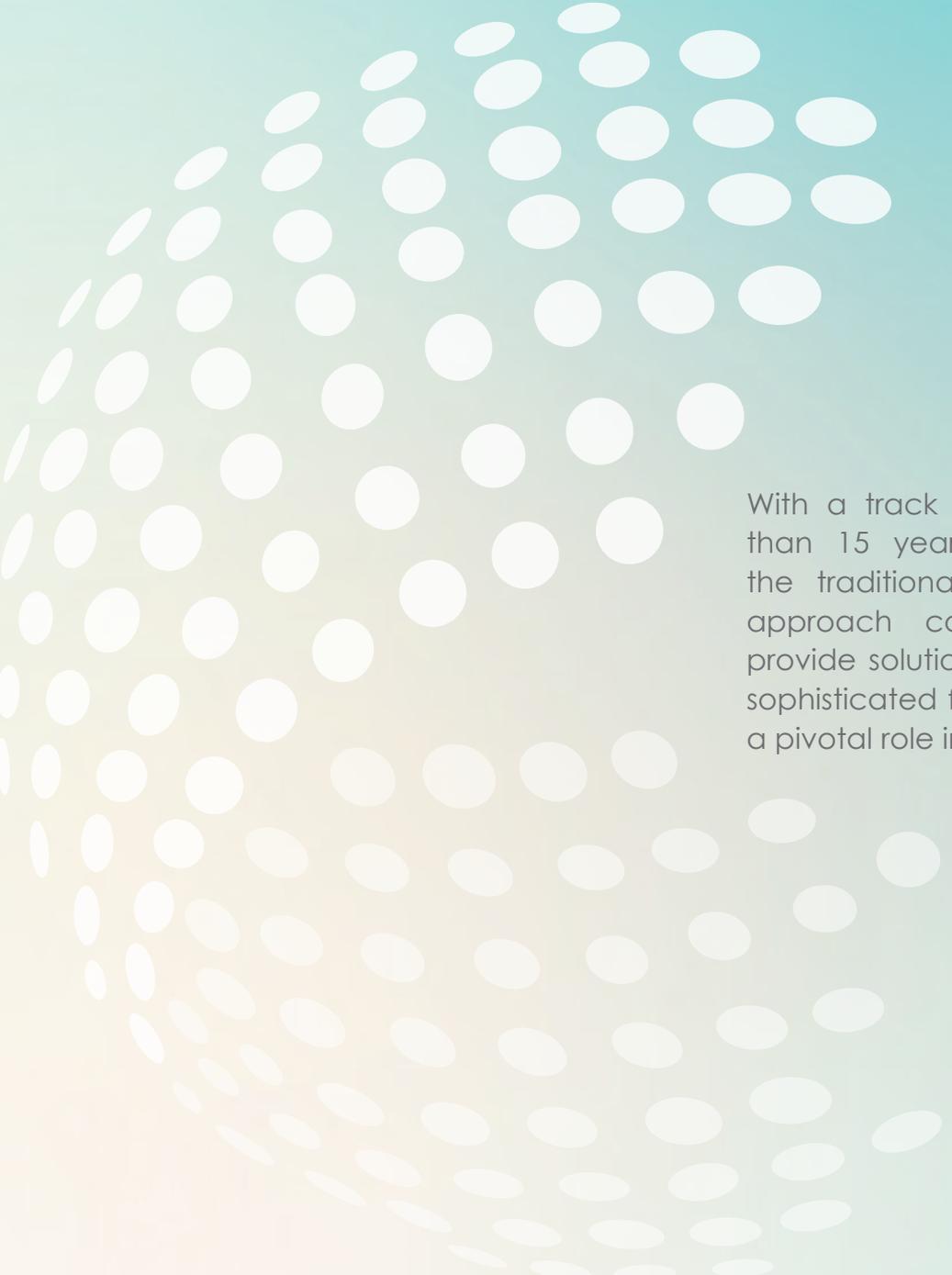




Intercontinental Trust Ltd

BUDGET BRIEF 2018-2019



With a track record spanning over more than 15 years, ITL has pushed beyond the traditional boundaries; its innovative approach coupled with its ability to provide solutions fitted to the needs of the sophisticated financial market have played a pivotal role in its success.

ABOUT US

04



Editorial



06



Financial Services



09



Fiscal Measures



13



New Schemes
for Foreigners



15



Film Industry



17



Innovation



19



Other Budget
Measures



CONTENTS

REVAMPING THE GLOBAL BUSINESS SECTOR AND POSITIONING MAURITIUS AS AN INNOVATIVE AND FINTECH HUB

The Honourable Mr. Pravind Kumar Jugnauth, Prime Minister, Minister of Home Affairs, External Communications and National Development Unit, Minister of Finance and Economic Development of the Republic of Mauritius presented his budget speech for the fiscal year 2018/2019 on the 14th of June 2018.

The Honourable Prime Minister announced substantial measures to revamp the existing Global Business Sector. Enhanced substance, harmonisation of regimes for the global business and domestic sectors, and greater oversight of management companies are amongst the key ingredients chosen by the Honourable Prime Minister in his drive to enhance the competitiveness of Mauritius as a financial centre and the adherence to global standards.

Amongst the measures contemplated, the Prime Minister's bold announcement to stop issuing Category 2 Global Business Licences as from January 2019, with a grandfathering provision for certain existing Category 2 Global Business Licensed companies, was expected by the stakeholders in the industry.

The Honourable Prime Minister has also sought to redefine the taxation regime applicable to Category 1 Global Business Licensed companies. In his speech, the Honourable Prime Minister has introduced steps for abolishing the Deemed Foreign Tax Credit regime applicable to Global Business Licensed Companies as from 31 December 2018. The announcement of a partial exemption regime applicable to all companies, except banks, whereby 80% of specified income would be exempted from income tax, subject to satisfaction of specific criteria, will surely remould the existing tax regime for Category 1 Global Business Licensed Companies in the near future.

The Honourable Prime Minister also enumerated various innovative and technology-driven measures with a view to position Mauritius as a modern and high-tech jurisdiction. His vision is to transform Mauritius into an inclusive high income country based on innovation and sustainable value creation.

In an aim to attract high net worth foreign individuals, the Honourable Prime Minister further announced the creation of 2 schemes for facilitating the obtention of Mauritian citizenship and a Mauritian passport for such individuals, subject to satisfying a defined criteria and due diligence.

The Prime Minister also announced the introduction of critical measures, namely:

- Boosting the film industry through the creation of a Film Promotion Fund, with a seed capital of Rs 500 million
- The creation of a new growth pole revolving around Artificial Intelligence (AI), blockchain technology and Fintech
- The creation and licensing of a custodian of digital asset and digital asset marketplace
- The introduction of appropriate cyber-security and cyber resilience policies and capacities.

This Budget sets the pathway for transforming Mauritius into an innovative and technology driven country in the hope that it would be for the greater benefit of investors in various industries and the Mauritian economy.

Introduction

Measures Affecting the Global Business Sector

Global Business - Taxation

Directors Fees



FINANCIAL SERVICES

INTRODUCTION

The Global Business Sector has positioned itself as one of the pillars of the Mauritian economy and is expected to grow by 4.7% in 2018.

The financial services industry was subject to numerous challenges from the International Community (including the Organization for Economic Development (OECD) and the EU) for revamping its global business sector. It must be highlighted that the Government is fully committed to provide its support whilst emphasising increasingly on compliance with the best international norms, standards and practices.

MEASURES AFFECTING THE GLOBAL BUSINESS SECTOR

To ensure compliance with best practices and international standards, the following measures were announced:

- The introduction of a new harmonised fiscal regime for domestic and Global Business entities;
- No GBC2 licences will be issued by the Financial Services Commission after 1st January 2019 and applicable Income Tax Act provisions will be reviewed accordingly;
- Companies with a GBC2 licence issued prior to 16th October 2017 will be regulated under the current regime until 30th June 2021;
- Global Business Companies will need to comply with additional substance requirements; and
- Implementation of a new framework for the improved oversight of Management Companies

It is further noted that the Financial Services Act will be amended to:

- rename the Category 1 Global Business Licence as Global Business Licence;
- remove all restrictions applicable to dealings in Mauritius; and
- a Global Business Licence must be sought with the Financial Services Commission through a Management Company by all resident companies and partnerships incorporated/registered:
 - whose majority shareholdings are held by non-resident; and
 - which conducts business mostly outside of Mauritius.

GLOBAL BUSINESS – TAXATION

Currently, a GBC1 company is subject to income tax in Mauritius on its net income at 15%. It is, however, entitled to a tax credit equivalent to the higher of the foreign tax suffered or 80% of the Mauritius tax payable on its foreign sourced income giving an effective tax rate of 3%. The aforesaid tax credit will be abolished as from 31st December 2018.

A “Partial Exemption Regime” will now be introduced whereby 80% of the following specified income will be exempted from income tax:

- (i) foreign source dividends and profits attributable to a foreign permanent establishment;
- (ii) interest and royalties; and

(iii) income from provision of specified financial services.

The above exemption will be granted to all companies in Mauritius, except banks, subject to the satisfaction of pre-defined substantial activities requirements of the Financial Services Commission.

The existing credit system for relief of double taxation will continue to apply where partial exemption is not available.

DIRECTORS FEES

Director fees are no longer subject to Tax Deductible at Source

Income Tax

Introduction of a Tax Band of 10%

Other Exemptions and Reliefs

3% Reduced Rate of Corporate Tax

Tax Deductible at Source

Fiscal Changes for Bank

Review of the Freeport Regime

Corporate Social Responsibility



FISCAL MEASURES

INCOME TAX

These new thresholds will be effective as from income year starting on 1st July 2018, i.e. on income received by an individual as from 1st July 2018.

Income Exemption Thresholds

Category	From	To
A. Individual with no dependent	Rs 300,000	Rs 305,000
B. Individual with one dependent	Rs 410,000	Rs 415,000
C. Individual with two dependents	Rs 475,000	Rs 480,000
D. Individual with three dependents	Rs 520,000	Rs 525,000
E. Individual with four or more dependents	Rs 550,000	Rs 555,000
F. Retired/disabled person with no dependent	Rs 350,000	Rs 355,000
G. Retired/disabled person with dependents	Rs 460,000	Rs 465,000

INTRODUCTION OF A TAX BAND OF 10%

An individual having annual net income of up to Rs 650,000, will be taxed at the rate of 10% instead of 15%.

OTHER EXEMPTIONS AND RELIEFS

(i) Additional Deduction for Tertiary Education

The additional deduction in respect of a dependent child who is pursuing tertiary studies will be raised as follows:

- a. if abroad, from Rs 135,000 to Rs 200,000; and
- b. if in Mauritius, from Rs 135,000 to tuition fees paid in a year in excess of Rs 135,000 up to Rs 175,000.

(ii) Income Exemption Threshold for a Retired Person

A retired person who in an income year derives emoluments not exceeding Rs 50,000 will be eligible to the enhanced income exemption thresholds granted to retirees.

(iii) Rain Harvesting Investment Allowance

An individual investing in a rainwater harvesting system for his house will be allowed to deduct from his taxable income the total amount invested in such a system, including consultancy and design, earthworks, gutters and specialised water tanks.

(iv) Interest Relief

The profit charge payable under an Islamic Financing Arrangement for the construction of a house will qualify for interest relief if the arrangement is secured on immovable property.

(v) Exempt Income

The exemption threshold on the lump sum received as severance allowance, pension or retiring allowance will be raised from Rs 2 million to Rs 2.5 million.

The Insurance Industry Compensation Fund will be exempted from income tax.

3% REDUCED RATE OF CORPORATE TAX

The corporate tax rate of 3% applied on profits derived by any company from export of goods will be extended to global trading activities effected by companies.

TAX DEDUCTIBLE AT SOURCE

- TDS on rent payable to a non-resident doubled to 10%
- Director fees are no longer subject to TDS

FISCAL CHANGES FOR BANKS

- Deemed foreign tax credit abolished for banks as from 1 July 2019
- Taxation of banks revisited with no distinction between Segment A and Segment B income.
- Introduction of new tax rates as follows:

Chargeable Income	Tax Rate
Up to MUR1.5Bn	5%
Over MUR1.5Bn	15%*

- Special levy on banks extended for one final year up to 30 June 2019

REVIEW OF THE FREEPORT REGIME

The Freeport regime will be amended as follows:

- (i) the corporate tax exemption granted to freeport operators and private freeport developers on export of goods will be removed;
- (ii) Freeport operators and private freeport developers will continue to be exempted from the Corporate Social Responsibility (CSR) contribution;
- (iii) the current tax regime will continue to apply until 30th June 2021 to companies which have been issued with a freeport certificate before 14th June 2018;
- (iv) repair and maintenance of heavy duty equipment will be introduced as a freeport activity;
- (v) an exhibition area being used for the purpose of vault activities will be authorised;
- (vi) the 50% cap imposed on sales of goods on the local market will no longer apply;
- (vii) the maximum period for warehousing of goods in the Freeport will be aligned to that of a bonded warehouse, that is 24 months. A moratorium period of 42 months will be granted on goods warehoused in the Freeport before 14th June 2018;
- (viii) provision of services relating to mobile capital will not be allowed within the Freeport. The holder of a Freeport certificate, issued before 16th October 2017, may continue to provide services within the Freeport until 30th June 2021;
- (ix) manufacturing activities will not be allowed in the Freeport. A transitional period will be granted to existing manufacturing companies; and
- (x) enterprises outside the freeport zone will not be allowed to store goods in a freeport zone. However, authorisation already granted to a third party freeport developer to provide warehousing facilities to an enterprise outside the freeport zone for storage of goods will continue to apply until 30 June 2020.

CORPORATE SOCIAL RESPONSIBILITY

Companies will not be allowed to offset any unused tax credit such as the foreign tax credit against CSR payable. Companies which have been granted tax holidays will be required to contribute to CSR.

Mauritian Citizenship and Mauritian Passport

Occupation Permit for Foreign Professionals in
Emerging Sectors

Foreign Retirees

NEW SCHEMES FOR FOREIGNERS



NEW SCHEMES FOR FOREIGNERS

Mauritian Citizenship and Mauritian Passport

The Economic Development Board (EDB) will manage two new schemes, which will allow foreigners to apply for Mauritian Citizenship and/or a Mauritian Passport subject to satisfying due diligence requirements and defined criteria.

The criteria are:

- a) Mauritian Citizenship – a non-refundable contribution of USD 1 million to the Mauritius Sovereign Fund. Spouses and dependents can also acquire Mauritian Citizenship for an additional contribution of USD 100,000 per family member; and
- b) Mauritian Passport – a contribution of USD 500,000 to the Mauritius Sovereign Fund. Spouses and dependents can also obtain a Mauritian Passport for an additional contribution of USD 50,000 per passport.

Occupation Permit for Foreign Professionals in Emerging Sectors

The EDB, through a Foreign Manpower Scheme, is facilitating the recruitment of foreign workers in emerging sectors such as Artificial Intelligence, Biotechnology, Smart Agriculture, Ocean Economy and others.

The EDB will process the application for an occupation permit within 5 days and the employer will have to contribute the equivalent of one-month salary per foreign worker recruited.

Foreign Retirees

Foreign retirees will benefit from new fiscal and non-fiscal facilities from the Government. They will no longer be required to pay customs duties on the import of their personal effects up to a value of Rs 2 million.

Creation of a Film Promotion Fund



FILM INDUSTRY

FILMINDUSTRY

In an attempt to further boost the film industry in Mauritius, our Honorable Prime Minister has announced in his budget speech, the creation of a Film Promotion Fund under the Economic Development Board, with a seed capital of Rs 500 million. The objective of this Fund is to contribute to the financing of the Film Rebate Scheme, which has shown considerable potential for job creation and opportunities for the local talents.

Innovation - Artificial Intelligence,
Blockchain Technologies & Fintech



INNOVATION

INNOVATION – ARTIFICIAL INTELLIGENCE, BLOCKCHAIN TECHNOLOGIES & FINTECH

The measures announced in the 2018-2019 Budget are consistent with those announced over the last few years aiming at promoting Mauritius as a Fintech Hub for the African continent. However this year, the scope around innovation has been broadened up to 3 specific areas namely Artificial Intelligence, Blockchain technologies and Fintech.

The setting up of a Mauritius Artificial Intelligence Council and of a Steering Committee under the Prime Minister's Office has been announced as the steps to promote the development of Artificial Intelligence.

Blockchain and crypto currencies have been the buzzwords of 2017 and it is with no surprise that two new licenses (Custodian of Digital Assets and Digital Asset Marketplace) have been announced which aim at regulating this complex environment. It is expected that the FSC, which will be the organisation granting these licenses, will put in place the necessary guidelines on investment and trading in crypto currency and digital assets.

The announcement of the Regulatory Sandbox License in the 2016-17 Budget was to cater for the promotion of Fintech in Mauritius. The license allows a flexible regulatory framework to accommodate for new Fintech solutions. Now, the announcement of the creation of a National Regulatory Sandbox License Committee to oversee Fintech activities shows that more expert resources are being placed to accommodate for having a better understanding of Regulatory Sandbox License application from complex Fintech companies. This will hopefully create an easier and quick environment for Fintech companies to be set up and operate.

The above measures show Mauritius' willingness to position itself as a key player in the innovation space. From the FSC communique dated 22nd May 2018, Lord Meghnad Desai, Chairperson of the High-Level Committee on Fintech rightly stated that there is a need to *“attract Fintech entrepreneurs and position Mauritius as the Fintech and technology hub for Asia and Africa”*. We note that the measures announced in the 2018-19 Budget are backing this statement.

Captive Insurance Act
Financial Intelligence and Anti-Money
Laundering Act
Financial Services Act
Securities Act
Companies Act
Insolvency Act
Limited Liability Partnership Act
Limited Partnerships Act

OTHER BUDGET MEASURES



CAPTIVE INSURANCE ACT

The Captive Insurance Act will be amended to be in conformity with the substance requirements of the Organisation for Economic Co-operation and Development (OECD) Standards.

FINANCIAL INTELLIGENCE AND ANTI-MONEY LAUNDERING ACT

The Financial Intelligence and Anti-Money Laundering Act will be amended to allow for necessary sanctions to be imposed where a financial institution fails to comply with guidelines of the Bank of Mauritius (BoM) for the prevention of money laundering and financing of terrorism.

FINANCIAL SERVICES ACT

The Financial Services Act will be amended to:

- (a) allow the Financial Services Commission (FSC) to:
 - give directions to any person as may be required, for the purposes of its functions, to ensure compliance with licensing conditions;
 - take actions against a licensee which fails to comply with section 52 or section 52A of the Bank of Mauritius Act; and
 - appoint an administrator in relation to the business activities of a person whose authorisation has been withdrawn;
- (b) ensure that licensees maintain the requirements needed for the grant of a licence at all times;
- (c) extend the scope of the offence with respect to licensees who provide false and misleading information;
- (d) extend the scope of the offence with respect to a person who destroys, falsifies, conceals or disposes of, or causes or permits the destruction, falsification, concealment or disposal of any document, information stored on a computer or other device where such information is relevant to the Commission;
- (e) clarify that the Review Panel needs to receive the application for review within 21 days of the issue of the written notification;
- (f) allow for any determination of the Review Panel to be published except that any information which the Review Panel considers to be sensitive shall be omitted;
- (g) allow the FSC to regulate Custodian Services (Digital Asset) and Digital Asset Marketplace;
- (h) allow the FSC to regulate Compliance Services and Global Shared Services;
- (i) cease the issuance of Category 2 Global Business Licence as from 1st January 2019;

- (j) rename the Category 1 Global Business Licence as Global Business Licence;
- (k) remove all restrictions applicable to dealings in Mauritius;
- (l) provide that all resident companies and partnerships incorporated/registered under the laws of Mauritius whose majority shareholdings/parts are held by non-resident and which conduct business mostly outside Mauritius will be required to seek a Global Business Licence or an authorisation from the FSC, through a duly appointed Management Company. The latter will be responsible for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT), Legal, Regulatory & Corporate Governance compliance of these companies/partnerships; and
- (m) provide for enhanced substance requirements for entities holding a Global Business Licence.

Consequential amendments will be made to sections in other legislations relating to companies holding a Category 1 or 2 Global Business Licence, namely, the Companies Act, Foundations Act, Insurance Act, Limited Liability Partnership Act, Limited Partnerships Act, Private Pension Schemes Act, Non-Citizens (Property Restriction) Act, Protected Cell Companies Act, Securities Act, and Trusts Act.

SECURITIES ACT

The Securities Act will be amended to allow the Financial Services Commission to make Rules to cater for any new market participants for Derivatives and Commodities Market.

COMPANIES ACT

The Companies Act will be amended to:

- (a) make provision for an offence being committed by a director for breach of duty where the director fails to disclose that he has an interest in a transaction or a proposed transaction with the company. On conviction, the Director will be liable to a fine of up to Rs 100,000 and to imprisonment for a term of up to 1 year;
- (b) make provision for the Annual Report of a company to also mention any major transaction which took place during the accounting period to which it refers;
- (c) provide that where the Registrar restores a company on his own motion, the requirement to give public notice in 2 daily newspapers will no longer apply to avoid unnecessary costs in relation to publication;
- (d) eliminate the requirement for a certificate of current standing to contain a statement regarding payment of licence fees as same are no longer applicable;
- (e) allow for disclosure and availability of Beneficial Ownership Information following enquiries related to Anti-Money Laundering/Combating The Financing of Terrorism;
- (f) allow for the time for keeping the share register to be extended to 7 years following the removal of the company from the register;
- (g) allow for enhanced protection to minority shareholders;

- (h) allow for more transparency to shareholders; and
- (i) allow for recovery of outstanding fees during liquidation process.

INSOLVENCY ACT

The Insolvency Act will be amended to:

- (a) allow for specific provision for the continuation of supply of essential goods to an insolvent company throughout the insolvency process;
- (b) allow for the filing of the declaration of solvency with the Director of Insolvency Service to be effected on the same date as the resolution for winding up of the company;
- (c) allow for the period for which a liquidator can keep records of a company from the date of dissolution of the company to be extended from 3 to 5 years;
- (d) allow for the FSC to make a petition to wind up a company which is a past licensee of the FSC to cater for situations where the licences have been terminated and the company is no longer a licensee; and
- (e) review the order of payment to Mauritius Revenue Authority in the context of a receivership or a winding up.

LIMITED LIABILITY PARTNERSHIP ACT

The Limited Liability Partnership Act will be amended to provide for the:

- (a) disclosure and availability of Beneficial Ownership Information following enquiries related to Anti-Money Laundering/Combating the Financing of Terrorism; and
- (b) no-objection of the Mauritius Revenue Authority and the Financial Services Commission for the removal of the Limited Liability Partnership from the register.

LIMITED PARTNERSHIPS ACT

The Limited Partnerships Act will be amended to:

- (a) provide for the disclosure and availability of Beneficial Ownership Information following enquiries related to Anti-Money Laundering/Combating the Financing of Terrorism;
- (b) fails to file financial statements or a summary thereof or an annual return within 30 days from the date of the notice; and
- (c) allow the Registrar of Companies to remove the name of the limited partnership from the Register where a limited partnership –
 - (i) has ceased to carry on business; and
 - (ii) has failed to pay any fee due under the Act within 30 days from date of the notice.



Mauritius Office

Level 3, Alexander House,
35 Cybercity, Ebene, Mauritius
Tel: (230) 403 0800
Fax: (230) 403 0801
Email: mauritius@intercontinentaltrust.com

Seychelles Office

1st Floor, # 5 DEKK House, De Zippora Street,
P.O. Box 456,
Providence Industrial Estate, Mahé,
Republic of Seychelles
Tel: (248) 437 3689
Fax: (248) 437 3299
Email: seychelles@intercontinentaltrust.sc
Website: www.intercontinentaltrust.sc

South Africa Office

Intercontinental Trust, Suite 30, 4th Floor,
Katherine & West
114 West Street, Sandown, 2031
Tel: (+27) 11 784 57 46
Email: sa@intercontinentaltrust.com

Singapore Office

Tel: +65 6222 3192
Fax: +656725 8179
Email: singapore@intercontinentaltrust.com.sg
Website: www.intercontinentaltrust.com.sg

Kenya Office

Tel: +254 (0) 733962677
Email: ke@intercontinentaltrust.com

CONTACTUS

Disclaimer

The information in this Budget Brief was prepared by Intercontinental Trust Limited to provide clients and potential clients with a broad overview of the opportunities available in Mauritius. While all reasonable care has been taken in the preparation of this Budget Brief, Intercontinental Trust Limited accepts no responsibility for any errors it may contain, whether caused by negligence or otherwise, or for any loss, however caused, sustained by any person that relies on it. Readers are advised to consult with appropriate, qualified professional advisors before taking action. Intercontinental Trust Limited will be pleased to discuss any specific issues.