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Newsletter

no. 114 june 2019

Budget Brief 2019–2020

Dear Readers

The highly anticipated 2019-20 budget speech entitled 'Embracing a brighter future together as a nation' was delivered by the Prime Minister and Minister of Finance and Economic Development on 10 June 2019 as a prelude to the election year. Unsurprisingly, the budget did not announce 'unpopular' measures and may feel a bit lukewarm in terms of fiscal reforms and impact but that was not the aim. The measures were aimed at strengthening the existing tax framework, consolidating socio-economic growth and infrastructural development, addressing stakeholders concerns and further aligning our tax regime with the demands of international standards. The budget did not disappoint.

The Minister acknowledged the importance of the financial services sector and highlighted the good repute of Mauritius as an IFC. He was reassured by the fact that the jurisdiction does not have harmful features in its tax regime and is rated as compliant with the OECD standards on transparency and exchange of information for tax purposes. The measures aim at consolidating the legislative framework, for example, by finetuning certain measures brought last year such as the Partial Exemption Regime and revisiting the definition of tax residency, and introducing CFC rules.

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 Tax Rates

Corporation tax rate	3% – 15%	▪ Companies engaged in export of goods: 3% ▪ Others: 15%
Personal tax rate	10% – 15%	An individual having an annual net income: ▪ not exceeding MUR 650,000: 10% ▪ exceeding MUR 650,000: 15%
VAT	15%	

Key Economic Indicators

Budget Estimates	2017/18	2018/19	2019/20	2020/21	2021/22
Real GDP Growth rate	3.9	3.9	4.0	4.1	4.2
Budget deficit (% GDP)	3.2	3.2	3.2	3.1	2.8
Public sector debt (% GDP)	63.4	65	61.6	59.8	59.3
Inflation rate	4.3	1.0	2.0	2.5	2.5
Investment rate	17.6	18.8	19.4	19.0	19.0
Unemployment rate	7.1	6.9	6.7	-	-

Best wishes

The Editorial Team

Global Business

Corporate Tax

Partial Exemption Regime

The Income Tax Act Regulations 1996 will be amended to include the following:

- detailed substance requirements that must be met for a taxpayer to enjoy the partial exemption benefit; and
- the conditions that must be satisfied where a company outsources its core income generating activities, namely:
  - demonstrate adequate monitoring of the outsourced activities;
  - the outsourced activities must be conducted in Mauritius; and
  - the economic substance of service providers must not be counted multiple times by different companies when evidencing their own substance in Mauritius.

Extending the Partial Exemption Regime

The partial exemption regime will be extended to cover companies engaged in:

- leasing and provision of international fibre capacity;
- reinsurance and brokering of reinsurance services;
- sale, financing arrangement and asset management of aircraft and its spare parts, including aviation related advisory services.

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- The partial exemption regime was introduced last year and broadening its eligibility is a welcome effort which has been demanded by industry practitioners.

Global Business

Regulatory

Creating new opportunities in the Financial Services

- New framework for fund administration and fund management.
- Mauritian licence funds and management companies to operate in the Gujarat jurisdiction further to expected agreement between the Mauritius FSC and the Gujarat International Finance Tec Tec-City.
- An 'umbrella licence' for wealth management activities, attractive tax regime to promote Real Estate Investment Trusts and a scheme for headquartering of 'e-commerce activities'.
- Development of the Real Estate Investment Trusts with the setting up of an attractive tax regime and new rules.
- A framework for Green Finance in line with the 'Marrakech pledge' to foster green financing on the African continent.
- A new trading platform will be established by the Stock Exchange of Mauritius to enable the medium sized profitable enterprises, which do not qualify for listing on the Official and DEM markets, to raise capital and facilitate trading of shares.

Measures to promote the Fintech sector

- Financial Services commission will:
  - Establish a regime for Robotics and Artificial Intelligence enabled financial advisory services
  - Introduce a new licence for Fintech Service providers
  - Encourage self-regulation for Fintech activities in consultation with the United Nations on Drugs and Crime
  - Introduce the use of e-signatures and e-licences on a pilot basis
  - Create Crowd Funding as a new licensable activity
- Establishment of the Central KYC Registry with the collaboration of the Bank of Mauritius and the Financial Services Commission.
- Issuance of a "Sandbox Licence" to foreign companies interested in developing online betting platforms and exploring risk-assessed Blockchain and Crypto Currency initiatives.

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- It is encouraging to see that the government is putting in place the legislative framework to facilitate businesses and a platform to encouraging new innovative products.

Corporate Tax

Banking

Special Levy on banks

- Income derived by banks from GBC will be exempted from the special levy imposed on bank revenue under the Value Added Tax Act.
- Special levy imposed on banks having operating income exceeding MUR1.2 Billion in a year will be increased from 4% to 4.5%.
- However, a cap will be applicable on the above increase to ensure that the resulting increase in levy payable does not pose an excessive burden to the banks.
- Levy expensed by banks under the Value Added Tax (VAT) Act is not tax deductible for corporate tax purposes.

5% reduced tax rate for banks

- The chargeable income of a bank in excess of its chargeable income in its base year (year of assessment 2017-18) could be eligible to be taxed at a lower rate of 5%.
- To be avail of this reduced tax rate, the bank must grant at least 5% of its new banking facilities to the following business categories:
  - Small and Medium Enterprises (SME's) in Mauritius;
  - enterprises engaged in agriculture, manufacturing or production of renewable energy in Mauritius; or
  - operators in African or Asian countries.

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- This budget provides some fine-tuning to the changes in taxation of banks brought in the previous year's budget and banks are being incentivised to fund SMEs, priority sectors and strategic outbound investments are encouraging measures to spur investments.

Corporate Tax

Others

Tax residence criteria for companies

A company incorporated in Mauritius will not be considered resident in Mauritius if its central management and control is outside of Mauritius.

Income Tax Holidays

The budget proposes income tax holiday for the below platforms:

- Innovation Box Regime
  - Newly set-up companies that are engaged in innovation-driven activities will be granted an eight year tax holiday on income derived from their intellectual property assets developed in Mauritius.
  - However, as from 10 June 2019, existing companies will now benefit from the eight year tax holiday on income derived from their intellectual property assets developed in Mauritius.
- E-commerce platform
  - Companies setting up an e-commerce platform will now benefit from a five year tax holiday provided that they are incorporated before 30 June 2025.
- Peer-to-Peer Lending
  - Peer-to-Peer Lending operators will now be granted a five year tax holiday provided that the company starts its operation before 31 December 2020.
- Bunkering activities
  - A four year tax holiday will be granted on income derived from bunkering of low Sulphur Heavy Fuel Oil.
- Marina activities
  - An eight year income tax holiday will be granted to a newly set-up company developing a marina.

Anti Abuse Rule

Controlled Foreign Company (CFC) rules will be introduced.

Accelerated Depreciation

Accelerated annual allowance/threshold raised from MUR30,000 to MUR60,000 in respect of capital expenditure incurred on plant or machinery.

Carry forward of Unrelieved Tax Losses

Effective as from 01 July 2018, companies facing financial difficulty can carry forward unrelieved accumulated tax losses where there is a change in ownership, provided that the Minister is satisfied that it is in the public interest to do so and provided that conditions relating to safeguard of employment are met.

Companies engaged in Freeport Zone

- The budget now proposes that freeport operators or private freeport developers engaged in the manufacture of goods will be taxed at 3% instead of 15% on sale of goods on the local market.
- The reduced tax rate of 3% on sale of goods on the local market will be applicable provided that existing manufacturing companies issued with a freeport certificate meet the below substance criteria:
  - Employ a minimum of 5 employees; and
  - Incur an annual expenditure exceeding MUR3.5 Million;
- Freeport operators will now be subject to CSR on sale of goods on the local market.

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- The introduction of CFC rules demonstrates the commitment of Mauritius to ensure the tax regime is consistent with EU's good governance tax criteria. It should also be noted that companies with freeport licences issued on or before 14 June 2018 will continue to benefit from the current tax exemption until 30 June 2021.

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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