



INTERCONTINENTAL TRUST NEWSLETTER

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Intercontinental Trust Ltd

Mauritius Budget Brief 2016-2017

Preamble

Honourable Pravind Kumar Jugnauth, the newly appointed Minister of Finance and Economic Development presented his budget on the 29th July 2016.

Against the backdrop of a sluggish global economy imbued with uncertainties, the Government has put forward bold measures that are expected to give new impetus to the local economy. This year’s budget rests on ten key strategies; entrepreneurship, business facilitation, innovation, job creation, public sector reform, macroeconomic stability and sound public finance, social upliftment as well as eradication of poverty remain high on the agenda. In addition, the Government also pledges an unfaltering commitment to put in place the right infrastructure, including a coherent and comprehensive digital ecosystem, which is pivotal to the development of the island nation’s economy.

Our newsletter encompasses the main highlights of the budget speech titled “A new era of development” with prime focus on the financial sector and other key areas of interest to our valued clients.

Global Business and Non-Bank Financial Services Sectors

Global Business Companies

- Category 2 Global Business Companies (GBC2) will now be allowed to invest in listed securities;
- Introduction of tax holidays, subject to meeting conditions of employment creation and substance, as follows:

Exempted companies/individuals	Tax Holiday period
Companies holding a ‘Global Headquarters Administration Licence’	8 years
Companies holding a ‘Treasury Management Centre Licence’	5 years
Companies with ‘Asset and Fund Managers Licence’ managing a minimum asset base of USD 100 million	5 years
International law firms with a ‘Global Legal Advisory Services Licence’	5 years
Companies holding an ‘Investment Banking and Corporate Advisory Licence’	5 years
Companies having an ‘Overseas Family Corporation Licence’	5 years
Foreign Individuals investing a minimum of USD 25 million in Mauritius	5 years

- Setting up of a Mauritius International Derivatives & Commodities Exchange (MINDEX) in Rose Belle Business Park and allocation of seed capital of MUR 50 million;
- Development of Mauritius as a full-fledged International Arbitration Centre with the capacity and expertise to resolve disputes.

Non-Bank Financial Services

- Introduction of a standardized centralized online KYC database for the non-bank financial services sector to be managed by the Financial Services Commission. Service providers in the non-bank financial services sector will have access to the database to facilitate execution of transactions;
- Broadening the plethora of products and services through the:
 - (i) Setting up of Treasury Centres and Regional Headquarters;
 - (ii) Development of Mauritius as the Renminbi clearing centre for the African region; and
 - (iii) Promotion of Mauritius as a centre for clearing of African currencies and securities.

Financial Services Act

The Financial Services Act will be amended to allow the Financial Services Commission (FSC) to:

- (i) issue a new Global Legal Advisory Licence to cater for flagship international law firms to set up their regional offices and operations in Mauritius. These law firms will not be allowed to litigate in Mauritius;
- (ii) introduce a Family Corporation licence to allow high net worth foreigners and their dependents to benefit from residency;
- (iii) introduce Online Licensing; and
- (iv) regulate securities for Preferential Offer Rules including Private Placement Schemes for 25 investors or more who individually invest at least MUR 1 million. Private placements, as approved by the FSC, will also be allowed to list on the local exchange.

Financial Reporting Act

The Financial Reporting Act will be amended to:

- (i) introduce a mandatory audit firm rotation policy of every 7 years for listed entities;
- (ii) introduce penalties and fines on licensees of the Financial Reporting Council (FRC); and
- (iii) provide for a line of reporting by the National Committee on Corporate Governance to the FRC.

Work and Live in Mauritius

Occupation and Residence Permit: simplification and modernization

- Application process for Occupation Permits (OP) will be reviewed through the OP online system. No prior registration of business or transfer of funds will be required and applicants will be issued with an approval in principle subject to complying with the set criteria. Validation of the proposed business activity and required checks on the person will be carried out upstream;
- OP application form will be made bilingual (English and French). A single form will be filled in by the applicant for an Occupation Permit and a Residence Permit for his/her dependents;
- Annual turnover threshold for OP will be revised as follows:

Year	Annual Turnover Threshold	
	Current	New
1	MUR 4 million	MUR 2 million
2	MUR 4 million	Cumulative turnover of MUR 10 million
3	MUR 4 million	

- Provided that the net asset value of their business is at least USD 100,000 and the cumulative turnover for the last three years was at least MUR 12 million with a minimum of at least MUR 2 million in any one year, the following persons may register with the Board of Investment (BOI):
 - (i) investors already operating in Mauritius but not registered with the BOI for a period of at least three years preceding an application for Occupation Permit;
 - (ii) applicants under the investor category who have inherited a business, in case of death or incapacity of the previous investor.

Acquisition of apartments and property for business purposes

- Authorisation to be granted to non-citizens registered with BOI to acquire apartments and business spaces in buildings. The Non-citizens (Property Restriction) Act will be amended accordingly.
- Companies in which non-citizens hold less than 25% of the shareholding will not be required to seek the approval of the Prime Minister’s Office for a transfer of property.

Business Facilitation: Slashing red tape

- Abolishment of approval by Executive Committee of the Local Authority for Building and Land Use Permits (BLPs) and clearances for all construction related projects. Local Authority will have only 8 working days to seek additional information. On-line application will available for constructions with a floor area exceeding 150m²;
- Amendment of the Property Development Scheme (PDS) and the PDS regulation by removing the maximum size limit of 50 arpents, the requirement to sell at least 25% of residential units to Mauritian buyers and reviewing the current maximum permissible land size for a villa, from 0.5 arpent to 1.25 arpent;
- Setting up of an e-licensing platform to provide a single point of entry for applications for permits and licences;
- Silent Agreement Principle: Board of Investment (BOI) will be empowered to issue the clearances/approvals to businesses in cases where the statutory deadlines for processing applications have lapsed;
- Regulatory Sandbox Licence: BOI may issue approvals, permits and licences to start an innovative project after consulting with relevant ministries;
- Enhancement of foreign policy: In addition to the appointment of seven Counsellors (Economic Matters) in Paris, New Delhi and Johannesburg, the following measures have been proposed:

Foreign Policy	Country
Comprehensive Economic Cooperation and Partnership Agreement (CECPA) including a Preferential Trade Agreement	India
Agreements for establishment and management of Special Economic Zones	Senegal*, Madagascar and Ghana
Setting up Embassy in Riyadh and Consulate in Jeddah	Egypt
Opening of Consulate	Reunion Island

* 40 hectares of land have already been allocated by the Government of Senegal. The project will be executed by a joint SPV in which the Mauritius Africa Fund holds 51%.

Motor Vehicles

- Suspension of the CO² levy/rebate scheme due to uncertainties hovering over the measurement of CO² emission;
- Rates of excise duty are revised as follows:
 - (i) For conventional cars: excise duty has been revised from 15% to 0% for motor cars up to 550 c.c., from 55% to 45% for motor cars between 551 – 1,000 c.c. and from 55% to 50% for motor cars between 1,001 to 1,600 c.c.;
 - (ii) For all hybrid cars: excise duty lowered by 30% ;
 - (iii) For electric cars: abolishment of duty on electric cars of up to 180 KW.
- Reduction of registration duty payable on an electric car as follows:
 - (i) For cars below 70.0kW: MUR 8,100 (previously MUR 8,100 to MUR 58,500)
 - (ii) For cars above 70.1kW to 95.0kW: MUR 16,300 (previously MUR 58,500 to MUR 78,000)
 - (iii) For cars above 95.1kW to 125.0kW: MUR 26,000 (previously MUR 78,000 to MUR 97,500)
 - (iv) For cars above 125.1 kW to 150.0kW: MUR 32,500 (previously MUR 97,500)
 - (v) For cars above 150.1 kW to 180.0kW: MUR 39,000 (previously MUR 97,500)

Other Salient Measures

Africa-Mauritius-Singapore-Asia Air Corridor

In a bid to position Mauritius as a regional aviation hub, the Government will inject an amount of MUR 40 million in the marketing of the Air Corridor.

Gender equality

Amongst other proposed amendments regarding gender equality, public companies listed on the Stock Exchange of Mauritius Ltd will now be required to have at least one woman on their Board of Directors.

The Film Industry: setting the stage for success

- Refund on Qualifying Production Expenditure (QPE) under the Film Rebate Scheme* will be increased from 30% to up to a maximum of 40% and production of films for export will be zero-rated for VAT purposes;
- Provision of an amount of MUR 10 million to the Mauritius Film Development Corporation for the purchase of equipment to be leased to film-makers;
- Imported lighting equipment for use in film-making will be exempted from customs duty;
- Establishment of the first film city as well as the setting up of a Film Training facility, as part of the Omnicane smart city project.

*The Film Rebate Scheme is available to production companies incorporated or registered in Mauritius including those with 100% ownership

Industrial Property Framework: instilling a wave of modernity

By December 2016, Government will finalise:

- The introduction of a consolidated Bill that will encapsulate all aspects of industrial property as well as provide for the protection of patents, plant breeders' right, industrial designs and marks including geographical indications and trade names;
- Its adherence to a number of the World Intellectual Property Organisation (WIPO) Administered Treaties, namely, Patent Corporation Treaty (PCT), the Hague Convention and the Madrid Protocol;
- The introduction of an attractive fiscal package to encourage innovation.

Freeport: extending our borders

The Freeport Act will be amended as follows:

- Revision of the restriction of annual export value towards Africa from 80% to 50%;
- A new legislative framework will be worked out by the Board of Investment to enable the transition from a Freeport to a Free Zone concept; and
- Review of the Second Schedule to cater for companies incorporated in Mauritius and providing freeport related services outside Mauritius such as advisory, marketing, engineering, project management, technical support and related services.

Information, Communication and Technology: Digitizing the economy

- Activation of Information Highway for sharing of information among public sector agencies and launch of 50 new e-services to facilitate citizens interaction with public sector agencies;
- Introduction of a National Payment Switch by the Bank of Mauritius which is expected to reduce transaction costs and give a boost to e-commerce.
- Development of a national e-commerce platform in conjunction with the Mauritius Export Association (MEXA) to connect international consumers to local exporters;
- Creation of mobile applications by start-ups to provide information on Government services such as transportation, traffic and weather forecast, etc.;
- Closing the digital gap and set-up of 250 additional free Wifi Hotspots around the island;
- Development of digital literacy through hefty investment in education;
- Investing in connectivity to improve the deployment of broadband infrastructure and its quality. These include:
 - (i) investment in a 'Third Undersea Cable' project;
 - (ii) investment in a fibre-optic undersea cable to link Mauritius, Reunion, Madagascar with an international backbone through South Africa;
 - (iii) the acceleration of the Fibre To The Home (FTTH) programme to cover the island by December 2017; and
 - (iv) an investment of MUR 200 million to provide high speed broadband to Internet Service Providers through its island-wide fiber optic cable network.

Companies Act 2001

The Companies Act will be amended to allow:

- the Registrar to notify an applicant within 5 working days in respect of a refusal to register a document submitted for registration;
- electronic document issued by the Registrar to be admissible in legal proceedings;
- the Registrar to provide such data and information from records stored in the Companies and Businesses Registration Integrated System (CBRIS) upon payment of a fee;
- to enable the Registrar of Companies to issue electronic documents such as certificate of incorporation online;
- appointment of an administrator instead of a liquidator in the event of winding up a limited life company. The Administrator need not be a registered Insolvency Practitioner;
- Registrar to remove a company from the Register where an objection lodged before 1st July 2009 has not been withdrawn; and
- for a process where undisposed funds available when companies are being removed from the Register to be vested in a Companies Surplus Account or the Curator as the case may be.

Main Fiscal Measures

Income Exemption Thresholds

	From	To
Individual with no dependent	MUR 285,000	MUR 295,000
Individual with one dependent	MUR 395,000	MUR 405,000
Individual with two dependents	MUR 455,000	MUR 465,000
Individual with three or more dependents	MUR 495,000	MUR 505,000
Retired/disabled person with no dependent	MUR 335,000	MUR 345,000
Retired/disabled person with dependents	MUR 445,000	MUR 455,000

Other Exemptions and Reliefs

Additional Exemption - Child Pursuing Tertiary Education

A taxpayer can claim an additional exemption of up to MUR 135,000 in respect of a dependent child who is pursuing tertiary education if the amount of tuition fees payable to the education institution exceeds MUR 34,800 (previously MUR 44,500).

Interest relief on secured housing loan

A first-time home-owner is now allowed to deduct from his taxable income the interests paid on a secured housing loan (previously, first-time home-owner was eligible only if loan was contracted on or after 1st July 2006).

The Income Eligibility Criteria

The income eligibility criteria for a taxpayer to benefit from the additional exemption in respect of a child pursuing tertiary education and interest relief on secured housing loan is raised from MUR 2 million to MUR 4 million.

Exempt Income

Emoluments derived by a seafarer employed on a vessel registered in Mauritius or on a foreign vessel will be exempted from income tax. A co-operative society will be exempted from payment of income tax in respect of income derived from non-sugar agricultural activities.

Other Income tax measures

Tax Deduction at Source (TDS)

Tax deduction at source will be extended to:

- services provided by accountants and tax advisers; and
- management fees paid to individuals.

As regards to tax deduction at source applicable on non-resident entertainers and sportspersons, the 10% withholding rate will be made final.

Statement of Assets and Liabilities by High Net Worth Individuals

The MRA will be allowed to request an individual with net income exceeding MUR 15 million in a year or having assets exceeding MUR 50 million to submit a Statement of Assets and Liabilities.

Time limit for Submission of Amended Income Tax Returns

A time limit of 2 years is being introduced for submission of amended income tax returns both by individuals and corporates. However, this time limit will not apply to arrears of emoluments paid by an employer. In such cases, an employee will be allowed to submit amended income tax returns to offset emoluments accruing in those years against any unused income exemption threshold and other deductions.

Filing of PAYE returns by employers

An employer will be required to provide the MRA, in its monthly Pay As you Earn return the amount of PAYE withheld per employee together with his National Identity Number. Likewise, in the return for TDS, the Business Registration Number or National Identity Number of the payee will be required. Furthermore, in the annual return of employees, an employer will be required to give details on income paid to all employees, irrespective of whether PAYE has been deducted or not.

Penalties

- A penalty will be introduced on losses or refund over-claimed;
- The reduced penalty provisions granted to a small enterprise having a turnover not exceeding MUR 10 million will also apply to individuals who are not in business. The maximum amount of penalty will be accordingly reduced from MUR 20,000 to MUR 5,000 and the penalty in case of late payment of taxes will be lowered from 5% to 2%;
- A taxpayer will henceforth be allowed in his income tax return to express doubt about the interpretation and application of the law regarding any item to be included in his income tax return and the taxpayer will be treated as having made a full and true disclosure. Such a disclosure will grant the taxpayer protection from penalties and interest in respect of that particular item where a genuine doubt has been expressed;
- The tax residency certificate fee applicable to an individual will be fixed at MUR 1,000;
- Instead of an income tax return, only a declaration will be required for companies that are not in operation. This facility will not apply to a company holding a Category 1 Global Business Licence or a trust.

Tax Administration

Collection of Social Security Contributions by Mauritius Revenue Authority (MRA)

The MRA will collect, at no cost to the Ministry, the social security contributions of employers.

Recovery of Registrar-General's Department Tax Arrears by MRA

Pending the integration of the Registrar-General's Department under the MRA, appropriate legislative amendments will be made to use more extensive and efficient powers of the MRA to recover arrears of revenue on behalf of the Registrar-General's Department.

Alternative Dispute Resolution

An Alternative Dispute Resolution mechanism will be set up at the level of the MRA to expedite tax appeal cases exceeding MUR 10 million.

Definition of 'Fraud' for the purpose of Revenue Administration

For the purpose of administering revenue laws, the definition of 'fraud' will be amended to include cases of non-submission of tax returns. This will allow MRA to raise assessments beyond the 3 years statutory limit in the event where a tax payer has not submitted a tax return provided the MRA obtains the authorisation of the Independent Tax Panel under the Assessment Review Committee.

Tax Clearance Certificate from MRA before allocation of Government contracts exceeding MUR 5 million

A contractor will be required to provide a tax clearance certificate, issued by the MRA, confirming that he has filed his tax returns and paid tax, before being allocated government contracts exceeding MUR 5 million.

Value Added Tax (VAT)

- Supply of a good or service will be subject to VAT even if an invoice has not been issued nor payment made;
- In order to ensure a level playing field between domestic and foreign businesses providing services in Mauritius, non VAT-registered persons who source services from abroad will be required to incorporate VAT on the services sourced and remit same to the MRA. This will not apply to a bank carrying on business wholly and exclusively with nonresidents and is a licensee under the Financial Services Act;
- Where a person voluntarily deregisters or his registration is cancelled, the MRA will not claim VAT on the stock of goods held and will not refund any excess of input tax over output tax for the last taxable period;
- To discourage excessive claim of input tax, a penalty of 20% of the amount over-claimed is being introduced. The penalty will not exceed MUR 100,000;
- The amount payable by a taxpayer at the time of lodging an objection to a tax claim made by the MRA is being reviewed.

Other noteworthy measures

Small & Medium Enterprises (SMEs) : paving the way for entrepreneurs

In addition to granting an income tax holiday to SMEs, the following measures have been proposed:

- Trade licences fees of MUR 5,000 and below shall be abolished for a period of 3 years except for gambling, sales of liquor and cigarettes activities;
- A National SME Incubator Scheme will be created under which a matching grant of MUR 50 million will be offered with the aim of supporting and mentoring young entrepreneurs;
- The promotion of new industrial parks for the purpose of modernizing new production techniques;
- Leasing Equipment Modernisation Scheme to be re-introduced to enhance access to leasing finance;
- Implementation of fast track desk for micro enterprises by Development Bank of Mauritius;
- NRF Equity Fund and the SME Partnership Fund will be merged into a single SME Venture Capital Fund;
- Factoring services – new line of credit of MUR 100 million put in place for small businesses.

Income Tax holiday

An 8-year income tax holiday is presently granted to a newly incorporated small company registered with the Small and Medium Enterprises Development Authority (SMEDA) and qualifying under a scheme approved by Government under section 5A of the Small and Medium Enterprises Development Authority Act.

Currently, qualifying activities approved by Government are as follows:

- ICT and other export services
- Manufacturing
- Bio-farming and other value added agri-business activities
- Aqua-culture and other value added ocean economy related activities
- Renewable and green energy
- Handicrafts
- Other productive sectors that will create employment

The 8-year tax holiday in respect of business income is being extended to new enterprises set up by individuals or cooperative societies qualifying under the scheme and registered with SMEDA.

Existing enterprises registered with SMEDA with a turnover of less than MUR 10 million and engaged in qualifying activities under the same scheme will be given a 4-year tax holiday in respect of their business income. The tax holiday will start as from the year of assessment 2016/17.

Banking Sector

National Payment Systems Bill

A National Payment Systems Bill will be introduced to provide for a comprehensive legislation on payment systems in Mauritius and the setting up of a National Payment Switch, among others.

Deposit Insurance Scheme

A Deposit Insurance Scheme legislation will be introduced to protect depositors and guarantee the repayment of their deposits to such extent as may be feasible, in case of failure of a bank or non-bank deposit taking institution licensed by the Bank of Mauritius.

Asset Management Company

Enactment of a legislation to set up an Asset Management Company which will take over, in a phased manner, non-performing loans from banks which have been secured by residential and commercial property.

Bank of Mauritius Act and Banking Act

Mandatory audit firm rotation every 5 years for banks

A series of other amendments have been proposed to both acts. In addition, the fees payable by money changers under the Banking (Processing and Licence Fees) Regulations will be reviewed.

For any additional information please contact us.

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