

# Newsletter

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## Budget Brief 2018-2019

Dear Readers

The Prime Minister in his capacity as the Minister of Finance and Economic Development delivered his budget speech themed "Pursuing our transformative journey" on Thursday 14 June 2018 to the National Assembly.

The landmark measures for the financial services sector this year include tax reforms in the Global business sector to comply with the proposals made by the Organisation for Economic Co-operation and Development (OECD), in the wake of the Action Plan on Base Erosion and Profit Shifting (BEPS Action Plan).

GBC<sub>1</sub> will be renamed to GBCs, GBC<sub>2</sub> will phase out and the fiscal regime for both domestic and global business companies will be harmonised. Once the Finance Bill is passed into law, we will inform our readers and clients on the options available to restructure their GBC<sub>2</sub>'s. Inside this newsletter are the brief of the main measures concerning the investment and financial services sector and other fiscal measures of interest. Below we provide a table of the key indicators of the Mauritian economy.

As usual we hope that you will find the information contained in this CKLB Newsletter to be interesting and useful, we will be pleased to hear any feedback and we thank you for their continued support.

### Key Economic Indicators

	2014 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Budget
Budget deficit	3.2	3.5	3.5	3.2	3.2
GDP Growth rate	3.5	3.4	3.9	3.9	4.1
Public sector debt (PSD)	62	66	66	63	63
External debt to total PSD	26.4	20	20	19.5	17.9
Inflation rate	3.2	1.3	1.0	3.7	3.5
Investment rate	18.9	17.4	17.2	17.3	17.2
Unemployment rate	7.8	7.9	7.3	7.1	-

Best wishes

The Editorial Team



## Mauritius Budget Brief 2018-2019

### FINANCIAL SERVICES

#### **Global Business sector**

- A new harmonised fiscal regime for domestic and Global Business Companies
- The Deemed Foreign Tax Credit regime for Category 1 Global Business Licence companies will be abolished as from 31 December 2018
- A partial exemption regime whereby under certain conditions, 80% of specified income will be exempted from income tax
- No new Category 2 Global Business licence will be issued from January 2019 and companies existing under this regime prior to 16 October 2017 will be phased out by 30 June 2021
- Enhanced substance requirements for entities holding a Global Business Licence
- Development of an equivalence framework with other key jurisdictions
- Collaboration with the OECD for hosting a Regional Centre for capacity building and best practices to combat financial

#### **Banks**

- The Deemed Foreign Tax Credit regime available to banks will be replaced by a new specific tax regime as from 01 July 2019
- No distinction between Segment A and Segment B and new tax rates introduced for banks. Chargeable income of Rs1.5bn will be taxed at 5% and above this threshold, a tax rate of 15% will apply
- Banks with chargeable income in excess of Rs1.5bn will be taxed at 5% if pre-defined conditions are satisfied
- Special levy on banks is maintained up to June 2019 and thereafter replaced with a special levy under the Value Added Tax Act that will be charged on net operating income
- Fine of up to Rs1m to financial institutions failing to comply with the guidelines issued by the Bank of Mauritius

- Fine of up to Rs1m for disclosure of bank customers confidential information.
- Private banking business in Mauritius allowed to import gold and other precious metals

#### **Non-bank deposit taking institution**

- Minimum capital of Rs200m, net of accumulated losses, will be maintained

#### **FinTech development**

- Setting up of a National Regulatory Sandbox License (RSL) Committee
- New licencing activities, such as custodian of digital assets and digital assets market place
- Guidelines on investment in crypto currency will be issued

#### **Amendment to the Companies Act**

- Fine of up to Rs100,000 and imprisonment of up to 1 year for failure by directors to disclose interest in a transaction or a proposed transaction with the company

#### **Amendment to the Financial Reporting Act**

- Sanctions to Audit Firms, Licensed Auditors and Public Interest Entities failing to comply with the requirements of the Act

#### **Combating money-laundering and terrorist financing**

- The Financial Intelligence and Anti-Money Laundering Act will be amended to impose sanctions for failure to comply with Bank of Mauritius guidelines for the prevention of money laundering and terrorism financing
- In line with the Fintech development, the regulatory framework against money-laundering and terrorist financing will be harmonized

#### **Blueprint for the Financial Services sector**

- Blueprint for the sector completed
- Setting up of a steering committee for a timely and effective implementation

- *The new fiscal regime will be aligned with international best practices in relation to fair taxation;*
- *We await the finance bill to know the provisions for the enhanced substance requirements;*
- *We await the finance bill to know the provisions for GBC2's which have no grandfathering provisions (in the budget). Existing companies holding a Category 2 Global Business Licence will need to review their structures as GBC2s will phase out after 30 June 2021;*

## CORPORATE TAX

### **Global Business**

- Abolition of Deemed Foreign Tax Credit ("FTC") regime available to companies holding a Category 1 Global Business Licence (GBC1) as from 31 December 2018
- Partial exemption regime for companies (except banks) whereby 80% on specified income such as foreign source dividends, interests, royalties and other income from specified financial services will be exempted from income tax
- Partial exemption regime available upon satisfaction of pre-defined substance requirements of the Financial Services Commission (FSC)
- Category 2 Global Business Licence (GBC2) will be abolished as from January 2019
- Grandfathering of companies holding GBC2 issued before 16 October 2017 until 30 June 2021

### **Reduced Corporate Tax Rate**

- Corporate tax rate of 3% to companies engaged in export of goods will be extended to companies involved in global trading activities

### **Taxation of banks**

- Abolition of deemed FTC regime available to banks as from 1 July 2019
- Introduction of new regime with no distinction between Segment A and Segment B income. Banks will be taxed as follows:

<b>Chargeable Income</b>	<b>Tax Rate</b>
Up to MUR1.5bn	5%
Above MUR1.5bn	15%

- Banks with chargeable income in excess of Rs1.5bn will be taxed at 5% if pre-defined conditions are satisfied
- Special levy on banks is maintained up to June 2019

### **Investment Tax Credit**

- Companies importing goods in semi knocked down form to benefit from an investment tax credit of 5% over 3 years (up to 30 June 2020) on acquisition of new plant and machinery excluding motor cars, subject to a local value add of at least 20%
- Tax credit will be available on investments up to 30 June 2020

### **Solidarity Levy on telephony service providers**

- Solidarity levy on telephony service providers is extended up to June 2020
- Removal of condition for Solidarity levy to apply to companies having a book profit exceeding 5% of their turnover

### **Taxation of artworks**

- Companies not engaged in the artworks business will be allowed to deduct cost of artworks bought from a local artist up to maximum of Rs500,000, provided the artwork is displayed in the place of business, can be seen by the public and the artworks are kept for at least 3 years

### **Tax Holiday on Africa Project**

- 5 year income tax holiday for project developers and project financing institutions collaborating with the Mauritius Africa Fund for the development of infrastructure in Special Economic Zones

### **Freeport Regime**

- Corporate tax exemption granted to Freeport operators and Freeport developers on export of goods will be removed

### **Sheltered Farming Scheme**

- 8 year tax exemption on farming related projects

### **Corporate Social Responsibility (CSR)**

- For CSR funds set up on or after January 2019, companies are allowed to retain an additional 25% of the fund, upon approval of the National CSR Foundation for programmes that started prior to January 2019
- Unused foreign tax credit will not be allowed to be offset against CSR payable
- Companies on tax holidays will be required to contribute to CSR

### **Work@Home Scheme**

- Double deduction for wages and salary costs of employees under the Work@Home Scheme for the first 2 years
- Annual tax credit of 5% to employers for the first 3 years on investments in required IT system under the scheme

### **National Regeneration Scheme (NRS)**

- NRS is introduced under the Smart City Regulation
- Property developer will be eligible to investment income tax credit of 5% over 3 years on qualifying capital expenditure on substantial work in relation to existing buildings if completed within 2 years from date of approval
- 5 year tax holiday on income derived from smart parking solutions and other green initiatives
- 2 year tax exemption on newly rented space for cultural purposes or to artists as from date plan is approved
- Expenditure made by private companies on renovation, embellishment or cleaning of public infrastructure will be tax deductible

## PERSONAL TAX

### **Tax band of 10%**

- Tax rate reduced from 15% to 10% on annual net income derived by an individual of up to Rs650,000

### **Exempt Income**

- Lump sum received exemption threshold on severance allowance, pension or retiring allowance increased from Rs2m to Rs2.5m
- Exemption on Insurance Industry Compensation Fund

### **Taxation of artists**

- Mauritius artist earning less than Rs300,000 can get deduction of 50% from his artistic work earnings without the need of supporting documentation for expenses

### **Exemptions and Reliefs**

#### **Additional deduction for tertiary education**

- Additional deduction for pursuing tertiary education increased –
- From Rs135,000 to Rs200,000 for dependent child studying abroad
- From Rs135,000 to tuition fees in excess of Rs135,000 up to Rs170,000 for dependent child studying in Mauritius

#### **Income Exemption Threshold for Retired Person**

- Income Exemption Threshold is now available to retired person deriving emoluments not exceeding Rs50,000

#### **Rain Harvesting Investment Allowance**

- Individuals investing in rainwater harvesting system (including consultancy and design, earthworks, gutters and specialized water tanks) for their house can deduct amount invested from their taxable income

#### **Interest relief**

- Interest relief is now allowed on secured property in respect of profit charge payable under Islamic Financing Arrangement for house construction
- MRA will pay allowance to employee within 1 month from the date employer files PAYE, NPF and NSF returns

## TAX ADMINISTRATION

### **Corporate Tax**

#### **Tax Deduction at Source (TDS)**

- TDS will be applied on 'commission payment' at the rate of 3%

- TDS on rent paid to non-residents increased from 5% to 10%
- No TDS on director fees

#### **Exchange of information with other countries**

- Penalties will be imposed on a person who fails to furnish information needed for automatic exchange of information with other countries

#### **Additional assessment**

- Provisions regarding amended assessments will be reviewed
- Objection and appeal procedure will be set out for any additional assessment raised by the MRA

#### **Islamic Finance**

- Income tax exemption on interest income received from debentures and quoted bonds will be extended to returns from sukuku

## IMMIGRATION

#### **Occupation permit (OP) Applications**

- Applicants will pay the processing fees upon the approval of their permit instead of paying at the time of submission of the application
- OP applications falling under the Foreign Manpower Scheme will be processed within 5 days and the employer will pay a contribution equivalent to 1 month salary

#### **Work permit (WP) Applications**

- Incomplete applications will not be entertained and will be treated as 'missing documents cases'
- The ratio of local workers to expats will be reviewed for some sections
- Companies employing less than 20 individuals will not be required to advertise jobs in the press. The Employment Information Center will facilitate the process
- Penalties will be applicable for late applications of WP/renewal
- Payment for WP fees will be extended to 30 days

#### **Mauritian Citizenship and Passport**

- The Economic Development Board (EDB) will provide two schemes to attract high net worth foreigners through contribution made to a Mauritius Sovereign Fund
- Mauritian Citizenship against a non-refundable contribution of USD1m for the main applicant and an additional USD100,000 for each dependent
- Mauritian passport against a non-refundable contribution of USD500,000 for the main applicant and an additional USD50,000 per passport for each dependent

# our services

CKLB is independently owned and being of medium size, we pride ourselves in our ability to remaining committed to provide a personal and tailor-made service to clients. We understand well the particular requirements and needs of clients and the key to our successful development has been our commitment to satisfy these needs at high standard. We provide a one-stop quality service with emphasis on local presence and substance. Our varied client base includes HNW / Ultra HNW Individuals, private companies as well as companies listed on major stock exchanges. Our range of services includes:

- our core service, advice to HNWI's and family offices in developing efficient estate planning solutions
- management and family office support structures
- focus on a complete set of fund structuring and administration services
- corporate structuring and advice
- company formation and corporate management
- administration and accounting
- establishment of trusts and provision of trustee services
- back office administration and accounting services
- outsourcing and payroll services
- business administration services, including international trading, licensing and financing
- expatriates occupation and residence permits
- group investment holding and management services

## Connecting our clients to international networks to facilitate cross-border business

CKLB interacts with several professional firms and services group, and is member of the International Grouping of Accountants and Lawyers (IGAL), a well-established association boasting 107 member firms located in 41 countries throughout the world, with 170 offices worldwide. IGAL has developed into a leading business network of legal and accounting firms whose members offer superior services related to legal, financial, tax and insolvency matters to companies and individuals with international activities; as well as expert and personal assistance to reduce the obstacles of doing business in a foreign environment and at a distance. IGAL provides CKLBs valued clients with a wide network for assistance in their cross-border businesses through privileged access to experienced professionals and technical expertise in relevant countries. CKLB will be pleased to co-ordinate any assistance you may require in these countries as an extension of our one-stop shop service.

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