

Newsbrief

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Budget Brief 2020–2021

Dear Readers

The Honourable Minister of Finance, Economic Planning and Development presented his maiden Budget Speech themed **Our New Normal – The Economy of Life** and at the outset set the tone that he is presenting the National Budget at a time of unprecedented crisis, without any doubt, one of the worst in modern history. Mauritius has not been spared. The fallout on our economy is without comparison. Latest forecasts point to a GDP contraction of up to 11 percent this year, the worst GDP contraction ever for our country.

The 2020-21 budget unveiled by the Government now estimates the public debt to GDP ratio at 83.40% for the current fiscal year and projected to increase by a few percentage points in the next fiscal year. Since the implementation of the COVID-19 Act, the public debt ceiling was removed, and it has shot up north beyond the 60% threshold as prescribed by the previous Public Debt Management Act. Moreover, calculation of public debt to GDP ratio is now based on gross debt net of cash and cash equivalents, rather than just on gross debt. Unprecedented times bring unprecedented change in policy and method of calculation!

We have presented parts of the budget that are relevant to our business sector and we hope that you will find the information contained in this CKLB Newsbrief to be interesting and useful. We will be pleased to hear any feedback and we thank you for their continued support.

Headline Tax Rates

Corporate tax rate	3% – 15%	<ul style="list-style-type: none"> ▪ Companies engaged in export of goods: 3% ▪ Others: 15% 	No change
Personal tax rate	10% – 15%	An individual having an annual net income: <ul style="list-style-type: none"> ▪ not exceeding MUR 650,000: 10% ▪ exceeding MUR 650,000: 15% 	No change
VAT	15%		No change

Key Economic Indicators

Budget Estimates		2019/20	2020/21	2021/22	2022/23
Real GDP Growth rate	(%)	-5.8	-7.0	4.5	5.0
Budget deficit	(% GDP)	13.6	0	3.0	3.0
Public sector net debt	(% GDP)	72.7	78.2	77.7	75.3
Inflation rate	(%)	2.2	4.0	2.5	2.5
Investment rate	(%)	18.6	18.9	19.7	21.2
Unemployment rate	(%)	6.7	-	-	-

Best wishes

The Editorial Team



Mauritius Budget Brief 2020–2021

On 4 June 2020, the Minister of Finance presented to Parliament his Budget proposals for fiscal year 2020-2021. These proposals are being examined by Parliament, may be subject to amendment and, once voted upon and approved, will become law.

Global Business

Diversifying our Financial Services Sector

- Introduction of the following financial products in line with the recommendations of the 10-Year Blueprint to enhance the competitiveness of the financial services sector:
 - The Central Bank digital currency;
 - An Insurance Wrapper;
 - Variable Capital Companies;
 - An inaugural Sukuk issuance by the Bank of Mauritius;
 - Green and Blue Bond frameworks by the Bank of Mauritius.

Financial Action Task Force (FATF) Action Plan & Other Regulatory

- Commitment from the Government to implement the following measures to complete the five remaining recommendations under the FATF by September 2020:
 - Risk-based supervisions in accordance with the recommendations of the FATF;
 - Targeted outreach programmes to promote clear understanding of money-laundering and terrorist financing risks;
 - Increased reporting of suspicious transactions;
 - Targeted financial sanctions in cases of terrorist financing;
 - Timely access to beneficial ownership information.
- New Anti-Money Laundering (AML) / Combatting the Financing of Terrorism (CFT) Bill will be introduced to complement existing legal framework.
- A dedicated and specialised Financial Offences Court will be set up.

Non-Citizens

To attract and retain foreign talents and businesses, noncitizens holders of Residence Permit, Occupation Permit or Permanent Residence Permit will be allowed to acquire one plot of serviced land not exceeding 2,100 m² for residential purposes within smart cities. This measure will be opened for a period of 2 years ending 30th June 2022. The non-citizens will have to complete the construction of a residential building within a period of 5 years. The total area of all plots of serviced land for sale should not exceed 25% of the land area planned for the construction of residential properties.

Permanent Residence

- Period is extended from 10 to 20 years.
- Minimum investment amount is reduced to USD375,000 for an investor.

Residence Permit

- Minimum investment amount is reduced to USD375,000 for holder of an immovable property under an existing scheme.
- Validity will be extended to 10 years renewable for retirees.
- Retirees may invest in other ventures without shareholding restriction.
- Holder of permit under any of the real estate schemes will not be required to hold an OP to invest and work in Mauritius.
- Holder may apply for a Permanent Residence Permit if he held the current permit for 3 consecutive years.

Occupation Permit

- Validity is extended to 10 years renewable.
- Minimum investment requirement is reduced from USD100,000 to USD50,000.
- Minimum turnover and investment requirement for Innovator OP is removed.
- Spouse will not require a permit to invest or work in Mauritius.
- OP holders may bring their parents to live in Mauritius.
- Professionals may invest in other ventures without shareholding restriction.
- Holder may apply for a Permanent Residence Permit if he held the current permit for 3 consecutive years.
- Minimum monthly salary Rs30,000 is extended to other specified sectors.

Work and Residence Permit

- These permits will be combined into one single permit.

Administration

- Occupation permit applications will be determined and recommended by the Economic Development Board (EDB) only.

Corporate Tax

Levy on corporates

- Levy to be applicable to companies:
 - with gross annual income exceeding MUR500 Million; or
 - forming part of a group with gross annual income exceeding MUR500 Million.
- Levy payable to be calculated as follows:
 - 0.3% for insurance companies, financial institutions, service providers and property holding companies;
 - 0.1% for other companies.
- Levy not applicable to companies:
 - holding a Global Business License;
 - operating in tourism sector.

Partial Exemption Regime

More clarity has been provided regarding partial exemption regime on interest income. Partial exemption will not apply to:

- (i) non-bank deposit taking institutions;
- (ii) money changers;
- (iii) foreign exchange dealers;
- (iv) insurance companies;
- (v) leasing companies; and
- (vi) companies providing factoring, hire purchase facilities or credit sale facilities.

Eight-year Tax Holidays

- Companies engaged in the manufacture of nutraceutical products provided it starts its operations on or after 4 June 2020.
- Companies engaged in the manufacturing of pharmaceutical products, medical devices or high-tech products, provided it has started or starts its operation on or after 8 June 2017.
- Companies in Blue economy, operating under the newly introduced inland aquaculture scheme.
- Top 500 institutions worldwide that set up a branch campus in Mauritius.

Tax Incentives

- Double tax deduction to:
 - Manufacturing companies on the acquisition cost of patents and franchises, including costs incurred to comply with international quality standards and norms;
 - Pharmaceutical companies on R&D expenditures;
 - Companies impacted by COVID-19 on investment in Plant and Machinery, during period 1st March 2020 to 30th June 2020.
- Investment tax credit extended to all Manufacturing companies of 15% over 3 years.
- Tax exemption to Mauritius branches of top 500 Institutions in Education sector on IT and IT related materials and equipment for online education.
- Full deduction on capital expenditure on electronic, high precision machinery or equipment and automated equipment, in the year incurred.
- Accelerated depreciation on Green technology equipment extended to include equipment and machinery used for eliminating, reducing or transforming industrial wastes.

Solidarity Levy on Telephony Service Providers

- Levy previously extended up to June 2020, will be made permanent.
- Levy applicable for:
 - Profitable company: 5% of accounting profit and 1.5% of turnover;
 - Loss making company: 1.5% of turnover.

Personal Income Tax

Solidarity Levy

- The solidarity levy rate will increase from 5% to 25% on leviable income in excess of MUR3 Million instead of MUR3.5 Million as from 1 July 2020 for Mauritian citizens.

- The levy will be payable under the Pay As You Earn (PAYE) system.

Contribution Sociale Généralisée (CSG)

- As from 1 September 2020, The National Pension Fund is being abolished and replaced by a new system, the Contribution Sociale Généralisée.
- Under the CSG, the contribution will be as follows:

Monthly salary	Employee	Employer
≤ MUR50,000	1.5%	3%
> MUR50,000	3%	6%
- The CSG will also be applicable to self-employed individuals.

Income Exemption Threshold

- Effective as from 1 July 2020, the Income Exemption Threshold for all categories will be increased by amounts ranging from MUR15,000 to MUR80,000.

Deduction for bedridden dependent

- Additional annual deduction ranging between MUR80,000 and MUR110,000 can be claimed by a taxpayer who has a bedridden next of kin as dependent provided that his/her total number of dependents does not exceed four.

Other Measures

Improving our Doing Business Environment

Alignment with International Best Practices

- (i) To increase shareholder's protection, the Companies Act will be amended to -
 - a. define conducts deemed prejudicial to shareholders and engage Director's liability for prejudicial conduct; and
 - b. provide that Board of Directors of entities listed on the Stock Exchange of Mauritius should comprise at least 2 independent and non-executive directors.
- (ii) Registration of Ultimate Beneficial Owners as well as VAT registration will be done at time of business registration and company incorporation.
- (iii) Some temporary measures relating to, amongst others, extension of time limits in the Companies Act, Limited Liability Partnerships Act, Limited Partnerships Act, Foundations Act and the Insolvency Act will be reviewed.
- (iv) The framework for contracting with Government will be made more efficient and transparent. The Procurement Policy Office will -
 - a. publish statistics on key milestones of a procurement lifecycle to monitor performance and contract management; and
 - b. issue Directives requiring Public Bodies to publish signed contracts and contract amendments on the e-procurement platform.
- (v) All public sector agencies will establish and publish Service Level Agreements for investors and businesses.
- (vi) Special efforts will be made to ensure timely enforcement of contracts and settlement of commercial disputes.

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 HNWI / Ultra HNWI 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.

Disclaimer

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offices

MAURITIUS

CKLB International Management Ltd
PO Box 80, Felix House
24 Dr Joseph Rivière Street
Port Louis, Mauritius
T + 230 405 8800
F + 230 405 8818
E christianli@cklb.com
kathleenlai@cklb.com
adrienli@cklb.com

LONDON REPRESENTATIVE

Henry Lan T + 44 2088 197 315
E henrylan@cklb.co.uk

GUERNSEY REPRESENTATIVE

Chris Blin T +44 1481 723 221
E chris.blin@pa.gg

SEYCHELLES

CKLB Fiduciary (Seychelles) Limited
P.O. Box 355, Suite 6, House of Ansuva
Revolution Avenue, Victoria
Mahé, Seychelles
T + 248 443 0050
F + 248 443 0060
E kimyuekye@cklb.com

HONG KONG

CKLB Corporate Services (Hong Kong) Ltd
Rm. C7, Blk.C, 1/F, East Sun Industrial Centre
16 Shing Yip Street, Kwun Tong
Kowloon, Hong Kong
T + 852 2805 6636
F + 852 2391 8679
M + 852 9800 6394
E patrickli@cklb.com



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