments in all productive sectors.

Now is the time to invest in a more resilient and sustainable future. As with previous budgets, the Minister lists out several “green” projects, and also adds this year the removal of duty on hybrid and electric vehicles. However, this is not sufficient to create a credible “thesis” to attract new investments.

A new and coherent investment framework is needed which will require on the back of it, sustainable investment policies, finance mobilization, investment promotion/facilitation, all of which will create a new impetus. This will also require more in terms of enforcing and improving operational practices to measure and monitor climate goals, such as ESG reporting, ESG certifications, ratings, amongst others.

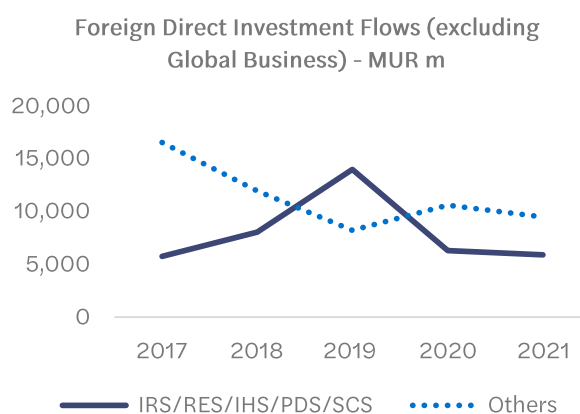
With the debt to GDP ratio at 87.4% it is clear that the public sector no longer has the space to fund much needed investments in green projects, digital infrastructure, renewables and modern agriculture. This is where there is a need to “re-think” to attract technology and talents from overseas to deliver/execute projects.



Source: Bank of Mauritius, Budget 22-23

The expected fall in the Debt-to-GDP ratio in 2022/23 is based only on a real GDP growth assumption of 8.5% and higher tax receipts. We also note from the Statement of Government Operations, an equity sale (of government assets) which will bring some proceeds of Rs 35B over 2 years, for which no details are given. This amount of Rs 35B appears as a “cosmetic” adjustment. We hope the Minister will subsequently provide more information to add clarity.

It is unfortunate that there is no mention on the downward and alarming trend which started off even prior to Covid, only that FDI is projected to exceed Rs 20B, again another heroic assumption. The historical trend is shown below:



Source: Bank of Mauritius

To bridge the gap and to put us on a growth path, we consider that Mauritius needs FDI urgently in all productive sectors.

On the “social” side and to alleviate the burden of the middle and lower class (due to higher cost of living), several measures have been announced. On the tax side, to increase the disposable income of individuals another tax rate/band with a 12.5% tax rate was announced for those earning above Rs 53k but less than Rs 75k per month. The existing threshold for the 10% tax rate also increased. In addition, several ancillary thresholds were also reviewed for personal income tax.

The abolition of the Municipal tax is also one of the measures conjured up by the Minister, which might raise some eyebrows!

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A “Smokescreen” Budget

The Budget also caters for the “pensioner population” with an increase of Rs 1,000 on the basic retirement pension (as well as on other pensions), and an additional Rs 1,000 for those above 65 and earning a basic retirement pension. Other socially directed measures include the continued subsidies on flour, cooking gas, and rice, supporting the vulnerable under the Social Register and under the Social Aid and a direct monthly income allowance of Rs 1,000 for those earning less than Rs 50,000 per month.

We consider that the Budget is only addressing the consequences of poor macro-economic management and the current crisis without doing much to engineer a turnaround instead of hoping for a favourable turn of events (including sale of government assets), to rebalance the fundamentals and to pave the way for a new sustainable growth strategy.

Overall, a “smokescreen” Budget!



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Tax measures

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Tax measures

Income Tax Act

Personal tax

- As from 01 July 2022, the income tax rates shall be applicable to individuals as follows:

Annual Net Income	Applicable tax rate
Up to Mur 700,000	10%
Above Mur 700,000 but not exceeding Mur 975,000	12.5%
Above Mur 975,000	15%

- Annual relief for personal income taxation has been amended as follows:

Relief in respect of:	Previous Threshold	New Threshold
Deduction for tertiary education comprising of undergraduates and	Mur 225,000	Mur 500,000
Medical or Health Insurance Premium	(i) Mur 20,000 for individual and 1 st dependent; (ii) Mur 15,000 for every other dependent	(i) Mur 25,000 for individual and 1 st dependent; (ii) Mur 20,000 for every other dependent
Contribution to Personal Pension Plan	Mur 30,000	Mur 50,000
Donations to Charitable Institution	Mur 30,000	Mur 50,000

- The exempt travelling or petrol allowance entitled to an employee has increased to Mur 20,000.
- An individual may claim his spouse as a bedridden next of kin irrespective of any financial assistance provided to the bedridden spouse under the National Pensions Act.

Corporate Tax

- The rate of tax deducted at source has increased for the two following services:

Services	Rate of TDS
Payment to providers of professional services	5%
Rent payable to a resident	7.5%
Consultancy fees	3%
Security and cleaning services	
Pest management services	
Payment of fees made by insurance companies to motor surveyors and mechanics for repairs of motor vehicles of policy holders	

- Large manufacturers are entitled to an additional deduction of 25% on the value of manufactured products purchased from Small Medium Enterprises ("SMEs").
- Freeport Companies are eligible to an 8-year tax holiday provided:
 - They start operations as from 01 July 2022; and
 - They satisfy the substance requirements laid down by the Organisation for Economic Co-operation and Development ("OECD").
- A waiver of penalties and interests is applicable to SMEs for debt outstanding as at 25 March 2022 relating to income tax due for the income years 2020 and 2021.
- Effective as from 1 January 2022, SMEs and an enterprise in the tourism sector are entitled to a refund on salary.
- Compensation paid to employees during the year up to 30 June 2022 is as follows:
 - Mur 500 monthly per employee earning a basic wage up to Mur 13,500; and
 - Mur 400 monthly per employee earning a basic wage above Mur 13,500 but not exceeding Mur 50,775.

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Tax measures

Income Tax Act

Corporate tax

- A foreign employer is not required to pay income tax or social contributions in relation to the employee holding the Premium Visa.
- Implementation of a Global Minimum Tax at the rate of 15% is applicable to multinational enterprises ("MNEs").

Excise duty

Amendments to Excise Duty

- The rebate on excise duty pertaining to Motor Vehicles is extended up to 30 June 2023 as follows:

Cylinder Capacity	% Rebate on Excise Duty
A motor car up to 1,000 cc	40%
A motor car above 1,000 cc including double or single cabin vehicle, van and electric vehicle	30%

Gambling Regulatory Authority Act

Amendments

- The Gambling Regulatory Authority Act shall be amended to exclude from the definition of jockey persons qualified to ride as apprentice and track rider.

Property Tax

- The Home Ownership Scheme is extended to 30 June 2023 covering transactions relating to the period from 12 June 2021 to 30 June 2021.
- The Home Loan Payment Scheme is extended to 30 June 2023 covering transactions effected during the period from 12 June 2021 to 30 June 2021
- A VRS property transferred to the heirs of a deceased beneficiary is deemed to be obtained by inheritance thus enabling the property to be transferred between the heirs free of duty and

tax effective as from 1 July 2016.

- The reduction of tax on transfer of leasehold rights for hotels in State Lands to half is available up to 30 June 2023.
- The acquisition by a company holding immovable property of its own shares, is subject to registration duty and tax in the same manner as for a transfer of shares.

Tax Administration

- Taxpayers having an outstanding tax under the Income Tax Act, Value Added Tax Act and Gambling Regulatory Authority Act are eligible for an application of a waiver of the full penalties and interest under the TASS provided that:
 - the taxpayers register by latest 31 December 2022; and
 - the pure taxes are fully paid by 31 March 2023.
- The name of companies not complying with the e-filing of its income tax return, their name will be published on the website of the MRA.
- Taxes are not payable on goods being imported back by a departing citizen of Mauritius within 6 months of the date of his departure.
- An importer has a delay of 3 working days to pay its taxes to MRA Customs where a payment instruction is given to him.
- The penalty provision in case of failure to submit a Bill of Entry for the clearance of goods within 5 working days after the time an aircraft has landed or a vessel has been berthed will no longer be in force until 30 June 2023.
- The threshold in relation to taxpayers entering The Alternative Tax Dispute Resolution (ATDR) panel has been reduced to Mur 5 million.
- A list of VAT-registered persons shall be available on the MRA's website.

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Tax measures

Tax Administration

- In the event that a VAT-registered person fails to submit his VAT return 3 months after due date, he shall be notified that the following details shall be published on the MRA's website:
 - The name and address of the VAT-registered person;
 - The name of the directors; and
 - The taxable period to which the non-filing of the return relates to.
- In the case of an objection is determined, a taxpayer is not allowed to produce books and records to the ARC if the said information and documents were not produced to the MRA at objection level.
- A VAT refund may be claimed in respect of VAT suffered on the construction of residential building, house or apartment provided the surface areas does not exceed 1,800 m². The refund is made not later than 30 days following receipt of all documents in respect of an application.
- A person who acts as an agent of principal and goods received under consignment or a sales or return agreement are sold by the agent in his own name should charge VAT on the selling price of the goods.

Social Contributions and Social Benefits Act

- A self employed individual has the option to pay the social contribution for a full year in advance or on a monthly basis at any point in time.
- A private household employer has the option to pay his social contribution or social benefit on a yearly or monthly basis.
- A self-employed individual who opts to make an annual return will not be required to submit a quarterly statement.

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Other measures

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Other measures

Agriculture

Food security

- Investment in two (2) food security clusters, by the Development Bank of Mauritius Ltd (DBM) at Rs 200m each at Henrietta and Riviere du Rempart
- Investment in 5 livestock zones by the DBM

Industrial Finance Corporation of Mauritius Ltd (IFCM)

- The IFCM will offer preferential leases of 2.5% to cooperatives, and leasing facilities of up to Rs 25m, with an annual interest rate of 3.5%

Integrated Modern Agricultural Morcellement Scheme (IMAMS)

- Introduction of the IMAMS, along with 8 year tax holiday and exemption from registration duty
- Developers may also be able to convert up to 15% for residential/commercial use and be exempted from land conversion tax

Manufacturing

Virtual Exhibition Platform

- Virtual Exhibition Platform by the EDB for locally manufactured goods as from October 2022

Exports

- 50% reduction in port charges on export being maintained
- Two regional feeder vessels will be chartered as from September 2022 for “La Route de l’Inde” and as from October 2022 for “La Route de l’Afrique Orientale”

Construction

- Setting up of Construction Industry Training Council (CITC)
- Creation of the Construction Industry Authority, which will result from the merger of the Construction Industry Development Board (CIDB) and the Building Control Advisory Council (BCAC)

- Public contracts below Rs 20 million will be reserved for small contractors
- Reinstatement of the margin of preference for local contractors
- Loan of up to Rs 25m from DBM at concessional rate of 3.5% per year

Financial services

Bank of Mauritius

- Launch of a regional Renminbi Clearing Centre together with the Bank of China
- Collaboration with the National Payments Corporation of India for the issuance of ‘RuPay’ cards and Indian QR Code in Mauritius
- Introduction of a National Payment Card
- Issuance of Emerald Jubilee Bonds, with a 4% coupon

Financial Crime

- Setting up of a Financial Crime Commission to ensure an effective coordination in the fight against financial crimes

SME

Definitions

- All companies with a turnover of up to Rs 100m will be categorized as SME (as opposed to Rs 50m previously)
- Introduction of a Mid-Market Enterprise category with turnover up to Rs 250m under the SME Act.

Financial support

- Extension of the SME interest-free loan scheme and Covid-19 Special support scheme till June 2023

Mauritius Investment Corporation (MIC)

- Setting up of a Venture Capital Fund of Rs 5B by the MIC targeting SMEs and Mid-Market Enterprises

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Other measures

Doing business

Opening of bank accounts

- The BOM to ensure that a bank account be opened within 1 week, for individuals or businesses

Business Regulatory Reform Bill

- Introduction of a bill as an apex legislation on business facilitation

Silver Economy

- Organisation of the first edition of the Mauritius International Silver Economy Festival by the EDB to attract foreign retirees

Sustainability

Projects

- Partnerships with private promoters for hybrid renewable energy facilities for a total capacity of 140MW
- Creation of solar PV farms at Henrietta by the CEB, at Grenade in Rodrigues
- Implementation of solar PV projects by DBM Energy Ltd
- Investment by Airports of Mauritius Ltd in a 14MW solar PV system as part of the greening of the airport
- Installation of 5,000 solar PV kits (9 MW capacity) on rooftops of households, religious bodies, NGOs, and charitable institutions
- Installation of PV farms by Metro Express Ltd at Richelieu Depot, Barkly and Ebene Recreational Park

Financing

- DBM to finance up to Rs 250k at concessional rate of 2% for purchase of solar PV system by domestic customers
- Leasing facilities by IFCM of 3% over 10 years to transport operators to acquire electric vehicles/charging infrastructure
- Concessionary leasing facilities by IFCM of 3.5% to companies renewing their fleet to electric

vehicles only

Duty

- Effective 01 July 2022, all hybrid and electric vehicles will be duty-free
- Introduction of a negative excise duty of 10% for the purchase of electric vehicles by individuals up to a maximum of Rs 200k

Framework

- Preparation of a Carbon Credit trading framework
- Development of an Environmental, Social and Corporate Governance (ESG) framework
- Issuance of an inaugural Sustainable bond

Infrastructure works

Projects

- Construction projects for the education sector such as pre-primary school, new classrooms etc
- Completion of already announced hospital projects and Road Decongestion projects
- Additional funds for construction of new flyovers, bypasses and link roads
- Construction of dams as part of the National Flood Management Programme

Other measures

- Monthly Prime a l'Emploi of Rs 15,000 for the first year of employment of 10,000 youths between 18-35 years and women up to 50 years
- Maintaining the Home Ownership and Home Loan Schemes and the exemption of registration duty for first time buyer for both spouses
- Abolishment of the municipal tax effective 01 July 2022
- Increase of all basic pensions by Rs 1,000, and an additional Rs 1,000 for those above 65 years
- CSG Income allowance of Rs 1,000 to those earning a gross income of up to Rs 50,000

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Other measures

International Financial Centre

HNWI and families

- Requirement for HNWI and families to be reviewed to a minimum portfolio value of USD 5m

Global Headquarters Administration licence

- Holders of the Global Headquarters Administration licence will be provided work and residence permits for 5 executives and their dependents

Pharmaceutical

Medical and Healthcare Products Bill

- Introduction of the Bill to facilitate setting up of pharmaceutical manufacturing plants, set out the legal framework amongst others.

Changes to legislation

Bank of Mauritius Act

- The BOM may open accounts and accept deposits from persons for the purpose of issuing digital currency

Companies Act

- Removal of Covid-19 induced waivers/extensions
- Reinstatement of Section 162 relating to duty of directors on insolvency subject
- Provide for disclosure for information with respect to subsidiaries in annual reports (particulars of interest, donations made by subsidiaries, details of present and past directors, fees payable to auditors, details of major transactions)
- Prevent companies from being both registered in Mauritius and in another jurisdiction at the same time

Financial Reporting Act

- Exempt public interest entities from Section 75 (1) of the Act

Securities Act

- Extend the regulatory functions of an Official exchange to allow for investigations of market abuse cases involving issuers on securities exchanges

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All information is believed to be correct at the time of publication. This is not intended to be a comprehensive package of measures in the budget and should not be relied upon as such. The information presented in this document has been extracted from the Budget Speech delivered by the Minister of Finance and Economic Planning and Development, Dr the Honourable RENGANADEN PADAYACHY to the National Assembly on 07 June 2022. Specific advice should be sought in any specific matter.

08 June 2022

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