

The Finance Bill 2020

Summary of Tax Measures



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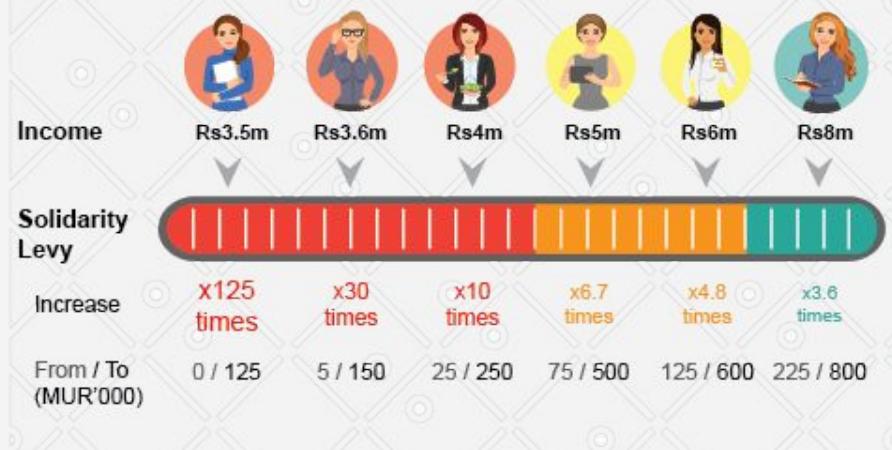
It is commonly said-“too much taxation kills businesses”; and it is wise to balance the act of imposing additional taxation and boosting the economy.

Is it really a step towards a more equitable and business friendly tax environment?

Amid the controversies around the fiscal measures announced in the National Budget 2020, the much awaited Finance (Miscellaneous) Provisions Bill 2020 is finally out. We are pleased to note that Dr the Hon Renganaden Padayachy, Minister of Finance, Economic Planning and Development, has taken into account the comments made by the industry and reviewed the position on certain measures, such as the solidarity tax on companies with a turnover greater than Rs500 million, and tweaked the solidarity levy for individuals.

The solidarity levy on individuals will now be capped at 10% and this has led to the misconception that the levy has doubled.

Figure 1: Solidarity Levy



However, a more detailed analysis shows that the multiple increase could be as high as 30 for someone earning Rs3.6 million (see [Figure 1](#)). Worse, the new solidarity levy is regressive as the marginal rate of levy is higher for an individual whose income is close to the threshold of Rs3 million, compared to someone earning substantially more.





Dividends are now taxed at 10% and Mauritius may no longer be viewed as a low tax jurisdiction, given that many countries do not tax dividends. Only time will tell whether we will be attractive enough compared to sophisticated economies like Dubai, Singapore, Hong Kong, etc.

As opposed to what was announced in the Budget, companies providing telephony services will not be required to pay solidarity levy if they are making losses. This, to some extent, is in line with the imposition of solidarity levy on companies operating in other industries. To put it simply, the levy should only be imposed on profitable companies.

The time for payment of corporate tax by companies in the tourism industry has been extended. However, as previously mentioned, more could have been done in this field such as suspending the Advanced Payment System, reducing penalties and interest, or freezing tax audits for one year. We cannot ignore the fact that businesses will take time to recover from the effects of the pandemic and those hardly hit companies should be allowed some breathing space.

The Mauritius Revenue Authority (MRA) is continuing its journey to embrace digitalisation and this has proved to be very useful during the lockdown period. The legal obligation to submit tax returns electronically has now been extended to trusts, 'sociétés' and an estate of a deceased person, as well as tax returns under the Current Payment System. A fully digitalised MRA is testimony of the e-Government strategy and a commitment to enhance ease of doing business.

To ease the cash flows for businesses, tax refunds will now be made to taxpayers within 60 days, instead of six (6) months of a receipt of a claim by the MRA. However, in case of any query from the Authority, the time limit of 60 days will only run from the date the taxpayer submits any requested information pertaining to the refund. It is desirable that the MRA applies its powers judiciously in order not to stall this fast track process.

During the COVID-19 period, the Government came with the Wage Assistance Scheme (WAS) to safeguard employment. The introduction of the COVID levy was fair to help recoup the whole or part of the WAS from entities which are profitable. WAS, by virtue of its nature, is a taxable income in the hands of the recipient. The WAS will be unjustly taxed in cases where they are repaid to the MRA under the COVID levy. We hope to see changes in the Finance Act correcting this anomaly.

It is commonly said- "*too much taxation kills businesses*"; and it is wise to balance the act of imposing additional taxation on taxpayers and boosting the economy (See [Figure 2](#)). Since the announcement of budgetary measures in June, we've seen some positive moves towards achieving that balance. However, we are disappointed that despite the call for wider consultation from the Association of Actuaries, there are still no signs that the Government intends to revisit the introduction of "Contribution Sociale Généralisée" ("CSG"). The Finance Bill 2020 doesn't shed light on the rate to be applied or the persons excluded from the payment. On the basis of equity, should all employees (irrespective of private or public sector) be called upon to contribute to the fund? In our opinion, CSG may be viewed as a disguised tax and this is another area to address in terms of fairness and the impact it will have on the cost of doing business in Mauritius. Hopefully, those in power will react on time! ■



Figure 2: Balancing fiscal responsibility

Balancing fiscal responsibility

Raising Tax Revenue

Tax Friendly Environment

Personal Tax

1

Solidarity
levy leading
tax up to

40%

CSG -
Rates &
Contributors

??

Exemption
Threshold

Corporate Tax

2



10%

Minimum tax for life
insurance companies

X2 Deduction
on specific
assets

Turnover tax
NOT
implemented

3

Tax Administration

60

days for MRA
to process
refund



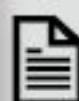
Corporate tax
payment for
RELIEF
tourism sector

4

Value Added Tax (VAT)

15%

VAT on digital
service for
foreign supplier



Introduction of
e-invoicing



pwc



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1 | Corporate Tax



Effective as from the Year of Assessment (“YOA”) commencing 01 July 2021:

Manufacture of goods in the Freeport Zone

- Freeport operators and private freeport developers engaged in the retreading of used tyres and recycling of waste for sale in the local market will now be subject to tax at 3% subject to satisfying prescribed conditions.

Accelerated Tax Depreciation

- Accelerated tax depreciation available on assets acquired as follows:

Asset type	Deduction
Electronic, high precision machinery or equipment and automated equipment	100% in the year incurred <small>*subject to no annual allowance claimed on such assets</small>

Double Deduction

Double deductions on the following items subject to no annual allowance claimed on such assets:

- Medical research and development carried out in Mauritius.
- Cost of acquisition of patents and franchises including associated costs to comply with international quality standards and norms.

Alternative Minimum Tax (AMT) on life insurance business

- Companies carrying out life insurance business will be liable to tax under the existing system or under AMT, whichever is the higher.
- AMT will be calculated at 10% on the profit attributable to shareholders adjusted for capital gains or losses.

Solidarity Levy on Telephony Service Providers

Effective as from the YOA commencing 01 July 2020:

- Every profitable operators will be liable to levy at 5% of accounting profit + 1.5% of turnover.
- Accounting profit includes all profits derived by an operator from all its activities in accordance with IFRS.

Investment Tax Credit (“ITC”)

- 15% ITC available on new plant and machinery to manufacturing companies over 3 years.

Investment Allowance

Investment allowance representing 100% of capital expenditure available on Plant and machinery (excluding motor cars) acquired by companies affected by COVID-19 during the period 01 March 2020 to 30 June 2020.





Tax Holidays

- Eight (8) year tax holiday on income derived by companies engaged in the following activities, provided that the operations has started on or before 04 June 2020:
 - Inland aquaculture scheme
 - Manufacture of nutraceutical products subject to operations started on or after 04 June 2020.
- Institution ranking among first 500 tertiary institutions worldwide setting up branch campuses in Mauritius on or after 04 June 2020 will also benefit from the eight (8) year tax holiday.

2 | Personal Tax



Solidarity Levy

- Effective from 01 July 2020, a tax resident individual will be subject to Solidarity levy at the rate of 25% in excess of Rs 3m of his leviable income.
- However, the levy is capped at 10% of the sum of:
 - His net income excluding the lump sum (by way of pension, death gratuity or compensation for death or injury); and
 - Dividends including share of profits from society or succession.

Pay As You Earn (“PAYE”)

- As from 01 July 2020, solidarity levy at the rate of 25% shall be withheld under the PAYE system on emoluments in excess of Rs230,769 in a month provided that it does not exceed 10% of the total emoluments.

Deduction for bedridden next of kin

- As from 01 July 2020, a person can claim a bedridden next of kin as a dependent provided that no other person has made a claim for the same bedridden next of kin.
- Bedridden next of kin is defined as the bedridden father, mother, grandfather, grandmother, brother or sister of that person or his spouse who is eligible to the carer's allowance payable under the National Pension Act and is under the care of the claimant.

Contribution Sociale Généralisée (“CSG”)

- The pension system under the National Pension Fund is being abolished and replaced by Contribution Sociale Généralisée (“CSG”) as from 01 September 2020.
- Every participant and every employer of a participant shall contribute at the rates to be prescribed depending on their remuneration.
- Participant means such category of employee, self-employed or any other person as may be prescribed, who is liable to pay the CSG.
- The rates and threshold of the CSG and category of persons subject to CSG have not been provided in the Finance Bill.
- Assessment together with penalties and interests will be raised by the MRA in case of non-payment of CSG.
- An objection to the assessment may be lodged in case of dissatisfaction with the assessment raised.

3 | Income Exemption Threshold



Effective as from income year starting on 01 July 2020:

Category	From (Rs)	To (Rs)	Increase (Rs)
A. Individual with no dependent	310,000	325,000	15,000
B. Individual with one dependent	420,000	435,000	15,000
C. Individual with two dependents	500,000	515,000	15,000
D. Individual with three dependents	550,000	600,000	50,000
E. Individual with four or more dependents	600,000	680,000	80,000
F. Retired/disabled person with no dependent	360,000	375,000	15,000
G. Retired/disabled person with dependents	470,000	485,000	15,000

4 | Value Added Tax



Effective from date gazetted, unless otherwise specified:

Digital and Electronic services

- Digital or electronic service supplied by a foreign supplier to a person in Mauritius will be subject to VAT in Mauritius.
- Digital or electronic service means services supplied over the internet or an electronic network which is reliant on the internet or is dependent on information technology for its supply.
- Foreign supplier has been defined as a person who has no permanent establishment in Mauritius, has his place of abode outside Mauritius and supplies digital or electronic services to a person in Mauritius.

Construction Sector

- The time of supply for construction works made to a Ministry, Government department, local authority or the Rodrigues Regional Assembly during the period 01 October 2020 to 30 September 2022 under a construction works contract, will be deemed to take place when the payment for that supply is received.
- Effective from 01 February 2019, claim for VAT refund of less than Rs25,000 on residential building now applicable in case of a final claim application or in case the amount of VAT incurred in a quarter and the preceding 3 quarters do not exceed Rs25,000.

From Exempt to Zero-rated supplies

The following supplies are now considered as zero-rated:

- Primary agricultural and horticultural produce (including tomatoes, potatoes, onions and other vegetables, fruits, coffee, cocoa beans and nuts) which have not been processed, except for reaping, threshing, husking, crushing, winnowing, trimming, drying and packaging, to put them into marketable condition.
- Live animals of a kind generally used as, or yielding or producing, food for human consumption other than live poultry.
- Transport of passengers by public service vehicles excluding contract buses for the transport of tourists and contract car.
- Medical, hospital and dental services, including clinical laboratory services and services provided in a health institution.

Reverse Charge Application

- Reverse charge mechanism restricted only to cover supplies made by a foreign non-VAT registered person.

4 | Value Added Tax (cont.)



VAT exempt bodies extended to:

- A person engaged in medical research and development and registered with the Economic Development Board for the construction of purpose built building for medical research and plant and equipment (excluding vehicles).
- A person engaged in inland aquaculture under the Inland Aquaculture Scheme and registered with the Economic Development Board in respect of equipment (excluding office equipment, furniture and vehicles) used exclusively for or in furtherance of the inland aquaculture project approved by the Ministry.
- Information technology system and information technology related materials and equipment for the purpose of online education used by a person approved by the Higher Education Commission as being an institution ranked among the first 500 tertiary institutions worldwide at the time of the setting up of the branch campus in Mauritius.

5 | Other Taxes



Property Tax

- Threshold for exemption from land transfer tax by a company on the transfer of housing unit forming part of a housing estate to citizen of Mauritius increased to Rs7m, provided the transfer is made on or before 30 June 2022.
- Exemption from land transfer tax and registration duty* for the transfer of a portion of freehold land during the period 01 July 2020 to 31 December 2020 to a company undertaking construction of housing projects of at least 5 residential units .
* exemption from registration duty will only apply where construction is completed by 31 December 2020
- Effective from 02 June 2020, exemption from registration duty on acquisition of immovable property provided that the land or building is for use as a Life Science Research Centre.
- Exemption of registration duty for companies trading on the venture market operated by the stock exchange of Mauritius Ltd.

6 | Tax Administration



General

Assessment Review Committee (ARC)

- Where an aggrieved taxpayer or his representative is absent at 2 consecutive sittings upon convened, the ARC will strike out the case if such failure is not due to illness or other reasonable cause.

Transmission of documents by the MRA

- Effective from 01 December 2020, the MRA may give any correspondence, notice of assessment, determination or other notice or document electronically, by post or personal delivery to any person.

Electronic services and payment of taxes

- Effective from 01 December 2020, systems for the secure electronic service of notices and documents and payment of taxes may be set or approved by the MRA.

E-Tax Account or Tax representative e-tax account

- Effective from 01 December 2020, every person who is required to submit a return or statement shall be allocated an e-tax account or tax representative e-tax account.

Income Tax

Electronic submission and payment

- Electronic return and payment (if any) for the following:
 - Advance Payment System ('APS')
 - Current Payment System ('CPS')
 - Amended return
 - Return in respect of a trust or a resident société
 - Return in respect of the estate of a deceased person

Refund of excess income tax by the MRA

- Effective from 01 September 2020, time limit to effect income tax refunds shall be within 60 days for all taxpayers as from the submission of the return or the date of receipt of the claim by the MRA, whichever is the later or as from the date all requested information and documents pertaining to the application is received by the MRA.

Deferment of corporate tax for companies in tourism industry

- For accounting period ending on any date during the period September 2019 to June 2020, tax due to be paid for annual return as follows:
 - Half of the tax on or before 29 December 2020; and
 - The remainder on or before 28 June 2021.
- APS due for the calendar year 2020 shall have the same payment date as above.



6 | Tax Administration (cont.)

Value Added Tax

- Open market value of the supply will be taken as the taxable value where:
 - the supply is for a consideration not consisting or not wholly consisting of money; or
 - a transaction is not at arm's length.
- VAT registration application now available via CBRIS.
- Introduction of e-invoicing system as part of electronic fiscal device in the VAT Act.
- The MRA may require a VAT-registered person engaged in a project spanning over several years to apply for an alternative basis to apportion input tax.
- Effective from 01 September 2020, where output tax exceeds the input tax, the difference should be paid electronically to the MRA at the time the VAT return is submitted.
- Administrator, executor, receiver or liquidator to inform the MRA within 15 days of his appointment for the management or winding up of the business of a taxable person.

7 | Immigration



Effective as from 02 September 2020

Residents of Mauritius

- Non citizen holding immovable property under the Integrated Resort scheme, Invest hotel Scheme, property Development Scheme or Smart City Scheme whose value is not less than USD375,000 will have the status of resident.
- Parents of holders of a valid Residence Permit (RP), Occupation Permit (OP) and those non citizens coming to serve the government under the Service to Mauritius Programme for a period not exceeding 3 years will have the status of resident.

Permanent Residence (PR)

Extension of PR validity from 10 years to 20 years

	Criteria for eligibility for PR	Criteria for eligibility for PR
	Before 01 September 2020	As from 02 September 2020
Investor	Minimum cumulative turnover if Rs12m during 3 years preceding the application	- Minimum investment of USD375,000 in a qualifying business activity - Holder of OP for at least 3 years and minimum annual gross income of Rs15m for last 3 years
Self-employed	Minimum cumulative business income of Rs2.4m during 3 years preceding the application	Holder of OP and annual business income of Rs3m Annual business Income for 3 consecutive years
Professional	ICT/BPO Sector: Monthly basic salary Rs30,000 during the last 3 years Other professional sectors: Monthly basic salary Rs60,000 during the last 3 years	Holder of OP as professional or work permit for at least 3 years and basic monthly salary of at least Rs150,000
Retired Non Citizen	Minimum monthly transfer of USD1,500 during the last 3 years and cumulative transfer of USD54,000 during the period of 3 years	Holder of RP for the last 3 years and minimum transfer of USD54,000 during the period of 3 years



7 | Immigration (cont.)



Occupation Permit and Residence Permit as retired non-citizens duration and criteria to invest

- OP as investor and self employed, and RP as retired non-citizen issued for a period of 3 years and valid on 01 September 2020 will be extended for a period of 10 years as from the date of expiry.
- Application of OP as investor, self employed and RP as retired non-citizen has been extended to 10 years.
- OP as professional and RP as retired non-citizen may invest in any business provided that he:
 - 1) is not employed in the business
 - 2) does not manage the business
 - 3) does not derive any salary/employment benefits from the business.

Occupation Permit as investor

- Initial investment of USD50,000 instead of USD100,000.
- For existing businesses, net asset value of USD 50,000 and cumulative turnover of Rs12m for the last 3 years.
- Rs4m per year from the 3rd year for renewal.

Occupation Permit as professional

- Monthly basic salary of Rs30,000 applicable for: ICT, BPO, pharmaceutical, manufacturing and food processing sectors.
- Any other sector Rs 60,000 basic monthly salary.

Occupation Permit as self-employed

- Initial investment of USD 35,000 and should engage in services sector only.
- Minimum of Rs 800,000 per year as business income required for renewal of permit.

Residence Permit as retired non-citizen

- Initial transfer of at least USD1,500 at the time of the issue of the permit.
- Monthly transfer of USD1,500 thereafter and the aggregate of which will be at least USD 18,000 yearly during the 10 years validity of the RP.

Young professional Occupation Permit

- Completion of at least an undergraduate degree in a local tertiary education institution recognised by the Higher Education Commission.



8 | Thought Leadership and Contacts

Thought Leadership

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Financial Crime has become a challenge for financial institutions to remain compliant.

[We can help.](#)



The government recently issued a draft bill titled The Anti-Money Laundering and Combating the Financing of Terrorism (Miscellaneous Provisions) Bill.

Please find below our summary [here](#).

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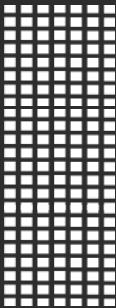


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