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Are we shaping our future?

National Budget 2016

Are we shaping our future?

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Are we shaping our future?

by

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André Bonieux
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Finance Minister Hon. Pravind Jugnauth gave a mixed bag of reforms today. He started off by saying that we had to be bold. Indeed, he came with a number of promising measures but we feel that he could have done more on the potential reforms.

On the positive side, he announced measures to reform business facilitation including an acceleration in issuing Building and Land Use Permits, the removal of constraints around Property Development Schemes, e-licensing facilities, new powers to the BOI to clear projects already in the pipeline, authorisation for non-citizens to acquire apartments and business buildings. This is highly encouraging.

He also announced the merger or combination of a large number of public bodies - we all hope for greater efficiency. Interestingly, he mentioned that the SIC would be disposing of its mature investments. Is this a way of saying that Government would finally get out of casinos? Time will tell.

We appreciate the reforms for more digital applications within Government, including the recruitment of a Dedicated Chief Information Officer for each ministry.

The Minister also announced the implementation of the new metro, the Metro Express. We are concerned that this project will be financed and run by Government even though he said that the construction will start with the Victoria terminal on a BOT basis. When we know of the management of the NTC, one can only dread how much this project will cost to operate – all funded by the taxpayer. A PPP would be far more cost effective, and the attractiveness of such a project properly evaluated.

The Minister announced a monthly allocation of up to Rs9,520 for a family of five. This is the first foray in such welfare payments by a government and the cost has been estimated at Rs500M over a 2 year period. If limited to that, the country can probably afford the measure, but the difficulty now will be in managing this scheme. Let us hope that processes are in place and that the money only goes to the truly needy.

In spite of a number of positives, this government appears to be digging its heels in old-fashioned structures. The Metro Express mentioned above to start with, investments in water continue to be solely funded by government and job creation continues to be government's responsibility - statistics show that civil servants will increase to 62,365 next year, an increase of 19% over June 2016. This is simply amazing!

.../cont.

Are we shaping our future? (*Continued*)

André Bonieux
Senior Partner

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About PwC

A reform that was expected, but unfortunately not discussed today, was around targeted social benefits – health, education, pensions, transport, food subsidies. These benefits initially targeted for the needy are now for everyone's benefit and probably costing a fortune to the national treasury.

Another lost opportunity seems to be in recurring expenditure figures with an increase of 13.8% over 2015/16 whilst revenues from taxes are expected to grow by 9.3%. So whilst tax buoyancy appears healthy, Government is spending much more than before and this is a year where inflation is estimated at a mere 2%. The funding gap will be huge when the grant from India will have been used up. The increase in Government expenditure and the resulting 3.3% budget deficit also remains a concern.

Our conclusion is that this is a no-tax budget and that the Minister has made a genuine attempt at reforming the economy, but not to the extent we expected.

Tax perspective

by

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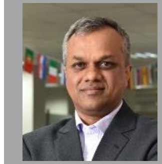
Tax Perspective



Dheerend Puholoo
Associate Director

The National Budget 2016/2017 focuses on ten key strategies including fostering a wave of modern entrepreneurs, entering a new economic cycle focusing on innovation, boosting exports and private investments, and ensuring macro-economic stability and sound public finances.

In the wake of the recent protocol in relation to the revision of the India/Mauritius Tax Treaty, it comes with no surprise that the Minister has announced measures to revamp the Global Business Sector.

Global companies registered as Global Headquarters Administration companies in Mauritius will be granted a tax holiday of 8 years, whilst Treasury Management Centres, Investment Banks and law firms established in Mauritius will enjoy a tax holiday of 5 years. Considering that, at present, companies registered as Regional Headquarters enjoy partial tax exemption, it begs the question whether the tax holiday will have the desired effect. More importantly, in the present international tax environment, the tax incentives for global business companies will be attached to substance requirements.
Income tax exemption has also been extended to Asset and Fund Managers managing a minimum asset base of USD100m. This measure paves the way to attracting competencies to make Mauritius a more robust international financial centre.

The budget also provides measures for SMEs: the extension of the 8 year tax holiday to new enterprises set up by individuals or co-operative societies; the removal of the Rs100m investment threshold in plant and machinery to qualify for the investment tax credit for specified industries; and the increase in the rate of the investment tax credit from 5% to 15% for companies engaged in manufacturing of textiles, wearing apparels, ships and boats, computers, pharmaceuticals and films.

On the administrative front, the Mauritius Revenue Authority (MRA), is taking on the responsibility to collect social security contributions. This is a clear step towards the harmonisation of collections from taxpayers.

With the increasing number of tax disputes, the introduction of an Alternative Dispute Resolution (ADR) mechanism for assessments exceeding Rs10m should help reduce the burden on the Assessment Review Committee and the Supreme Court. This assumes an effective mechanism to achieve the expeditious resolution of tax disputes. Perhaps, an ADR mechanism can be put in place to cater for low value assessments.

There will now be a time limit of two years to submit amended tax returns. This seems an unjust measure considering that the MRA can raise assessments for the past three years. In contrast, it is a fair measure to protect taxpayers from penalties and interest on disputed tax assessments that relate to doubtful interpretation and application of the tax laws.

From a VAT perspective, a non VAT- registered person sourcing services from abroad will be required to apply VAT on the services and remit same to the MRA. Whilst the measure is aimed at bringing a level playing field between domestic and foreign businesses, it would increase the administrative burden on taxpayers.

Overall, the National Budget 2016/2017 brings about some welcome measures for better tax administration as well as tax incentives aimed at stimulating the economy. However, certain measures announced appear to go against the objectives of tax fairness and simplication.

Public Finance

by

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Public Finance

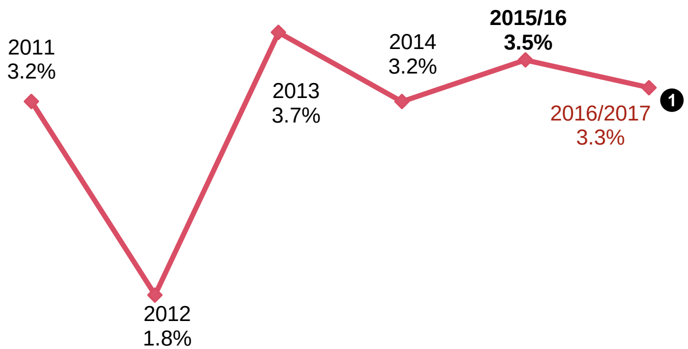
Mehtab Aly
Senior Manager

Budget deficit

A year ago, the economy was predicted to grow by 5.3% in 2015/16 and by 5.7 % in 2016/17. It now sees growth of 3.4% this year and expected growth of 4.1% in 2016/17.

So, growth is roughly a third lower than expected. In these circumstances, it is a feat that the budget deficit for 2015/16 hit the original target of 3.5% of GDP. This deficit reflects an undershoot in both revenue and public spending. Of particular note is the lower capital expenditure of around Rs2bn for the year.

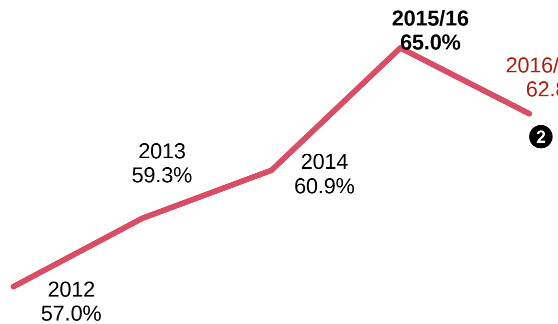
For 2016/17, the budget deficit is expected to decline to Rs20bn i.e. 3.3% of GDP. We note that the External Grants contribute to a large extent to this improvement in the budget deficit.



Public debt (international definition)

Public debt as a percentage of GDP has reached 65.0% of GDP in 2015/16. The Government plans to reduce this to 62.8% in 2016/17, though this is not due to an expected debt reimbursement but rather to an improved forecast GDP growth.

In absolute terms, total debt amounted to Rs274bn in FY15/16, with more than 75% being contracted on the local market.

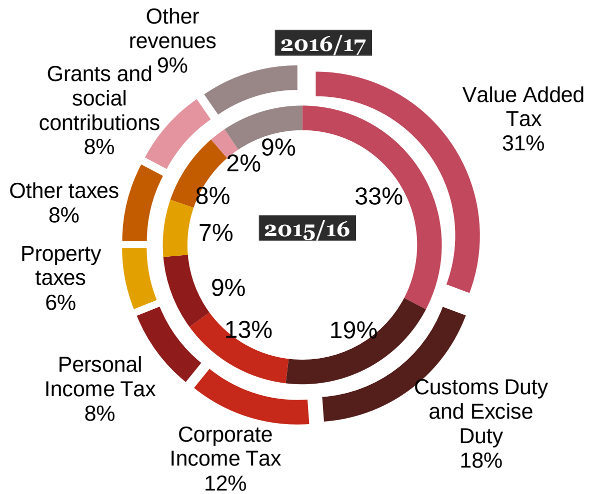


1 *Budget deficit as a percentage of GDP*
2 *Public debt as a percentage of GDP*

Public Finance *(continued)*

Mehtab Aly
Senior Manager

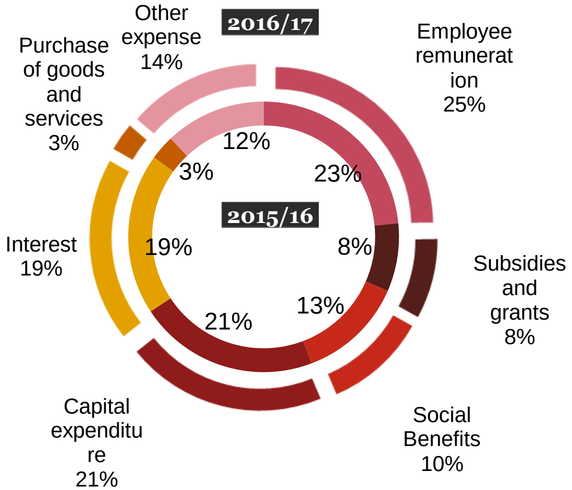
Government revenue



Government revenues are expected to increase from Rs88bn in 2015/16 to Rs102bn in 2016/17. We note a large increase in External Grants - from less than Rs350m in 2015/16 to Rs6bn in 2016/17.

Otherwise, indirect taxes remain the most important source of Government income (around 50%) while taxes on income (personal and corporate) make up 20% of government income.

Government spending



The budgeted expenditure is forecast at Rs117bn in 2015/16 with a 13% increase in employee remuneration following the recruitment of around 10,000 public servants in the coming year.

Only Rs16bn of the Public Sector Investment Programme was spent in 2015/16 compared to the budgeted Rs27bn. We note that, year after year, investment programmes fall well short of budget, mainly as a result of delays in implementation. An investment of Rs35bn is expected in FY16/17.

Sector reviews

Financial Services

Reaching out to new markets

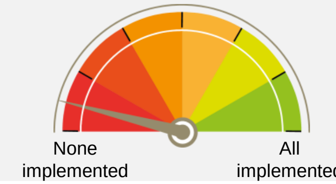
- GBC 2 companies allowed to invest in listed securities
- The Mauritius International Derivatives & Commodities Exchange (MINDEX) will be set up in the Rose Belle Business Park, with an initial seed capital of Rs50m
- Mauritius to become a full-fledged International Arbitration Centre
- An Investment Banking and Corporate Advisory Licence will be introduced

Tax holiday

- 8 year corporate tax holiday for Global Headquarters Administration company
- 5 year corporate tax holiday for Treasury Management Centre company
- 5 year corporate tax holiday for Overseas Family Corporations
- 5 year corporate tax holiday for Investment banks
- 5 year corporate tax holiday for Foreign Ultra High Net Worth Individual investing a minimum of USD25m in Mauritius
- 5 year corporate tax holiday for law firms providing legal advisory and international arbitration services to global business clients
- 5 years personal tax holiday to an Asset and Fund Manager licensed by Financial Services Commission (FSC) and managing a minimum asset base of USD100m

Budget 2015 - Retrospective

Measures implemented against those announced in previous budget



Key metrics

5-8 years of tax holidays to certain licencees of the FSC

Mandatory audit firm rotation for banks every **5** years and for listed companies every **7** years

Financial Services

New legislations

- Introduction of a National payment Systems Bill to regulate e-payment transaction and setting up of a National Payment Switch by the Bank of Mauritius (BOM)
- A Deposit Insurance scheme legislation to protect depositors and guarantee the repayment of their deposits will be introduced
- A legislation for the setting up of an Asset Management Company to take over from banks, non performing loans secured by residential and commercial property will be enacted
- A Limited Liability Partnership Bill will be introduced

Amendments – Bank of Mauritius Act

- BOM allowed to monitor intra group transactions at bank holding company level
- The Banking Services Review Panel will be abolished
- BOM allowed to grant advances only against securities issued by the Government or the BOM
- BOM allowed to used data in the Mauritius Credit Information Bureau for supervisory purposes and financial stability assessment

Amendments – Banking Act

- Investment banking business will no more be considered as a bank and will now be regulated by the FSC
- A foreign bank willing to establish a branch or subsidiary in Mauritius will have to provide a statement of no objection from the regulatory authority of its country
- Credit Unions will no longer be supervised by the BOM
- Subsidiaries of financial institutions incorporated outside Mauritius will have to submit consolidated financial statements to the BOM one month after publication
- Mandatory audit firm rotation every 5 years for banks
- The Receiver is now allowed to discontinue the operations of a bank in receivership

Financial Services

Amendments – Banking Act (Cont.)

- The Receiver will not be allowed to restore the financial institution back to its Board of Directors
- Simplified licencing procedure for a temporary financial institution to take over the assets and liabilities of a financial institution in receivership
- The operation of a temporary financial institution will be limited to a maximum of 2 years
- The Banking Act will prevail in the event of any conflict with other laws, other than the BOM Act
- The BOM may now refuse an application for a banking licence for a group which is predominantly engaged in banking activities and which already holds a banking licence
- Fees payable by money changers will be reviewed
- The BOM may now issue guidelines to holding companies incorporated in Mauritius that have at least one subsidiary that is a bank or a non-bank deposit taking institutions which are classified as systemically important
- The BOM may now carry out an independent valuation of the assets of a bank which holds collateral

Financial Services

Legislative updates

Financial Services Act

- Issue of a new Global Legal Advisory Licence allowing international law firms to set up offices in Mauritius. They will however not be allowed to litigate in Mauritius
- A Family Corporation Licence which allows high net worth individuals to benefit from residency will be introduced
- Application of licences will be made online
- The FSC will regulate securities for Preferential Offer Rules including Private Placement Schemes for 25 investors or more who individually invest Rs1m

Financial Reporting Act

- Mandatory audit firm rotation every 7 years for listed entities
- Penalties and fines on licensees of the Financial Reporting Council will be introduced

Borrowers Protection Act

- The credit agreements' limit regulated under the Act will be increased from Rs2m to Rs3m

Enhancing business facilitation

- A standardised centralised online KYC database for non-bank financial services sector will be introduced
- Mauritius will be developed as the clearing centre for Renminbi for the African Region as well as for African currencies and securities

SMEs & Manufacturing

- 4 industrial parks to support the modernisation of production techniques will be set up
- Bid Price-Preference for 'Made in Moris' products will be increased from 10% to 20%

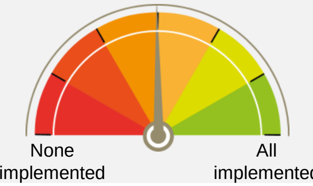
- Boosting up of gold and other precious metals trading activities

- Materials used in manufacture of medical devices exempted from customs duty
- New Pharmaceutical Village in Rose Belle

- Tax credit increased from 5% to 15% over 3 years in respect of expenditure in new plant and machinery (excluding motor cars) to companies engaged in manufacturing on textiles, wearing apparels, computers, pharmaceuticals, ships and boats and production of films
- Minimum investment of Rs100m criteria to qualify for tax credit will be removed
- Rs150m to be injected in an SME Venture Capital Fund
- No VAT on 3D printers
- Interest rate under the SME Financing Scheme reduced from 7.4% to 6%
- Leasing Equipment Modernisation Scheme facilities will be reintroduced
- Amendment to Freeport Act on manufacturing activities - 80% restriction of the annual export towards Africa reduced to 50%

Budget 2015 - Retrospective

Measures implemented against those announced in previous budget



Key metrics

3 years
Suspension on trade fees for licences of Rs5,000 and below

8 years
Tax holiday to start up enterprises registered with SMEDA

4 years
Tax holiday to enterprises registered with SMEDA having less than Rs10m of turnover effective 01 July 2016

Rs50m
Grant under the National SME Incubator Scheme

Rs100m
Line of credit for factoring services

40%
Reduction in air freight costs to Europe in textile and apparel sector over a two-year period

Agri-Business

- Rs10m to industrial milk processors to support small cow keepers with artificial insemination and other veterinary services
- Outstanding interest on certain start-up loans taken by planters, breeders and fishermen prior to 01 July 2012 will be waived, provided all capital paid back before 30 June 2017
- 50% of outstanding loan balances and interest contracted by pig breeders will be waived subject to payback of remaining balance before 30June 2017
- Subsidy on freight cost for export of flowers and vegetables
- Rs20m for the setting up of an exclusive Bio Farming/Organic zone at Britannia

- Additional revenue of Rs1,820 per tonne for planters producing up to 60 tonnes of sugar for crop 2016
- Exemption of corporate tax for cooperative societies on all non-sugar agricultural activities
- Rs 10m contributory insurance scheme for non-sugar crops
- Introduction of 15% levy on specific pesticides, herbicides and fruit ripeners
- New tea nursery at La Brasserie granting seedlings to growers and subsidising fertilizers
- Re-opening of ex-Dubreuil tea factory to promote tea and other agro-processing activities

Key metrics

Rs150,000
Increase in grant facility for sheltered farming

Rs5,000
For every new female calf reared up to lactating phase

Rs16m
To purchase protective net and bags for litchi and banana growers

Rs7m
In creating bee-keeping zones

15%
Levy on specific pesticides

Rs10m
For setting up heifer farm at Melrose

Public Sector

Reforms anticipated to change the public sector DNA:

- Consolidation of certain common public activities
- Re-definition of roles and responsibilities of major governmental institutions
- Restructure MHC, the NHDC and the SIC's activities
- Addressing non-performing public sector bodies through the submission of a turnaround plan before October 2016
- Speeding-up of procedures for the implementation of capital projects
- Harnessing reforms through amendments of various Acts and Regulations

Social protection

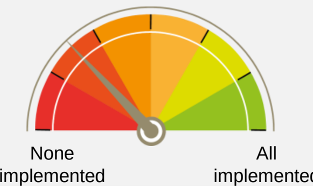
- Rs20.7b earmarked for administration of ageing population
- High level committee to improve both pension system and benefits

Launching the Marshall Plan Against Poverty:

- Rs3.6b allocated to combat those social ills
- New monthly subsistence scheme for every adult on the Social Register
- Grant to support students from poor families at different levels
- Improvement of student learning in 5 ZEP schools
- Launch of a programme of decent shelters for the absolute poor
- Support to low income families for the construction and completion of housing units
- Entitlement to a Basic Invalidity pension irrespective of age
- Tertiary scholarships for 5 students with disabilities to pursue tertiary studies locally.
- Strategic paper to review Special Education Needs

Budget 2015 - Retrospective

Measures implemented against those announced in previous budget



Rsb

Planned expenditure	Budget 2017	Actual 2016*	*Budget 2016*
Social protection	30.1	27.1	*27.0*
General public services	30.4	27.7	*26.6*
Education	16.4	14.7	*14.7*
Public order and safety	11.7	10.3	*10.6*
Health	11.2	10.0	*10.0*
Economic affairs	11.6	8.4	*9.0*
Housing and community amenities	2.5	2.6	*3.4*
Environmental protection	1.6	1.6	*1.9*
Recreation, culture and religion	1.1	0.9	*1.0*
Total	**116.6**	**103.3**	***104.2***

** Provisional figures for Actual 2016*

Comments on planned expenditure:

- Actual figures for 2016 is broadly in line with last year's budget
- A 13% increase is anticipated in 2017 compared to 2016 actual
- 52% of resources allocated to Social protection and General public services in 2017 (vs 42% in 2016)

Public Sector (Continued)

Major infrastructure works planed as a "stimulus" to the local economy:

- New mass transit system along with a network of modern integrated urban terminals
- The Victoria Terminal to be constructed under a BOT model. Provision will be made for 1,000 hawkers
- Major transformation of Port Louis skyline
- Road decongestion programme with the assistance of Korean Expressway Corporation

- Investment in airport infrastructure:
  - New Integrated Government Clearance Centre in the Cargo Village and a modern Control Tower at the cost of around Rs770m
  - CEB to invest Rs425m in a sub-station to cater for Cargo and Freeport power requirement
  - Setting up of a Regional Aviation Training Academy with the help of the Chinese Government to serve the African and Indian Ocean Rim region

- Strategic focus to enhance petroleum hub facilities
  - New petroleum port at Albion
  - 35 hectares of reclaimed land for petroleum storage, logistics and fishing activities

- Setting-up of a Special Purpose Vehicle (ownership open to public at large) to produce solar voltaic systems.
- CEB to invest:
  - Rs400m to increase grid absorption capacity
  - Rs200m to upgrade the Sans Souci plant capacity
- Government will facilitate production of energy from bio-mass, including cane tops and trash.
- The Electricity Act and the CEB Act will be amended to accelerate the permit approval process of renewable energy investment projects

- Public infrastructure work:
  - Construction of pavements across the island
  - Rehabilitation works for hard shoulder
  - Setting up of handrails
  - Restore all road markings and signage
  - Repairing lighting along motorways
  - Address beach erosion and coastal land degradation
- Setting up of a dedicated Land Drainage Authority.

Public Sector *(Continued)*

- Resolving water problems through a Rs3.4b targeted investment:
  - Replacement of some 180 kilometers of old and defective pipes across the island
  - Upgrade and increase of Treatment Plants capacities
  - Increase storage through the construction Strategic Service Reservoirs and new dams
  - Subsidy to purchase water tanks for the benefit of households

- Strengthening law and order through:
  - New Supreme Court Tower to be constructed in Port-Louis with a project value of Rs1.1b
  - Upgrading and/or relocation of district courts
  - 6 new police stations and new Divisional Headquarters
  - Two more Detention Centres
  - New laboratory for the Forensic Department at a cost of Rs235m
  - A modern Police Academy at the Réduit-Ebene area
  - Recruiting of 900 additional Police Constables, 30 cadet officers and Recruitment of 100 fire and rescue officers
  - Rs292m for the modernising the fleet of vehicles
  - Modernisation of police equipment at a cost of Rs115m

- New waste management projects:
  - New system for recycling electronic and electrical wastes
  - Centralisation of Hazardous Waste Facility at La Chaumière
  - New system for recycling of waste tyres
  - 7,000 households to be provided with Compost Bins and Mixing Tools

- Expansion of the Cardiac Centre at the Victoria Hospital to reduce the waiting list for heart surgery
- New ENT hospital will be constructed at Vacoas
- Renovation/upgrading of SSR National Hospital
- New eye hospitals (Moka) and regional hospital (Flacq)
- Improvement of palliative care and prevention against cervical cancer
- Rs250m earmarked for the purchase of new medical equipment
- Setting up of 3 new dialysis units
- Recruitment of 310 additional doctors, 255 paramedical staff and an additional 570 supporting personnel

- Continuation of the 9 Year Continuous Basic Education programme
- Revamp the school years and new modes of assessment over a period of 5 years costing Rs2b
- Recruitment of 340 Trainee Educators, 75 support teachers and 600 educators for both primary and secondary schools
- Launching of 3 new polytechnics
- Upgrading of technical and vocational training centres

Public Sector *(Continued)*

- Setting up a Responsible Gambling and Capacity Building Fund.
- Restructuring of the Gambling Regulatory Authority
- Reinforcement of the 'Police des Jeux'
- Government to divest in both the ownership and management of casinos
- Organise regulated betting games in hotels for non-residents and foreigners only
- On-line betting restricted to non-residents and foreigners.

- Extension of the Rodrigues runway estimated at Rs2b and Rodrigues Airport Terminal for Rs40m
- Consultant to be appointed to finalise Master Plan for the Port Mathurin harbour
- Construction of social housing units with 1,000 over next three years
- Acquisition of two new generators to secure continuous electricity for Agalega

- 'Made in Moris' initiative: Increase in the Bid Price-Preference to 20% for locally manufactured goods in respect of the procurement exercise by public sector bodies

- Placement of 200 trainee engineers in public sector bodies
- Employment of 2,000 unemployed under the YEP
- 7,200 vacancies and new posts in the civil service
- Setting up of a National Employment Agency

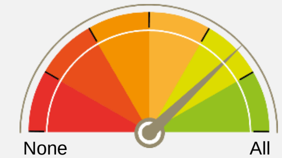
- Set up of an exclusive Bio-Farming/Organic zone with comprehensive modern infrastructural facilities at Britannia Rs20m
- Feasibility study for a Bio-Technology Institute
- Establishment of a new tea nursery at La Brasserie, providing seedlings free to growers and giving a subsidy on fertilizers
- Re-opening of the ex-Dubreuil tea factory to promote tea and other agro processing activities

- Setting up of a World Class Research Institute of Oceanography with the help of the National Institute of Oceanography Goa in Mauritius
- Incentives for the setting up of common facilities on land for aquaculture and fish processing
- The Mauritius Ports Authority will construct breakwaters at Fort William to provide shelter for approximately 120 fishing vessels
- Intake of 1,200 trainees in the Mauritius Maritime Training Academy to address the human resources constraint in the maritime sector

- Transparency, accountability and good governance underpinning the public section
- Allocation of state lands and renewal of lease agreement will be posted online
- Divestment of targeted interest held in different sectors

Budget 2015 - Retrospective

Measures implemented against those announced in previous budget



Real Estate & Hospitality

Incentives for buyers and promoters*

- Exemption from Registration Duty on acquisition of a newly built dwelling up to Rs6m.
- The incentives for a promoter housing project for Mauritians under the Housing Estate Scheme raised to Rs6m
- No Registration Duty on the first Rs2m of the value of residential land (of up to 20 perches) for first time buyers. No age restriction
- Exemption from Registration Duty on registration of a secured housing loan of up to Rs2m.
- No date restriction on interest relief on secured housing loan.
- Mauritians who previously owned property but who do not own any property as at 29 July 2016 also quality as first time buyers.

Business facilitation

- Investors who wish to operate a private hospital, nursing home or residential care home can benefit from the facilitation services provided by the BOI.
- Life rights concept extended to developers outside of the Smart Cities to encourage retirees to live and retire in Mauritius.
- Companies in which non-citizens do not hold more than 25% of the shareholding will not be required to seek the approval of the PMO when there is a transfer of property.
- Electronic submission and acceleration of permits for BLP, Outline Planning Permission, Compliance Certificate, Morcellement Permit and Occupational Permit

** These incentives do not apply on Pas Geometriques, IRS, RES, PDS or IHS*

Key metrics

3
Number of Smart Cities starting in 2016-2017

150sqm
Minimum threshold for online application for BLPs

1.25 arpent
Maximum permissible land size for a villa under PDS

Rs40m
Marketing of the Air Corridor initiative

Rs50m
Rehabilitation of heritage sites

Rs110m
Protection against coastal degradation

Real Estate & Hospitality *(Continued)*

Smart City

- Phase 1 of Heritage City includes the construction of the new parliament, offices and other infrastructure.

Other initiatives

- Government will encourage the setting up of residential care homes for foreign retirees.
- A moratorium on rental to lessees who have been allocated State lands far from infrastructure networks.
- The scheme reducing lease rentals by 50% for hotels on State lands undergoing renovation is renewed for 2 years.
- Family Corporation licence to allow High Net Worth foreigners and their dependents to benefit from residency.
- Non-citizens registered with the BOI will be allowed to acquire apartments and business spaces in buildings.
- Maximum size limit of 50 arpents and a minimum requirement to sell at least 25% of residential unit to Mauritian buyers under the Property Development Scheme.

Tourist attractions

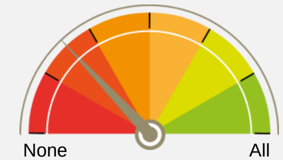
- Setting up of a world-class aquarium and a national museum.
- Redevelopment of Port-Louis in arts, recreation and culture.
- Hotels allowed to have regulated betting games.

Licence for operators

- Validity for pleasure craft licence extended from one to three years.
- One single licence, consolidating activities of similar nature will be introduced thereby eliminating the requirement to apply for several separate licences to operate one single activity. The list will be determined by the Tourism Authority.

Budget 2015 - Retrospective

Measures implemented against those announced in previous budget



ICT

Ease of access

- Easy access to information on government services through mobile applications developed by start-ups
- E-licensing platform as single point of entry for permits and licenses

Improve connectivity and information sharing

- Information Highway to share information across public sector agencies

Improve digital literacy

- Digital tablets as a tool for education at primary level
- Foster creativity, innovation at secondary level and establishment of dedicated Faculty of Digital Technology & ICT Engineering

Digital marketplace

- National Payment Switch to be established to reduce transaction costs and boost e-commerce
- Connect exporters to consumers globally via a national e-commerce platform supported by a regulatory framework

Departmental convergence

- Merging of different entities within the Ministry of Technology, Communication and Innovation (MTCI) to meet the evolving needs of the sector
- Strengthen ICT regulatory environment by merging Information Communication Technology Authority (ICTA) and the Independent Broadcasting Authority (IBA)

Key Figures

50
New e-services will be added to existing government portal

250
Additional free WIFI hotspots in major public areas

Rs200m
Investment by CEB to provide high speed broadband to Internet Service Providers

2
Technopoles will be equipped with 3D printers to enable industrial transformation

Taxation

Corporate Tax

Investment Tax Credit

- Tax credit increased from 5% to 15% over 3 years in respect of expenditure in new plant and machinery (excluding motor cars) to companies engaged in:
  - manufacturing on textiles
  - wearing apparels
  - computers
  - pharmaceuticals
  - ships and boats
  - productions of films
- Tax credit of 15% per annum of the investment over 3 years to companies investing in the share capital of a subsidiary engaged in the setting up and management of accredited business incubator - capped at Rs20m investment
- Minimum investment of Rs100m criteria to qualify for tax credit will be removed
- Extension in number of years for carrying forward unrelieved investment tax credit
- Investment window to claim tax credit extended to financial year 2019/20

Corporate Social Responsibility (CSR)

- Businesses to contribute to the National CSR Foundation 50% of their CSR fund in financial year 2016/17 and 75% in the following year

Tax Losses

- Transfer of accumulated tax losses extended to cover cases where:
  - the acquiree company is not dissolved but remains in operation as a going concern
  - the takeover of a company or transfer has been deemed to be in the public interest

Corporate Tax *(Continued)*

Global Business Companies

- 8 year corporate tax holiday for Global Headquarters Administration companies
- 5 year corporate tax holiday for Treasury Management Centre companies
- 5 year corporate tax holiday for Overseas Family Corporations
- 5 year corporate tax holiday for Foreign Ultra High Net Worth Individual investing a minimum of USD25m in Mauritius
- 5 year corporate tax holiday for law firms providing legal advisory and international arbitration services to global business clients
- 5 year corporate tax holiday for investment banks with an Investment Banking and Corporate Advisory Licence

Small and Medium sized Enterprises

- 4 year tax holiday for existing enterprises with a turnover of less than Rs10m as from year of assessment 2016/2017

Co-operative Society

- Exemption from income tax on income derived from non-sugar agricultural activities
- 8 year tax holiday extended to new enterprises set up by co-operative societies

Industrial Fishing Companies

- 8 year tax holiday to industrial fishing companies

Personal Tax

Exemption for dependent child in tertiary education

- Income eligibility criteria for additional deduction is raised from Rs2m to Rs4m
- Tuition fee eligibility criteria for exemption reduced from Rs44,500 to Rs34,800

Income Tax Exemption

- Emoluments derived by a seafarer employed on a vessel registered in Mauritius or on a foreign vessel exempt from income tax

Trading Income

- 8 years tax holiday in respect of business income to be extended to new enterprises set up by individuals qualifying under SME scheme and registered with SMEDA
- 4 years tax holiday in respect of business income of existing enterprises registered with SMEDA with a turnover of less than Rs10m and engaged in qualifying activities under SME scheme

Interest relief on secured housing loan by first-time home-owner

- Income eligibility criteria to benefit from the interest relief on secured housing loan raised from Rs2m to Rs4m
- Interest relief allowed as from the income year 2016/17 irrespective of the date housing loan was contracted

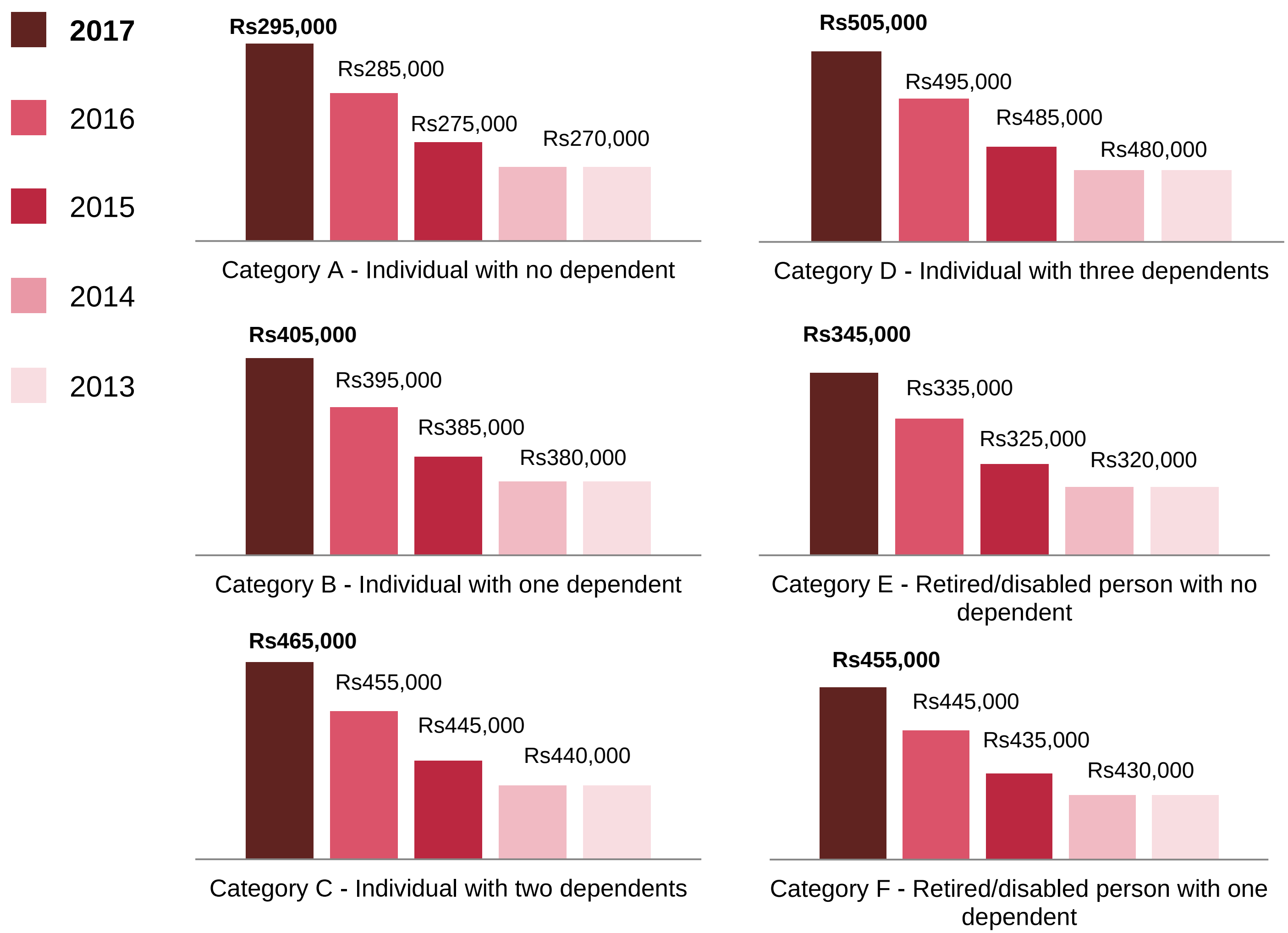
Tax Holiday

- 5 years personal tax holiday to an Asset and Fund Manager licensed by Financial Services Commission and managing a minimum asset base of USD100m
- 5 years personal tax holiday to Foreign Ultra High Net Worth Individuals investing a minimum of USD25m in Mauritius

High Net Worth Individuals

- MRA to request High Net Worth Individuals to submit statement of their assets and liabilities

Income Exemption Threshold



Value Added Tax

VAT exemption on products

Exemption from VAT on the following products:

- Breakfast cereals
- Photovoltaic inverters/batteries
- CCTV camera systems, including CCTV digital video recorders
- Burglar alarm systems and sensors
- 3D printer
- locally manufactured bus bodies built on semi low-floor chassis
- Hospital beds with mechanical or electrical fittings
- Commode chairs with toilet bowls
- Briefs for incontinent persons
- Urinary and fecal incontinence bags
- Motor vehicles examination fee (fitness) for a period of one year
- Plant, machinery and equipment to be used in the exploration and mining of seabed minerals

VAT Refund Scheme for small planters

VAT Refund Scheme extended to the following equipment:

- Fencing and poles
- Insect/bird proof nets
- Protective masks
- PH meters and EC meters
- Bush cutters

VAT Refund Scheme on construction/acquisition of new residence

- VAT refund limit raised from Rs300,000 to Rs500,000
- Refund on construction subject to production of VAT receipts subject to a cap based on floor area
- Construction to be completed by 20 June 2020
- Scheme extended to acquisition of house from property developers and construction on top of existing building
- Construction cost or purchase price limit raised from Rs2.5m to Rs4m
- Household income eligibility threshold increased from Rs650,000 to Rs2m

Value Added Tax (Other)

Bunkering activities

- Exemption from VAT extended to vessels engaged in delivery of bunker fuel within port limit

Healthcare and Medical Tourism

- Exemption from VAT on the construction of nursing homes and residential care home

Leisure

- Entrance fee to aquariums of international standard subject to investment conditions made zero rated

Change in time of supply

- VAT applies when supply is made and not when invoice is issued or payment received

VAT on services sourced from abroad

- Non VAT registered persons are required to charge and remit VAT to MRA on services received from abroad

VAT on deregistration

- No excess input VAT will be refunded on deregistration
- No output VAT to be remitted to MRA on stock held in last taxable period prior to deregistration

Input VAT over-claimed

- Penalty of 20% of amount of input VAT over-claimed limited to Rs100,000

Other Taxes

Property Taxes

- Exemption from Registration Duty on a newly built dwelling (including off-plan or during construction) acquired for Rs6m in the period from 01 September 2016 to 30 June 2020
- Threshold for Land Transfer Tax exemption under the Construction of Housing Estate Scheme raised from Rs4m to Rs6m for sales before 30 June 2020
- Exemption from Registration Duty on the first time acquisition of bare residential land on the first Rs2m of land value provided the acreage does not exceed 20 perches. The exemption applies to anyone who does not own any residential property as at 29 July 2016 irrespective of age
- Exemption from Registration Duty on the registration of a secured housing loan of less than Rs2m to a Mauritian
- Exemption from Land Transfer Tax to an employer providing free social housing to employees on land of less than 7 perches

Customs and Excise duties

- Exemption from Customs Duty on (i) material used in the manufacture of medical devices and (ii) lighting equipment used in film making
- Excise duty of 3% per gram on sugar content on milk based products such as “Perette”, “Yop” and “Dahi”, juices and other sweetened beverages as from 01 October 2016
- Exemption from excise duty for any vessel engaged in the delivery of bunker fuel within the port limit.

Other Taxes *(continued)*

Gambling

- 2% levy on net stakes of all gambling licencees (except the Mauritius National Lottery Operator)
- 30% tax on winnings from on-line betting for non-resident and foreign punters
- Increase in betting duties from Rs16,000 to Rs30,000 for each race meeting for bookmakers operating outside the racecourse

Environment Taxes

- 15% levy on specific pesticides, herbicides and fruit ripeners as from 30 July 2016
- 25% levy on washing machine, mercury vapour lamps, sodium high pressure and metal hallide lamps
- The CO_2 levy/rebate scheme on motor cars suspended as from 30 July 2016
- The Shooting and Fishing Lease Tax abolished

Other Taxes *(continued)*

Custom Tariff Rates (from 30 July 2016)	From	To
Men’s or boys’ suits	Rs165/unit	0%
Suit type jackets and blazers	Rs130/unit	0%
Women’s or girls’ suits	Rs65/unit	0%
Track suits	Rs30/unit	0%
Trousers, breechers and shorts	Rs30/unit	0%
Shirts, skirts, blouses, tops and dresses	Rs30/unit	0%
T-Shirts and singlets	Rs15/unit	0%
Baby diapers	15%	0%
Baby wipes	30%	0%
Dolls and toys representing animals	15%	0%
Lighting sets	15%	0%
Table, kitchen and other household articles of aluminum, porcelain and china	15%	0%
Statuettes	10%	0%
Spirituous products	15%	30%

Other Taxes *(continued)*

Custom Tariff Rates (from 30 July 2016))	From	To
Glass Mirrors	15%	0%
Drinking Glasses	15%	0%
Building materials of glass (glass cubes, paving blocks etc.)	15%	0%
Coated wires and electrodes	15%	0%
Motor vehicle engines and parts thereof	15%	0%
Pumps for dispensing fuel or lubricants for filing stations or garages	15%	0%
Primary cells and batteries	15%	0%
Lead acid electric accumulators	15%	0%
Electric heating apparatus	15%	0%
Trailers and semi-trailers	15%	0%
Horses	Rs30,000/unit	0%
Sugar	0%	15%

Other Taxes *(continued)*

	Alcoholic Products	
Excise Duty (from 30 July 2016)	**From**	**To**
Beer (per litre)	Rs35.90	Rs37.70
Spirit cooler (per litre)	Rs44.70	Rs49.20
Fruit wine (per litre)	Rs27.80	Rs30.60
Made wine (per litre)	Rs59.50	Rs65.50
Wine of grapes (per litre)		
In bulk for bottling purposes	Rs95.70	Rs105.30
In bottle	Rs168.00	Rs184.80
Champagne (per litre)	Rs800.00	Rs880.00
Rum (per litre of absolute alcohol)	Rs471.00	Rs518.10
Cane spirits (per litre of absolute alcohol)	Rs471.00	Rs518.10
Whisky (per litre of absolute alcohol)		
In bulk for bottling purposes	Rs910.00	Rs1,001.00
In bottle	Rs1,455.00	Rs1,600.50
Liqueur (per litre of absolute alcohol)	Rs 320.00	Rs 352.00

Other Taxes *(continued)*

	Alcoholic Products	
Excise Duty (from 30 July 2016)	**From**	**To**
Cigars (per kg)	Rs12,845	Rs16,056
Cigarillos (per thousand)	Rs7,500	Rs9,375
Cigarettes (per thousand)	Rs3,717	Rs4,646

Other Taxes *(continued)*

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Type of motor car and cylinder capacity (c.c.)	Motor cars: From	Motor cars: To
Conventional motor cars:		
Up to 550 c.c.	15%	0%
551 – 1,000 c.c.	55%	45%
1,001 – 1,600 c.c.	55%	50%
1,601 – 2,000 c.c.	75%	75% (no change)
Above 2,000 c.c.	100%	100%(no change)
Hybrid Motor Cars:		
Up to 1,600 c.c.	55%	25%
1,600 – 2,000 c.c.	75%	45%
Above 2,000 c.c.	100%	70%
Electric Cars:		
Up to 180 Kw	25%	0%
Above 180 Kw	25%	25% (no change)

Other Taxes *(continued)*

<table>
<tr><th></th><th colspan="2">Registration Duty on Electric Vehicles</th></tr>
<tr><th>Electric Engine Power (kW)</th><th>From</th><th>To</th></tr>
<tr><td>Not exceeding 27.5 kW</td><td>Rs8,100</td><td rowspan="6">Rs8,100</td></tr>
<tr><td>From 27.6 kW to 40.0 kW</td><td>Rs16,300</td></tr>
<tr><td>From 40.1 kW to 52.5 kW</td><td>Rs26,000</td></tr>
<tr><td>From 52.6 kW to 57.5 kW</td><td>Rs32,500</td></tr>
<tr><td>From 57.6 kW to 65.0 kW</td><td>Rs39,000</td></tr>
<tr><td>From 65.1 kW to 70.0 kW</td><td>Rs58,500</td></tr>
<tr><td>From 70.1 kW to 77.5 kW</td><td>Rs58,500</td><td rowspan="2">Rs16,300</td></tr>
<tr><td>From 77.6 kW to 95.0 kW</td><td>Rs78,000</td></tr>
<tr><td>From 95.1 kW to 102.5 kW</td><td>Rs78,000</td><td rowspan="2">Rs26,000</td></tr>
<tr><td>From 102.6 kW to 125.0 kW</td><td>Rs97,500</td></tr>
<tr><td>From 125.1 kW to 150.0 kW</td><td>Rs97,500</td><td>Rs32,500</td></tr>
<tr><td>From 150.1 kW to 180.0 kW</td><td>Rs97,500</td><td>Rs39,000</td></tr>
<tr><td>Exceeding 180.0 kW</td><td>Rs97,500</td><td>Rs97,500 (no change)</td></tr>
</table>

Tax Administration

Personal Taxation

- High Net Worth Individuals with net income exceeding Rs15m per year or assets exceeding Rs50m to submit a Statement of Assets and Liabilities to the MRA
- Time limit of 2 years to submit amended income tax returns
- PAYE return to provide PAYE withheld per employee with National Identity Number
- Employer to provide details on income paid to all employees irrespective of PAYE deduction
- Reduced penalty provisions granted to SME extended to individuals not in business with maximum penalty reduced to Rs5,000 and penalty for late payment of taxes reduced to 2%

Corporate Taxation

- Time limit of 2 years to submit amended income tax returns
- Companies (except GBC1 and trust) not in operation required to file a declaration instead of an income tax return

General

- Collection of social security contributions of employers by MRA
- Integration of the Registrar-General's Department with the MRA to recover Registrar-General's Department tax arrears
- Introduction of an Alternative Dispute Resolution mechanism for tax appeal cases of more than Rs10m, except Customs and Excise Duty disputes
- Definition of 'Fraud' to include non-submission of tax returns for the purposes of revenue administration
- Contractor to provide tax clearance certificate to MRA before being allocated Government contracts of more than Rs5m
- Tax Deducted at Source (TDS) extended to:
  - Services provided by accountants and tax advisers
  - Management fees paid to individuals
- 10% TDS on non-resident entertainers and sport persons made final
- Requirement to provide for Business Registration Number or National Identity Number of payee in TDS return

Tax Administration *(Continued)*

General

- Penalty will be introduced on losses or refund over-claimed
- Disclosure regime introduced to allow taxpayer to express doubts around interpretation and application of law and providing the taxpayer with protection from penalties and interests
- Non-remittance of VAT, PAYE and other TDS will constitute a criminal offence

Excise Duty

- Minimum ageing period for rum to be considered "matured" reduced to 2 years
- Liquor licences in respect of tourism activities to be issued by the MRA
- Automated warehousing process of goods extended to cover excise warehouses
- Distiller-bottler now allowed to manufacture combustible fuels and other bio-fuels from alcohol residual
- Alignment of definitions of alcoholic beverage, cider, perry and sparkling wine with Food Regulations

Customs

- 5% penalty and 0.5% interest per month on late payment of unpaid duty
- Time limit for payment of duties and taxes in respect of a validated Bill of Entry reduced to 14 days
- Time limit to initiate proceedings for recovery of taxes and penalties removed
- Procedures for compounding of customs offences aligned with other revenue laws
- Payment of customs duty, excise duty and VAT of Rs50,000 or more to be made electronically
- Duty exemption facilities on motor vehicle to heirs in case of death of beneficiary

About PwC

About PwC

PwC helps organisations and individuals create the value they're looking for. We're a network of firms in 157 countries with more than 208,000 people who are committed to delivering quality in assurance, tax and advisory services.

PwC in Mauritius is recognised as a thought leader and a change initiator, where more than 300 professional staff combine the resources of our global network with detailed knowledge of local issues.

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