



18 July 2018

Summary of Tax Measures

The Finance Bill 2018



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The provisions of the Finance Bill 2018 will only become effective once it is ratified by the Parliament and assented by the President of the Republic of Mauritius. Therefore, you are cautioned to consult with your tax advisor or ourselves prior to any action being taken. In any event, we neither make any representations, nor shall we have any liability, including claims for damages of any nature, to any parties, in connection with this newsletter.



Corporate Tax

Global Business

- Category 1 Global Business Licence (“GBC1”) renamed Global Business Licence (“GBL”)
- Effective from January 2019, deemed Foreign Tax Credit (“FTC”) regime available to GBC1 companies will be abolished
- Introduction of an 80% exemption regime on the following income:
 - Foreign dividend, subject to amount not allowed as deduction in source country
 - Foreign source interest income
 - Profit attributable to a permanent establishment of a resident company in a foreign country
 - Foreign source income derived by a Collective Investment Scheme (“CIS”), Closed End Funds, CIS manager, CIS administrator, investment adviser or asset manager licensed or approved by the Financial Services Commission (“FSC”)
 - Income derived by companies engaged in ship and aircraft leasing
- No actual foreign tax credit is allowed on foreign source income if the GBL company has claimed the 80% exemption

- The 80% exemption is available upon meeting pre-defined substance requirements issued by the FSC
- The FSC has not yet issued any guideline on the pre-defined substance conditions to qualify for the 80% exemption. However, the Financial Services Act (“FSA”) has been amended to include the following conditions that should at all times be satisfied by a GBL company:
 - The core income generating activities of the GBL should be in or from Mauritius
 - GBL companies should employ directly or indirectly a reasonable number of qualified persons to carry out the core activities
 - The GBL companies should have a minimum level of expenditure proportionate to its level of activities
 - Be managed and controlled from Mauritius
- Transitional period available to GBC1 companies as follows:

GBC1 licence issue date	Grandfathering
On or before 16 October 2017	Grandfathered up to 30 June 2021
After 16 October 2017	Grandfathered up to 31 December 2018



Corporate Tax (cont.)

Global Business (cont.)

- Foreign income of GBC1 companies with license issued on or before 16 October 2017 shall include income from transactions with non residents and other GBL companies up to 30 June 2021.
- Effective from January 2019, Category 2 Global Business Licence (“GBC2”) will be abolished
- Transitional period available to GBC2 companies as follows:

GBC2 licence issue date	Grandfathering
On or before 16 October 2017	Grandfathered up to 30 June 2021
After 16 October 2017	Grandfathered up to 31 December 2018

- After 31 December 2018 or 30 June 2021 as applicable, GBC2 licences will lapse and companies will need to comply with the prescribed requirements for GBL issued by the FSC
- Companies conducting business and having their place of effective management outside of Mauritius, will need to apply for an authorisation from the FSC as an Authorised Company
- An Authorised Company is treated as a non-resident for tax purposes in Mauritius

- An Authorised Company is required to file a return of income to the Mauritius Revenue Authority (“MRA”) within 6 months of its year end
- Tax exemption repealed for corporations holding an investment banking licence. However, exemption continues to apply for licences issued on or after 1 September 2016 for a period of 5 income years

To discover more about the Tax reform in the Global Business sector, join our Live Webex (incl. Q&A):

Date: Friday 27 July 2018

Time:

10am, New York, GMT-04:00
6pm, Mauritius, GMT+04:00
7.30pm, Mumbai, GMT+05:30

Register: Click on link
<http://bit.ly/2zILSX5> to register





Corporate Tax (cont.)

Taxation of Banks

- Abolition of the Segment A and Segment B regime effective as from the year of assessment (“YOA”) commencing 1 July 2020
- Banks deriving income from banking transactions with non residents and GBL companies will still be considered as foreign source income up to the year of assessment commencing 1 July 2019
- Effective from the year of assessment commencing 1 July 2020, banks will no longer be required to submit auditor’s certificate regarding segmental split of expenses and will be taxed as follows:

Chargeable income	Tax Rate
Up to Rs1.5bn	5%
Remainder	15%

- Where in an income year, a bank has a chargeable income exceeding Rs1.5bn and
 - its chargeable income of the base year* exceeds Rs1.5bn; and
 - its chargeable income of the current year exceeds that of its base year; and
 - it satisfies the prescribed conditions

the bank will be taxed as follows:

(next column)

Chargeable income	Tax Rate
Up to Rs1.5bn	5%
Above Rs1.5bn up to the amount equivalent to the chargeable income of the base year	15%
Remainder	5%

- Where in an income year, a bank has chargeable income exceeding Rs1.5bn and
 - its chargeable income of the base year* does not exceed Rs1.5bn; and
 - its chargeable income exceeds that of its base year; and
 - it satisfies the prescribed conditions**

the bank will be taxed on its chargeable income at the rate of 5%.

- Where the chargeable income of the bank is taxed at 5%, no tax credit is allowed on foreign source income
- Special levy on banks is maintained up to the YOA 2018-2019

* Base year means the YOA 2017-2018 for bank in operation as at 30 June 2018 or the first YOA for a bank starting operations after 1 July 2018

** We await more details regarding the prescribed conditions



Corporate Tax (cont.)

Solidarity Levy on Telephony Service Providers

- Solidarity levy on telephony service providers is extended up to the YOA 2019-2020
- Solidarity levy will also apply to companies having a book profit of less than 5% of their turnover

Reduced Corporate Tax Rate

- Corporate tax rate of 3% for companies engaged in export of goods extended to include international buying and selling of goods where the goods are being shipped directly from the exporting country to the importing country

Corporate Social Responsibility (“CSR”)

- Freeport operators and private freeport developers will not be subject to CSR
- For CSR funds set up on or after January 2019, companies will be allowed to retain and spend an additional 25% of the fund, upon approval of the National CSR Foundation for programmes that started prior to January 2019 and which are in accordance with the guidelines set by the National CSR Foundation
- Unused tax credit will not be allowed to be offset against CSR payable

Taxation of Artworks

- Companies will be allowed to deduct the cost of artworks bought from a local artist up to a maximum of Rs500,000, provided the artwork is displayed in the place of business, can be seen by the public and the artworks are kept for at least 3 years
- In case the artwork is not displayed or sold within a period of 3 years from the date of acquisition, the expenditure will be treated as gross income in the year it is sold or not displayed



Corporate Tax (cont.)

Investment in crèches

- Double deduction for employers on capital expenditure incurred on a crèche for the benefit of the employees
- No annual allowance can be claimed in respect of the capital expenditure where double deduction has been claimed

Investment Tax Credit

- Companies importing goods in semi knocked down form to benefit from an investment tax credit of 5% over 3 years (up to 30 June 2020) on the acquisition of new plant and machinery excluding motor cars, subject to a local value add of at least 20%
- Tax credit will be available on investments up to 30 June 2020

Emoluments payable to homeworkers

- Double deduction during the period 1 July 2018 to 30 June 2020 for emoluments of full-time homeworkers for the first 2 years subject to certain conditions
- Annual tax credit of 5% to employers for the first 3 years on investments on IT system for homeworkers

Tax Holidays

Effective as from 1 January 2019:

- 5 year income tax holiday for project developers and project financing institutions collaborating with the Mauritius Africa Fund for the development of infrastructure in Special Economic Zones
- 8 year tax exemption under the Sheltered Farming Scheme
- 8 year tax exemption on income derived by a company registered with the Economic Development Board and engaged in the manufacturing of automotive parts



Personal Tax

Tax Band of 10%

- As from 01 July 2018, tax rate reduced from 15% to 10% on an annual net income derived by an individual of up to Rs650,000

Exemptions and Reliefs

Additional deduction for tertiary education

- Effective from 01 July 2018, additional deduction for pursuing a non-sponsored full-time undergraduate course changed to:
 - Rs135,000 or the amount of tuition fees paid up to Rs175,000 for dependent child studying in Mauritius
 - Rs200,000 for dependent child studying abroad

The above additional deduction is limited to a maximum of 3 dependents.

Income Exemption Threshold for Retired Person

- As from 01 July 2018, Income Exemption Threshold is available to a retired person deriving emoluments not exceeding Rs50,000

Rain Harvesting Investment Allowance

- As from 01 July 2018, an individual investing in rainwater harvesting system can deduct the amount invested from his net income
- The deduction may be taken by either spouse or divided equally between the spouses
- Any unrelieved amount can be carried forward and deducted against net income of succeeding years

Interest relief

- Interest relief is now available to an individual on a housing loan by way of Islamic financing arrangement on a secured immovable property used exclusively for the purchase or construction of his house



Personal Tax (cont.)

Negative Income Tax

- As from 01 July 2017, no negative income tax allowance shall be payable unless –
 - The individual is a citizen of Mauritius
 - The individual works for a minimum of 24 hours over at least 3 days on a week
 - The total monthly earnings does not exceed Rs20,000
 - Net income of the individual or his spouse (excluding dividend and interest) does not exceed Rs390,000 in the current year
 - The individual and employer are both compliant with their contributions to the NPF and NSF as from the month in which the allowance is being claimed
- As from 01 January 2018, the MRA will pay the allowance to an employee on the basis of information furnished by the employer
- Where an employee has not received the allowance to which he is entitled to, he may make an application to the MRA within 9 months from the month the negative income tax is claimed

Sheltered Farming Scheme

- Tax exemption for 8 years on income derived by an individual under the sheltered farming scheme set up by the Food and Agricultural Research and Extension Institute

Income derived by non-resident individual

- Income derived by a non-resident individual from rent, royalty, premium or other income derived from property shall be taxed at the rate of 15%

Taxation of Artists

- As from 01 July 2018, a member of the Mauritius Society of Authors having gross income not exceeding Rs500,000 can opt for a deduction of 50% from his gross income generated from his artistic work other than literary work
- The gross income should not be derived from employment



Personal Tax (cont.)

Sukuks

- Interest payable on sukuks quoted on the stock exchange held by an individual is tax exempt
- Interest derived by an individual from sukuks issued by a company to finance renewable energy projects approved by the MRA is tax exempt

Additional assessment

- The MRA may raise an additional assessment where it subsequently finds that the loss determined has been overstated

Exempt Income

- Tax exemption on lump sum received as severance allowance, pension or retiring allowance increased from Rs2m to Rs2.5m



Income Exemption Threshold

Effective as from income year starting on 01 July 2018

Category	From	To
A. Individual with no dependent	Rs300,000	Rs305,000
B. Individual with one dependent	Rs410,000	Rs415,000
C. Individual with two dependents	Rs475,000	Rs480,000
D. Individual with three dependents	Rs520,000	Rs525,000
E. Individual with four or more dependents	Rs550,000	Rs555,000
F. Retired/Disabled person with no dependent	Rs350,000	Rs355,000
G. Retired/ Disabled person with one dependent	Rs460,000	Rs465,000



Value Added Tax

Deferred payment of VAT at importation

- As from 01 October 2018, payment of VAT at importation on capital goods, being plant and machinery, by a VAT registered person may be deferred
- The deferred VAT shall be paid on submission of the VAT return for the taxable period in which VAT is deferred
- VAT deferred not paid on the submission of the VAT return shall become due and payable under the Customs Act

Cancellation of Registration

- On cancellation of registration, the registered person shall pay any tax due including tax on any capital goods exceeding Rs100,000 forming part of the assets of the business (except on motor cars/ motor vehicles of less than 9 persons) used for own consumption

Use of electronic fiscal device

- A penalty of Rs5000 capped to Rs50,000 for every month or part of the month will apply for non use of electronic fiscal device
- A penalty not exceeding Rs50,000 will apply for any misuse of the electronic fiscal device that (i) misleads the Mauritius Revenue Authority (ii) deliberately tampers or (iii) causes an electronic fiscal device to work improperly

The above penalties shall be payable within a period of 28 days from the date of receipt of the claim

- Where a person is dissatisfied with the claim of penalties, he may, within 28 days from the date of receipt of the claim, object to the claim by registered post or electronically with the detailed grounds of his objection
- Failure to use an electronic fiscal device or misuse of or tampering with electronic fiscal device is an offence and on conviction, the person is liable to a fine not exceeding Rs200,000 and to imprisonment for a term not exceeding 12 months



Value Added Tax (cont.)

Credit for input VAT is allowable on:

- Quad bikes, golf cars and similar vehicles
- Motor vehicles/motor cars of less than 9 persons used for resale or rental
- Accommodation or lodging, catering services, receptions and entertainment, if incurred in the supplying of accommodation or lodging, catering services, receptions and entertainment

Additional Assessment

- The Director-General may make an additional assessment if it is found that tax has been under claimed or the excess to be carried forward has been overstated, subject to the statutory limitation

VAT Recovery

The following VAT recovery sections have been repealed:

- Recovery of VAT by attachment;
- Recovery of VAT by distress and sale;
- Inscribed privilege;
- Uninscribed privilege;
- Contrainte; and
- No limitation of action for recovery of tax

The MRA Act shall now apply to the recovery of any unpaid tax and special levy



Value Added Tax (cont.)

Special levy on banks

- Every bank with accounting period ending on or after 01 January 2019 shall be liable to pay a special levy on its leivable income derived in every accounting period at the rate of:
 - (a) 5.5% in the case of a bank having a leivable income of not more than Rs1.2 billion;
 - (b) 4 % in the case of a bank having a leivable income of more than Rs1.2 billion
- “leivable income” means the sum of net interest income and other income from banking transactions with residents, before deduction of expenses
- The special levy shall be payable to the Director-General within 5 months from the end of the accounting period
- No levy shall be paid for an accounting period where a bank has incurred a loss
- A penalty of 5% interest and an interest of 0.5% per month or part of the month is applicable for late payment of special levy

VAT Refund Scheme

- VAT refund to planters extended on the following:
 - Branch chopper
 - Earth auger
 - Fogging machine
 - Handy blower
 - Irrigation hose
 - Mini tiller, including blade
 - Land preparation works; and
 - Rental of land leased for agricultural purposes
- Registered local artists will benefit from VAT refund on musical instruments including their spare parts and accessories



Value Added Tax (cont.)

Exempt supplies list now includes:

- Manual labour supplied by an individual to a VAT registered person to work in the agricultural sector or the construction sector
- anti-smoking tablets and the like
- Payment of subscription fees to –
 - (a) a trade union registered under the Employment Relations Act;
 - (b) such statutory body as may be prescribed;
 - (c) such association registered under the Registration of Associations Act as may be prescribed

Zero rated supplies list now includes:

- Services related to:
 - (i) upgrading;
 - (ii) repairs and maintenance;
 - (iii) patrol and monitoring; or
 - (iv) rental, of burglar alarm systems.
- Menstrual cups
- Watch straps, watch bands and watch bracelets and parts thereof
- All components forming an integral part of photovoltaic system

Examination of Vehicles (Fitness)

- Fees payable for fitness of vehicles will remain zero rated for another two years up to 30 June 2020



Other Taxes

Tax on Winnings

- The Mauritius National Lottery operator, a casino operator, a hotel casino operator or a gaming house operator licensed under the Gambling Regulatory Authority Act (“Operator”) will deduct 10% on the amount of winnings exceeding Rs 100k
- The Operator will remit the tax electronically to the Director-General not later than 20 days from the end of the month in which the tax was deducted
- The operator has to submit a nil return for the month where no tax has been deducted
- A maximum penalty of Rs 2k and capped to Rs 20k in total is applicable on late submission of return
- A penalty of 5% is applicable on late remittance of tax and interest of 0.5% per month or part of the month during which the tax remains unpaid
- Every Operator including bookmaker, totalisator and an agent of a foreign pool operator has to submit electronically a statement of the amount of winnings exceeding Rs 100k paid to any person
- Offences relating to tax on winnings will on conviction lead to a fine not exceeding Rs 1m and to imprisonment for a term not exceeding 8 years

Freeport Regime

- Freeport operators and private Freeport developers will no longer be exempted from income tax. However, Freeport licences issued on or before 14 June 2018 will continue to benefit from the current tax exemption until 30 June 2021
- Freeport operators and Freeport developers providing goods and services to the local market will continue to be taxed at 15%



Tax Administration

General

Appeal to Assessment Review

Committee (“ARC”) – payment of 5% of tax assessed

- Effective from 01 September 2018, an additional 5% of tax assessment amount will be payable when appealing before the ARC

Losses

- Losses arising during the exemption period can be carried forward for certain persons

Collection and recovery of tax

- The Mauritius Revenue Authority (“MRA”) Act has been amended to include the following tax recovery measures:
 - An employer may be required to deduct the outstanding tax from an employee’s emoluments in case of non-payment of tax. The deduction cannot, except at the employee’s request, exceed one third of the emoluments for any pay period
 - The MRA may enforce payment of tax by imposing a lien on the taxpayer’s properties
 - The MRA may issue a warrant to recover tax due by distress and sale of goods, chattels and effects of a person charged

- The MRA may apply to a Judge in Chambers to issue an order (Contrainte) for tax due by a person
- The MRA may initiate proceedings for temporary closure of business premises for non compliance of tax
- The Government shall have privilege on all immovable properties belonging to a person until any tax owed by him is paid in full

Personal Taxation

Statement of Assets and Liabilities by High Net Worth Individuals

- Effective from 01 July 2018, an individual who derives income exceeding Rs15m or owns assets costing more than Rs50m must submit a statement of assets and liabilities together with his income tax return
- An individual who has submitted his income tax returns for the last five years is not be required to submit such a statement



Tax Administration (cont.)

Corporate Tax

Tax Deduction at Source (“TDS”)

- TDS at the rate of 3% will apply on ‘commission payable’
- Commission includes any sum paid or payable to an agent in relation to a commercial transaction
- Increase in TDS on rent paid to non-residents from 5% to 10%

Additional assessment

- The MRA may raise an additional assessment where the Director General subsequently finds that the tax was under claimed in the previous assessment
- The Director General may not raise an additional assessment 3 years after the year of assessment to which the additional assessment relates

Non-resident companies in Mauritius

- Effective from 01 October 2018, a company incorporated in Mauritius shall be treated as non-resident if its place of effective management is situated outside Mauritius
- The non-resident company will be required to file a return of income in Mauritius

Penalty for late submission of return and payment of tax

- Reduced penalty for late submission of tax return (Rs5,000) and late payment of tax (2%) not applicable to Global Business companies and non resident societies

Value Added Tax (“VAT”)

Summary of value of supply

- As from 01 October 2018, registered persons required to submit monthly electronic VAT returns, shall submit a list of taxable supplies showing the invoice number and value of supply



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