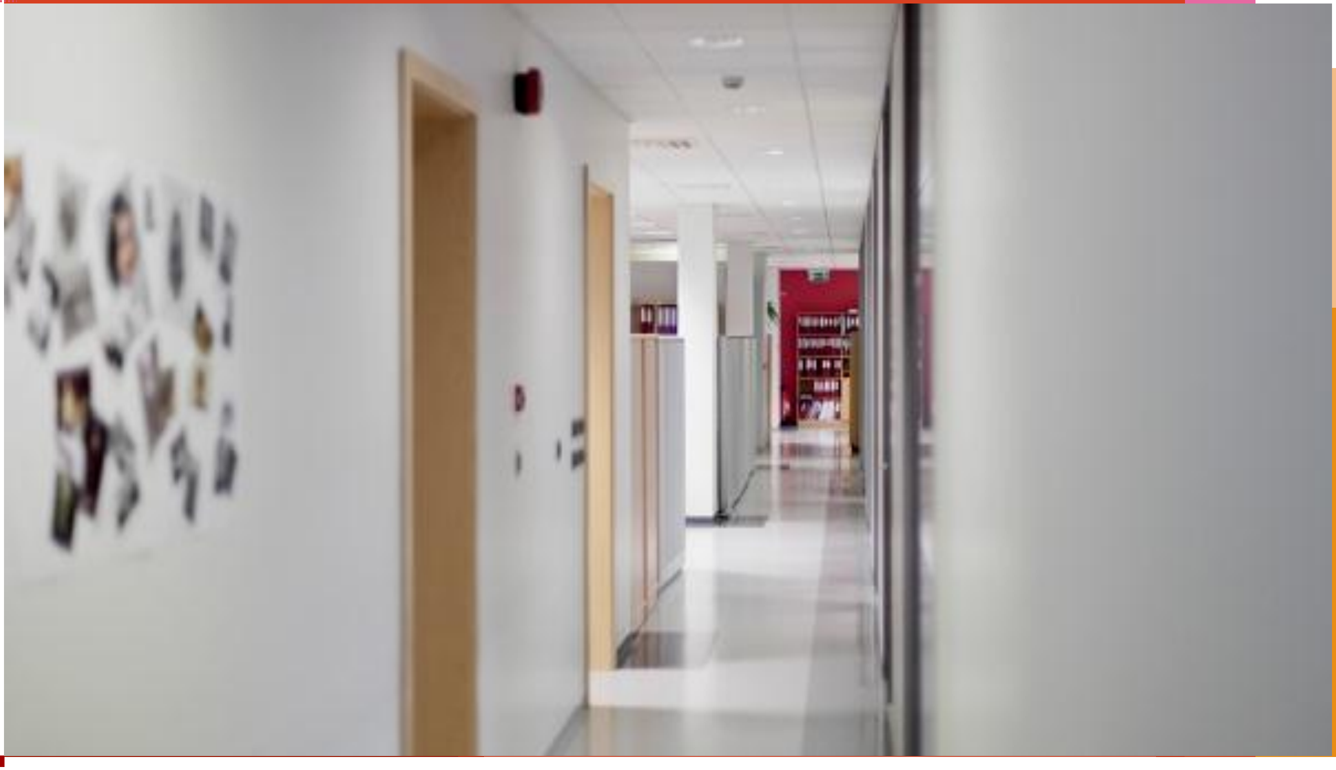
www.pwc.com/mu/budget

Reading between the lines

Budget 2014

Browse our website to view videos of our industry specialists commenting on the implications for you and your business



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Note:
Budget measures may be subject to amendments during debates in Parliament. We therefore recommend you to seek professional advice before taking decisions based on these measures.

The Minister's Priorities

What did the Minister focus on in his Budget Speech?

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Our Point of View

1

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Better days to come?

Anthony Leung Shing

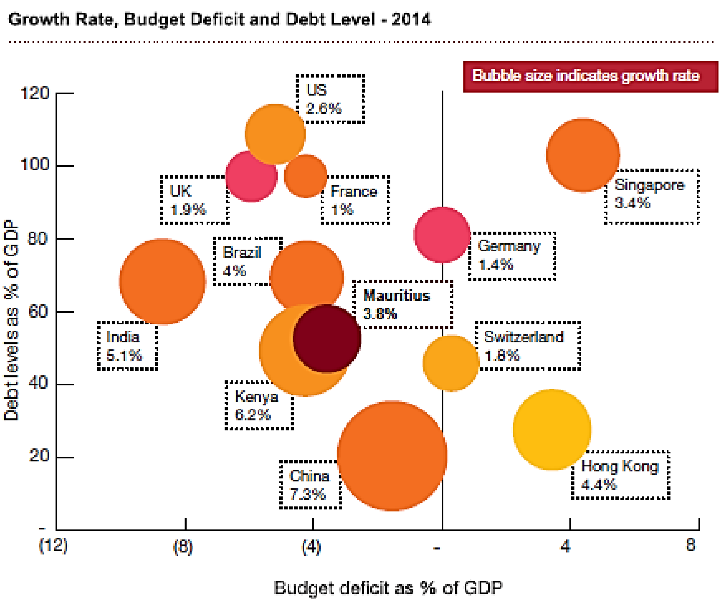
Partner

Watch video

The Honourable Minister Xavier-Luc Duval presented his third budget and set out a strategy to put Mauritius back on a path of long term growth through further diversification of the economy, without forgetting the less fortunate. This vision would be achieved through an agenda focused on the enhancement of national productivity and more efficient delivery of public services. The outcome would be better growth, investment, and job creation.

Difficult economic conditions and delayed structural reforms have gradually resulted in a loss of resilience. The economy is slowing down, GDP growth fell to 3.2%, and the level of private investments is on the decline. With the fiscal space being constrained by lower revenues and additional expenditures, the budget deficit could only go one way to increase sharply to 3.7% in 2013 (compared to an estimated 2.2%) while the debt to GDP ratio moved to 54.8% (compared to an estimated 53.7%).

However, this upward trend seems to be temporary and the budget deficit, together with the debt to GDP ratio, are expected to be on a downward slope to 2.5% and 51.16% respectively in 2016. So we hope?



Despite this, Mauritius fares well against its counterparts (refer to chart) and few countries can boast of such sound macro-economic fundamentals.

However, at a time where investor confidence is at its lowest, the business community is craving for that spark to greater things. Has the budget lived up to this aspiration?

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Better days to come?
(cont.)

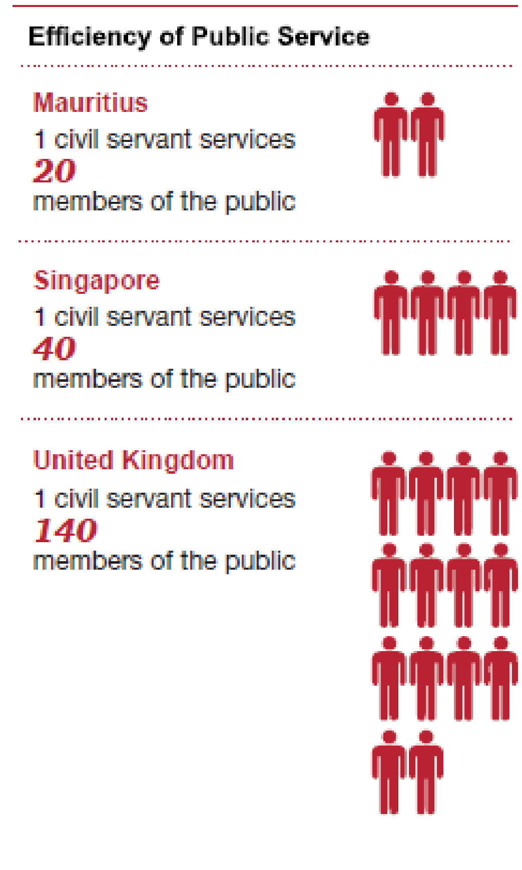
The Minister announced an ambitious plan to create the *"next wave of prosperity"* centered on different pillars, including the ocean economy, petroleum hub, film industry, and Africa strategy. Whilst these certainly lay down the foundation for a more visionary Mauritius, so often have we seen projects being abandoned or simply not progressed. Let's hope that the roadmap sets the way to turn these dreams into reality. In terms of the Africa strategy, the Government dedicated Rs500m to set up a Mauritius-Africa Fund, with as main objective to participate in the equity financing of businesses investing in Africa. However, such active and direct involvement is not Government's role. At PwC, we have always advocated less Government in such undertakings and we would recommend a measure to exit from this equity venture. The facilitation of global business companies to deal with residents is a move in the right direction to allow companies to enhance their commercial presence in Mauritius. In the longer term, we can expect further integration of the global business sector and the domestic economy.

We also welcome the use of technology to make public administration more efficient through online systems for occupational permit applications, delivery and land use permits, payment to the National Transport Authority, Registrar of Companies, etc.

This would certainly facilitate business transaction and reduce bottlenecks. However, we note the recruitment of additional public servants in various ministries. Service quality does not come with larger staff base, but through more efficient delivery. Benchmarking our public administration against other countries provides some interesting insights (refer to diagram). Mauritius has 1 public officer for every 20 inhabitants, Singapore, 1 for every 40, and the UK, 1 for every 140. Clearly, we can see how efficient our public administration is! Whilst the move towards a greater efficiency is desirable, we have yet a long way to go.

SMEs were also a key feature of the Budget and Government showed the way to the further democratization of the economy by buying more services from SMEs. Government procurement from SMEs is expected to increase to 20% by 2016. The new loan scheme backed by Government guarantees would reduce the cost of funding and improve the competitiveness of a sector, which contributes to 40% of the GDP.

Overall, the Budget lays down a path for future growth, but the big question remains whether this can become reality or will it be business as usual.



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Tax Perspectives

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Tax Perspective

Dheerend Puholoo

Tax Director

The 2014 Budget (the "Budget") presented by The Honourable Minister of Finance and Economic Development, Mr Xavier-Luc Duval is based on a two pronged strategy:

- to invigorate investment and growth; and
- build a modern and inclusive society partly based on enhanced social measures.

Tax Take

Tax revenue was short by Rs4.3 bn for the fiscal year 2013 against an estimated amount of Rs71bn. The principal factor contributing to this shortfall was due to a dual decline in income tax and value-added tax.
In line with the global policy for a cleaner environment, green tax is becoming a common feature. Under this policy consumer behaviours can be changed by appropriate fiscal measures.

The Budget has further enhanced the green philosophy espoused under the Ile-Maurice Durable concept. In this spirit, the current CO_2 threshold has been lowered from 158 g/km to 150 g/km.

Consolidation of the social safety nets is another theme of the Budget. To alleviate any potential income disparity, and promote home ownership a VAT refund will apply for low income families.

Another VAT measure likely to support households is through a reclassification of a number of essential products from exempt to zero rate. It is expected that such a change will impact on the prices of the products through a higher recovery of input VAT. However, it is yet to be seen to what extent the benefit of this measure will be passed onto the consumer.

.../2

Tax Perspective
(cont.)

Tax Measures

Tax deduction at source (TDS) has been extended to cover certain consultancy services and interest payments where these are not tax exempt. Since its introduction in 2006, TDS has significantly helped widen the tax base leading to a better collection.

Fees received by a non- resident for the provision of services to a resident of Mauritius would be taxable, irrespective of the location from which the services are provided. This is however subject to the provisions of the Double Taxation Treaty, if applicable. This measure brings the local and the foreign professional on the same footing from a tax perspective. As in the past, excise duty has been increased on tobacco and alcoholic drinks. In addition a one cent increase in excise duty on sugar content of soft drinks estimated to bring in additional tax revenue of Rs120m.

Commercial banks will most likely suffer a higher effective tax rate with the change in the special levy based on chargeable income.

Tax Administration

The introduction of the Tax Administration Bill is a positive step towards a better tax administration in line with other developed tax jurisdictions. Hopefully, there will be an efficient implementation of the Act in the future by the Mauritius Revenue Authority (“MRA”).

SMEs being one of the major contributors to the economy, a simplified tax return and record keeping requirement will lower compliance burden. Other measures are a simplified Customs Administration Penalty System and the harmonization of the payment dates for various taxes to the MRA.

Overall, the tax measures aim to simplify the tax administration that is likely to deliver an effective tax collection and efficiency. At PwC we are supportive of such a system.

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Public Finance

A balancing act

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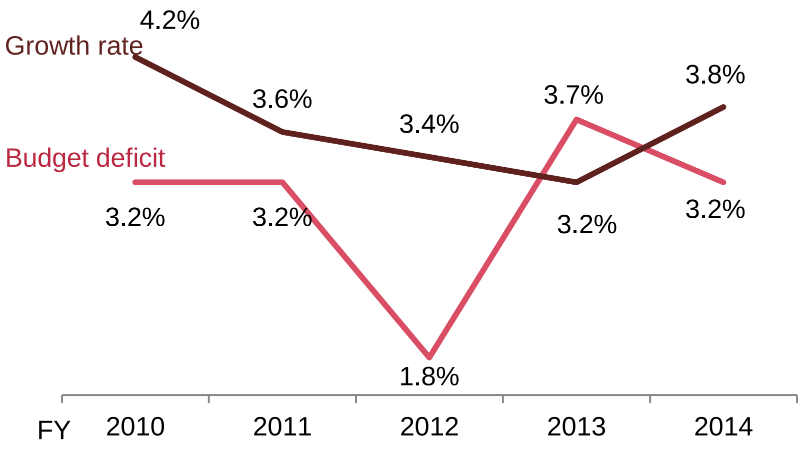
Public Finance
(1 of 2)

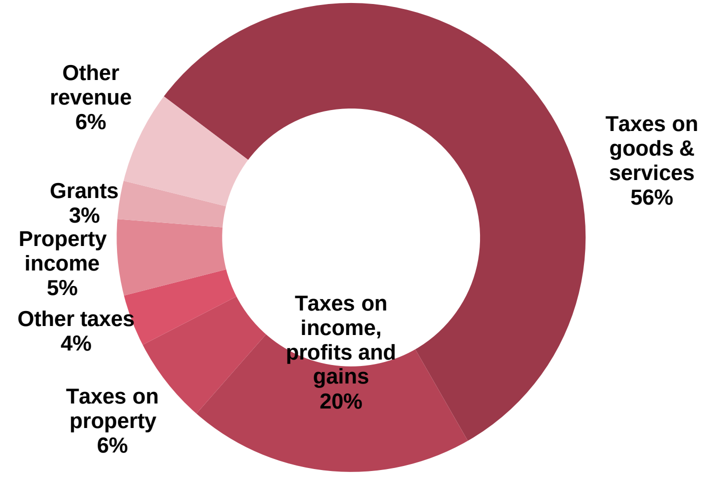
Budget deficit and growth rate



The budget deficit for 2013 is estimated to be around Rs13.9bn (3.7% of GDP). This is way above what was announced in last year's speech (around Rs8.5bn). The Rs5.4bn overrun reflects both an undershoot in tax revenue and an overshoot in public spending. The Minister of Finance forecasts that budget deficit will decrease to around 3.2% of GDP for 2014. However, an expected growth rate of 3.8% for 2014 may be somewhat optimist given the slow global economic recovery.

The Government is predicting a period of sustained budget deficits with the deficit for 2015 amounting to Rs12.8bn billion (2.9% of GDP) and declining to Rs11.8bn (2.5% of GDP) in 2016.

Government revenue



2013 Public Sector Revenue amounts to Rs78.9bn which is Rs4.4bn lower than initially planned. We note that tax take was lower than planned: 18.5% of GDP instead of 18.7% announced last year.

For 2014, Public Sector Revenue is expected to rebound to Rs86.3bn. Tax revenues should increase by 8% though tax take is expected to remain stable at 18.5% of GDP. Additionally, the Government is expecting Rs1.4bn from the Financial Services Commission and Rs1.9bn from transfers from Special Funds. Grants are expected to increase by Rs800m mainly from Japan and from the European Development Fund.

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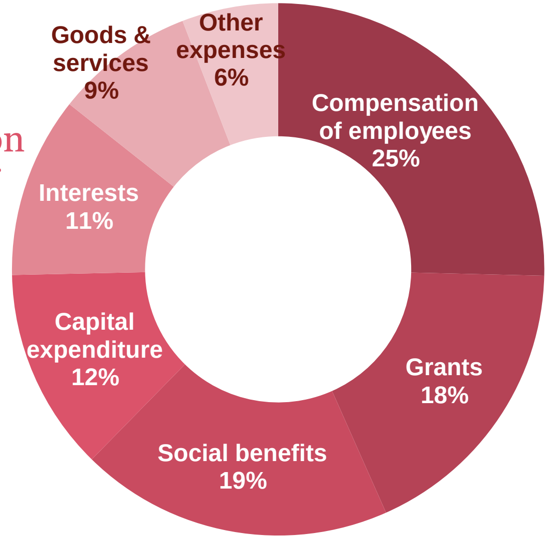
Public Finance
(2 of 2)

Government spending

25%

of Government budget is spent on compensation of employees



Total Government expenditure amounts to Rs92.7bn; Rs1.2bn higher than forecasted.
This is mainly due to higher capital expenditure incurred during the year.

For 2014, the Minister remains disciplined in limiting the expenditure growth, keeping expenditure at Rs98.9bn representing a 7% growth over last year.

Capital expenditure remains roughly the same in 2014 at around Rs12.2bn. Total public sector investment program is expected to amount to Rs26.8bn out of which Rs8.6bn is financed by public enterprises.

Government debt as at 31 December

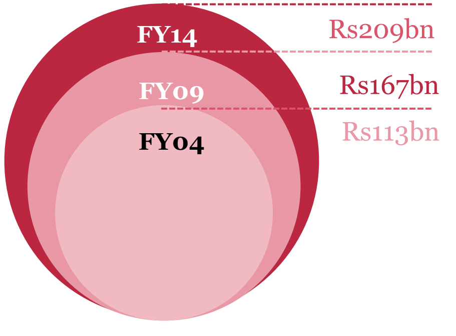
Rs58.5m

daily increase in debt during 2013

Government borrowing is estimated at around Rs197.3bn (53.2% of GDP) in 2013, up from Rs176.0bn (51.7% of GDP) in 2012.

The forecasts show a further increase in Government borrowing to around Rs209bn in 2014 though borrowing as a percentage of GDP declines to 52.3%.

77% of Government debt is sourced from the domestic market. Of these, 47% are short term, that is reimbursable within one-year.



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Sector Review

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Financial Services
(1 of 2)

- 6 Africa focussed conferences to be organised in 2014 with a view to strengthen economic cooperation, promote our financial and business services. Those endeavours should reinforce our African positioning strategy.
- Annual Conference of Chief Executive Officers of all Investment Promotion Agencies in Africa to be held in Mauritius.
- Special fund of Rs50m provided for the setting up of a joint public-private sector financial services committee to reinforce the country's reputation as an international financial services sector.
- Reinforcement of regulatory framework to combat financial crime though the creation of a Serious Fraud Office and a Financial Crime Coordination Committee.
- Introduction of a Host Country bill to codify the various entitlements, rights and obligations of international organisations setting up regional offices in Mauritius.
- Investment in Initial Public Offerings qualifying as a business activity for the purpose of granting Permanent Residence in Mauritius.
- Global Business Licence Category 1 companies will be allowed to purchase residential property under the IRS/RES scheme.
- Introduction of the Captive Insurance Bill to make Mauritius a captive insurance jurisdiction of choice.
- Introduction of a Sustainability Index by the Stock Exchange of Mauritius.
- Introduction of a Social Impact Exchange to develop Mauritius into a regional centre for investments.
- Extension of the SME financing guarantee scheme up to 2016 for an additional commitment of Rs2bn by commercial banks.
- Introduction of a new loan guarantee scheme for small enterprises whereby the Government will guarantee up to 70% of losses incurred by commercial banks.

John Li

Financial Services Industry Group

Watch video

"Promoting Mauritius as an international financial sector for African ventures"

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Financial Services
(2 of 2)

- Under the newly introduced "Housing Empowerment Scheme" for families earning up to Rs50,000 a month, the government will guarantee 20% of the loan amount to encourage commercial banks:

  - to reduce the down-payment required on acquisition of a property to a minimum of 5%; and

  - to carry a moratorium period of 2 years on capital repayment.

- The levy on banks will now be calculated on 10% of chargeable income instead of 3.4% on book profit and 1% on operating income, in respect of returns submitted in 2014 and 2015.

- Amendments made to various Acts to enhance regulation of the financial services sector. To that end, those regulations should strengthen our legal framework to prohibit the conduct of Ponzi/pyramid schemes.

- Introduction of the "In duplume rule" as from 1st of January 2014 for all loans taken by individuals and amount due on credit cards. Once accumulated interest on a loan account equals capital outstanding, interest rate will be reduced to the repo rate and will be charged only on the outstanding capital amount.

- Penalty interest will be capped at 2% per annum for all loans provided.

- No penalty charge in respect of early repayment of loans.

"Strengthen our regulatory framework to enhance our reputation as a financial hub of choice"

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SMEs and Manufacturing
(1 of 2)

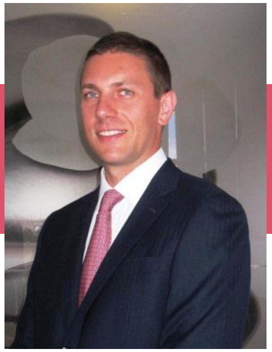
Renewal of the Forex LEMS for Rs1bn

Mauritius Africa fund with Rs500m over 5 years

EoEs to benefit from fast tracking work permits in 14 days

"A pro-Africa growth agenda with clear incentives to Mauritian businesses"

Watch video



Olivier Rey

Manufacturing Industry Group

- Creation of a Mauritius-Africa Fund of Rs500m over 5 years directed towards equity participation, capped at 10% of stated capital, and provision of fee paying consultancy services on the continent to Government and Public Sector entities, in fields where we have a competitive advantage.
- Total investment in port development will amount to Rs 3.2bn in 2014 and a further Rs2.3bn over the following two years.
- A refund, determined as the lower of 25% of the freight cost on containers exported and USD300 per container, given to operators exporting to Africa (except for South Africa and Madagascar).
- Injection of an additional Rs1bn for the extension of the Foreign Currency Leasing Equipment Modernisation Scheme.
- Introduction of an Investment Tax Credit Scheme to encourage high-tech manufacturing.
- Investment of Rs2.1bn in tuna fisheries next year.
- Increase of 33% in the export promotion budget of Enterprise Mauritius to step up market expansion in Africa.
- Export-oriented enterprises ("EoEs") to benefit from fast tracking work permits deliverable in two weeks, plus the reduction in annual work permit fees from Rs10,000 to Rs6,000 for employees after their fifth year of employment.

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SMEs and Manufacturing (2 of 2)

"Aggressive SMEs incentives to boost growth and productivity"

- Extension of the SME Financing Scheme up to 2016 with an additional Rs2bn commitment from commercial banks.
- SMEs will enjoy the introduction of a new loan guarantee scheme which does not require them to provide collateral and third party guarantees. Up to 70% of any credit loss incurred will be sheltered by the Government.
- Rs80m earmarked for the Mauritius Business Growth Scheme and Rs70m injected in SME Factoring Scheme to be extended to planters.
- Increased visibility through an online presence following the provision of a free basic website to all SMEs by the Government. More elaborate website costing up to Rs6,000 will be given at a subsidy of 50%.
- Training sessions to be provided to 500 SMEs on productivity improvement in 2014.
- Provision of industrial spaces to 80 more SMEs with the construction of two SME parks, at Solitude and Plaine Magnien at a cost of Rs200m.
- Unbundling of contracts on a district wise basis and simplifying the standard bidding document from 15 pages to only one page for goods and services and two pages for small works contracts.
- Review of Remuneration Regulations for workers earning less than Rs6,500 per month.
- 25% annual capital allowance granted for the purchase of patents to enable industries adopt latest techniques, designs and practices.

Rs750m over 3 years to SMEs with no collateral required

Additional Rs2bn for the SME Financing Scheme

Two new SMEs parks

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Public Sector
Planned expenditure

4.88% increase to
Rs97.1bn

Rajeev Basgeet
Public Sector Group Leader

Watch video

Public services
Rs15.2bn

Social security
Rs21.6bn

Education
Rs14.5bn

Health
Rs9.5bn

Public order & safety
Rs11.5bn

Public debt servicing
Rs10.9bn

Others
Rs13.9bn

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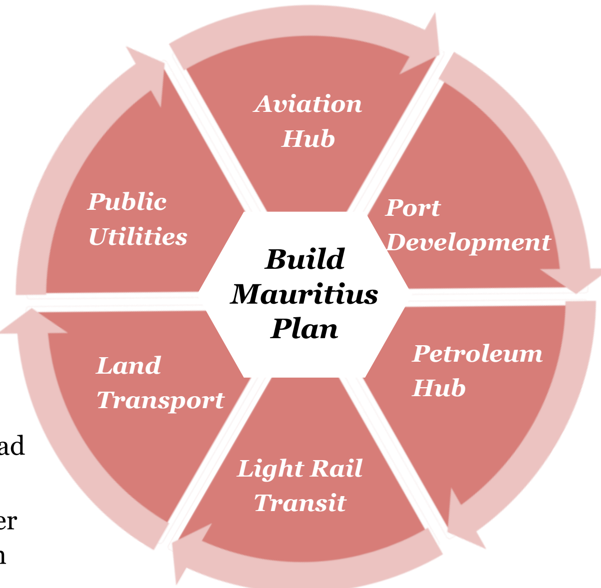
Public Sector
Building Mauritius Plan

Setting direction for a new pillar of the economy

- Exploit the rapid growth in travel between Asia and Africa by making a passenger hub, a cargo hub, regional training centre for aviation personnel and for repairs

Energy efficiency and sustainability

- Increase power generation and efficiency through liberalisation of electricity sale, investments in renewable energy sources and launch of Energy Efficiency campaign
- Introduction of technology to monitor water supply system in Mare-Aux-Vacoas



Building on existing capability

- Future investments include extension of the quay, deepening of the navigation channel, construction of the cruise terminal building and access road at Fort William

Reducing traffic congestion

- Opening of Terre Rouge-Verdun and Verdun-Trianon links
- Private partnership with respect to new road infrastructure projects going forward
- Subsidise acquisition of up to 200 buses per year through Bus Replacement Mechanism

Liberalisation of petroleum products for import and re-export

- Aim to triple the bunkering traffic by allowing operators other than STC to import petroleum products
- Plan to re-export automotive fuel and gas oil to the region

Going ahead with supplier selection

- The Singapore Cooperation Enterprise is providing advisory services to prepare the project

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Public Sector
New economic frontiers

Ocean economy

- Setting up a task force for the implementation of the Roadmap on Ocean Economy. Priority to develop a Petroleum & Minerals Exploration & Extraction Framework Agreement, including identification of:
  - Petroleum & Mineral Exploration;
  - Seafood and Aquaculture;
  - Deep Ocean Water Applications (DOWA);
  - Marine Renewable Energies; and
  - Ocean Knowledge.

Gateway to Africa

- Plan for six high level conferences in focal African cities by the Board of Investment (BOI) across the continent in 2014 to increase networking with area experts, local businesses and Mauritian service providers and build up economic cooperation.
- BOI to host an annual conference in June 2014 bringing together Chief Executive Officers of all Investment Promotion Agencies in Africa in order to share experience, encourage best practices and increase networking.
- The Africa Center of Excellence to develop a placement programme of Mauritian talents on the continent.

Expanding Africa strategy

- Providing additional support to Mauritian enterprises doing business in Africa and strengthening the role of Government in their venture.
- Setting up of the Mauritius-Africa Fund with a budget of Rs500million over 5 years and with 2 main objectives, namely participating in equity financing of businesses investing in any African country (a cap of 10% of share capital) and providing fee paying consultancy services on the African continent to Government and Public Sector entities in fields where our country has a competitive advantage.
- Supporting enterprises exporting to Africa through government subsidies of 25% of the freight cost on containers exported to all countries in Africa (except South Africa and Madagascar), and of 50% on the cost of Credit Guarantee Insurance for exports to Africa.

Green economy

- Introduction of a Biomass Development Scheme under the Maurice Ile Durable Fund to provide incentives for production of sources of biomass energy, namely the cultivation of Arundo Donax, a substitute for coal.
- Removal of VAT on photovoltaic panels, bringing the cost down by 15%.
- Rs6 bn for implementation of Maurice Ile Durable related projects.

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Public Sector
Education

Primary and Secondary

- Phasing out of the Certificate of Primary Education to be replaced by a nine-year school.
- Rs130m targeted for the Hot Meal Programme from the 2nd term 2014.
- Implementation of a new HSC Pro- qualification to enhance preparedness of our students for world of work in ICT as a start to be followed by tourism, agro-industry, sports and business sectors.
- Funds to be provided for 8 existing secondary schools to promote Specialised Language schools whilst also offering full normal classes.
- Usage of school premises after hours to conduct a wide range of adult education classes.
- Eight additional National Scholarships for ICT sector.

"CPE exams will soon be a thing of the past"

Tertiary

- MQA will now fall under the responsibility of the Ministry of Tertiary Education, Science, Research and Technology.
- Rs 225m earmarked for the construction of three modern campuses in 2014.
- Recruitment of 30 experienced international lecturers, who will be posted in participating state universities to push the frontiers of knowledge.
- Independent Rating System for our faculties with a view to promote transparency and fairness.
- Rs228m will be provided over the next five years for the setting up an IIT Delhi Research Academy, in collaboration with the University of Mauritius.
- Setting up of a National Research and Innovation Advisory Committee to foster innovation and will count among its members Nobel Prize laureates and nominees.
- Rs 275m targeted for the Youth Employment Programme (YEP).
- Rs 100m for a new "Back to Work" Programme for women to address gender gap employability.

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Public Sector
Health & natural disaster resilience

Health

- Introducing a new scheme of family doctors.
- Planning to have a cohort of 40 specialist doctors in Primary Health Care.
- Recruitment of 4 diabetologists.
- Preventive care with a view to spot early detection and diagnosis of cancer.
- Rs615m targeted to upgrade existing infrastructure including the construction of 3 mediclinics and 2 Community Health Centres.
- Recruitment of specialist doctors and other health care assistants to enhance patient care.
- Strengthening of the scheme to assist patients inoperable in Mauritius.

__33__ specialists, __36__ doctors for A&E, __300__ student nurses & __400__ healthcare assistants

__Rs615m__ in upgrading & construction of health care infrastructure

Natural disaster resilience

- Rs35m to be invested in IT based early warning and emergency alert system.
- Operation of a fully staffed National Disaster Risk Reduction and Management Centre.
- Setting up of a Land Drainage Agency to take over responsibility for the construction, cleaning and maintenance of the drainage systems across the country.
- Rs30m to be invested for landslide works in Chitrakoot and Vallée Pitot, and for relocating families from Quatre Soeurs.

Recruitment of __100__ firefighters

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Public Sector
Social & public institutions measures

Public Institutions

- Independent Board of Enquiry with powers to address the shortcomings raised in the Annual Audit Report.
- Statutory requirements will be extended to State-Owned Enterprises and Statutory Bodies to improve their accountability and performance management.
- Measures to increase the effective delivery of public services for a better Mauritius:
  - Rs50m for the implementation of a new Civil Service Performance Related Incentive Scheme.
  - Performance agreement will be signed between the Secretary to Cabinet and Head of the Civil Service and each Accounting Officer, stipulating the Key Performance Indicators for each Ministry.
  - Steps to streamline the processing of public sector projects examined by the Project Plan Committee.
- Setting up of a Civil Service Modernisation Programme including:
  - a new Strategic Policy Unit under the Prime Minister's Office;
  - a programme to upgrade skills through the Civil Service College; and
  - extensive use of latest technology for the delivery of public services.

Social housing measures

- 1765 families will benefit from either a housing unit or a service lot:
  - 576 social housing units will be constructed and 80 serviced lots at Henrietta, Camp de Masque, La Gaulette, Pointe Aux Sables and Mare D'Albert;
  - 588 social housing units and 151 serviced lots at Chebel, Pointe aux Piments, Camp Ithier, Quatre Cocos, Sebastopol and Beau Bois
  - Additional 450 social housing units through the National Empowerment Foundation
- Further providing Rs 250m to improve living conditions in NHDC and ex-CHA Housing Estates, Rs 80m for the casting of roof slab scheme.
- The State has provided the option to buy leased land at Rs 2,000 per plot for housing unit owners. This measure will impact 17,000 families with modest means.
- CEB prepaid meters will be made available to households at no additional cost together with an initial allowance of Rs100.00.

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Real Estate & Hospitality
(1 of 2)

- Deposits from prospective buyers used to finance infrastructure works of residential morcellements is no longer allowed.
- Increase in new residential Morcellement Fees per square meter as follows:
  - Less than 8 lots: from Rs10 to Rs15
  - 8 lots or more: from Rs10 to Rs30
- Housing Empowerment Scheme for families earning up to Rs50,000 per month:
  - Loan-to-Value ratio for loans increased from 90% to 95%;
  - 20% of loan value will be guaranteed by Government;
  - 2-year moratorium on capital repayment; and
  - Refund of VAT up to Rs300,000.00 on construction of houses or purchase of apartments costing less than Rs2.5m
- Property development structured through a "Société Civile Immobilière d'Attribution" where the Société was formed before 22 December 2012 will be subject to taxation rules applicable prior to 22 December 2012.
- As of 01 January 2014, Land Transfer Tax (LTT) will be capped at a flat rate of 5% irrespective of the number of years the property has been owned.
- LTT on resale of IRS changed from $50,000 to the higher of $50,000 or 5% .
- Registration Duty (RD) on acquisition of RES changed from $25,000 to the higher of $25,000 or 5%. Whilst LTT on resale is revised from $25,000 to the higher of $25,000 or 5%.
- Investment Promotion (Real Estate Development Scheme) Regulations amended to allow companies holding a GBL1 to purchase residential property under IRS/RES Schemes.
- High net-worth individuals who have chosen to retire in Mauritius, will now have the right to purchase an apartment upon a minimum transfer of US 120,000 dollars at the time of application.
- On-line application of Building and Land Use Permit will be finalised within 14 days.
- Exemption on LTT and RD for Housing Estates Scheme is extended for one year.
- Claw back of VAT on commercial buildings sold before the 20th year is being reviewed when transfer is made between VAT registered persons.
- Exemption from land duties and taxes on the takeover or merger of an ailing manufacturing company under the same term and conditions relating to the safeguard of employment.

Nicolas Vaudin

Real Estate Industry Group

Watch video

"Bridging the gap to allow middle income earners a foothold on the property ladder"

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Real Estate & Hospitality (2 of 2)

- Joint Public Private Tourism Committee will be set up to focus on the destination marketing strategy.
- Air Mauritius will develop, offer and actively market a Dual Destination Strategy to tourists from Asia at attractive fares.
- Improving air access through:
  - Five Air Mauritius flights a week to China in 2014.
  - Daily service from Emirates using Airbus A380 aircraft as from mid-December 2013.
  - New weekly service by TUI Airlines from London using the Dreamliner in April 2014.
- Target emerging markets through the renewal of partnerships for flights and accelerating national preparedness to cater for the needs of these customers.
- An independent study has been commissioned to look at the pricing of airfares.
- Special Fund of Rs25m will be used to increase arrivals from regional destinations during the low season in combination with a discount shopping package.
- No prior clearances will be required from Fire and Health authorities, Police and MRA before relevant permits or licenses are issued by the Tourism Authority.
- The tourism product will be improved through the implementation of the following cleaning and embellishment measures:
  - Control of stray dogs
  - Cleaning of villages
  - Re-profiling of beaches and rehabilitation of coral reefs
- Removal of financial contribution to the Consolidated Fund for the development of a hotel on state land not previously leased for hotel purposes.

"Increasing the pace of growth through a focus on destination marketing, improved air access and product quality"

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ICT

- Rs200m earmarked to facilitate citizen interaction with government online services such as electronic payments, automated notification and digital signatures.
- Streamline administrative processes through ICT solutions such as e-Work Permits, e-Registry, interactive kiosks in post offices.
- Implement e-Monitoring system to reduce processing time for Building and Land Use Permit to 14 days, and track applications related to Municipalities and District Councils.
- Support SMEs' online presence by providing free websites, and subsidies of 50% for complex websites not exceeding Rs6,000.
- Build national resilience by setting up a National Disaster Risk Reduction and Management Centre. This includes allocation of Rs35m for an IT based early warning and emergency alert system.
- Continue investment of Rs87m to provide free Wi-Fi connectivity in all public and private aided secondary schools.
- Rs 243m allotted for supply of digital tablets to students in public and private aided secondary schools, as from early next year.
- Expand Ebène Accelerator facility to Port Louis to promote young entrepreneurs in the field of software development.
- Further drop in the tariffs for International Private Lease Circuits by 16% as from January 2014, bringing a cumulative reduction of 80% since 2005.
- Provide Fibre -To -The -Home (FTTH) connectivity to over 50,000 households, by 2014, with an average speed of 30 megabytes per second.
- Investment of Rs7bn planned by operators over the next 5 years for connection of the LION and SEAS fibre optic cable between Mauritius and Seychelles, thus enhancing connectivity with East Africa.

Vikas Sharma

TICE Industry Group

Watch video

"Interactive government to support vibrant communities"

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Taxation & Tax Tables

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Taxation
Corporate Tax

Accelerated depreciation/Annual allowance

- Change in the rate of annual capital allowance on the acquisition of patents from 5% (on cost) to 25% (reducing balance)

Special Levy on banks

- The levy on banks will now be calculated on 10% of chargeable income instead of 3.4% on book profit and 1% on operating income, in respect of returns submitted for 2014 and 2015

Shipping income

- Exemption of income derived by the registered owner of a foreign ship from the charter of the ship

Private Freeport Developer

- Exemption from income tax for holders of a Private Freeport Developer License; the exemption excludes income derived from sale on the local market or any specified manufacturing or processing activities

Fees paid to non-residents

- Taxation of all fees derived by non-residents from Mauritius, whether the services are provided in Mauritius or not; the provisions of Double Taxation Agreement will continue to apply

Corporate Social Responsibility

- Corporate Social Responsibility (CSR) at 2% applicable to resident société on their net profits adjusted for income tax purposes

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Taxation
Personal Tax

Income Exemption Thresholds

- Increase in exemption thresholds of Rs5,000 across all categories:

Individual with no dependent	Rs275,000
Individual with one dependent	Rs385,000
Individual with two dependents	Rs445,000
Individual with three dependents	Rs485,000
Retired person with no dependent	Rs325,000
Retired person with one or more dependent	Rs435,000

Accommodation benefit

- Increase in monthly taxable amount of accommodation benefit provided by hotels as follows:

Full Board and Lodging	From	To
Single	Rs11,000	Rs11,500
Married	Rs15,000	Rs15,700
Managing and supervisory Staff	Rs4,200	Rs4,400
Other Staff	Rs2,100	Rs2,200

Car benefit

- Increase in monthly taxable fringe benefit as follows:

	From	to
Up to 1600 cc	Rs9,000	Rs9,500
1601 to 2000cc	Rs10,125	Rs10,750
Above 2000cc	Rs11,250	Rs12,000

Tax Deduction at Source

- Extension of Tax Deduction at Source (TDS) to cover:
  - certain consultancy and management services, and
  - interest receipts from financial institutions and companies where the interest is taxable

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Taxation
VAT

VAT Refund Schemes

- Refund of VAT of up to Rs300,000 on construction costs of residential units costing less than Rs 2.5m charged by VAT registered building contractors to households with monthly income not exceeding Rs50,000 ; the Scheme is also extended to the purchase of an apartment
- Permanent extension of existing VAT Refund Schemes for Small Planters, Fishermen, Breeders, Apiculturists, and Bakers

Collection of VAT at Wholesale Level

- VAT on mineral waters, aerated waters, soft drinks and alcoholic drinks will be collected at the wholesale level, as in the case of petroleum products

Clawback of VAT on building

- The provision on clawback of VAT applicable on building sold before the twentieth year is now being reviewed where a transfer is made between VAT registered persons

Abolition of VAT

- The following items are now exempt from VAT:
  - Photovoltaic panels
  - Importation and acquisition of new semi low floor buses or chassis used for public transport
  - Medical, surgical or laboratory sterilizer
  - X-ray film and photographic plates for medical purposes
  - Bio-pesticides
  - Growing medium for plants, i.e coco peat and substrate
  - Credit or debit cards services provided by non-banking financial institutions to a company engaged wholly and exclusively in the provision of e-commerce services to non-residents

Reclassification of supplies

- The following are reclassified from exempt to zero-rated supplies:
  - Meat (pork, beef, mutton etc.), fresh or frozen
  - Canned or preserved meat and fish
  - Sausages
  - Milk, buttermilk, curdled milk
  - Butter
  - Cheese and curd
  - Honey
  - Soya bean
  - Tea
  - Spices
  - Rice

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Taxation
Other Taxes

Property taxes

- Extension of the Construction of Housing Estates Scheme for another year:
  - Exemption of payment of both Land Transfer Tax and Registration duty on the purchase of land for the project
  - Exemption of Land Transfer Tax on the transfer of a residential unit where the selling price is Rs4 million or lower
- The general rate of Land Transfer Tax set at a single rate of 5% effective from 1 January 2014
- Harmonisation of the rates of Registration Duty on acquisition of an IRS/RES residence and Land Transfer Tax (LTT) on resale:
  - IRS - LTT on resale of residential property: USD50,000 or 5% whichever is the higher
  - RES – Registration duty on acquisition of residential property: USD25,000 or 5% whichever is the higher
  - RES – LTT on resale of residential property:USD25,000 or 5% whichever is the higher
- Effective 8 November 2013, increase in the residential morcellement fee from Rs10 per m^2 to Rs15 per m^2 for less than 8 lots; for more than 8 lots, increase from Rs10 per m^2 to Rs30 per m^2
- Transitional provision for transfer of immovable property through a 'Societe Civile Immobiliere d'Attribution' formed prior to 22 December 2012

Environment taxes

- Effective from 1 January 2014, refund for the collection and export of plastic P.E.T bottle waste:
  - Rs15 per kilo exported in excess 1,000 tons; and
  - Rs20 per kilo exported in excess of 1,500 tons
- Extension of the 25% excise duty rate on energy inefficient products to cover household room air conditioners, tumble dryers and electric lamps, effective from 1 January 2014
- Introduction of a 30% excise duty on firecrackers and fireworks from 1 January 2014
- Increase of 40% to Rs70 in the Environment Protection Fee (EPF) on a mobile/smart phone; full exemption from the EPF for a mobile/smart phone with an import value below Rs1,000; both effective from 1 January 2014
- Removal of the 45% rate of excise duty on motor cycles of cylinder capacity between 201 to 250 c.c. with immediate effect
- Under the CO_2 levy/rebate scheme for motor cars, the following are effective from 9 November 2013:
  - decrease in the CO_2 threshold from 158g/km to 150g/km,
  - lower rates of rebate applicable where the CO_2 measurement is not in conformity with Regulation No.101,
  - transitional provision available where the motor car will be cleared from Customs on, or before 31 January 2014

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Taxation
Other Taxes

Environment taxes

- Effective from 9 November 2013, increase of 30% in Registration Duty on transfer of ownership of motor vehicles, except for a motor vehicle of 250 c.c. or less
- From 1 July 2014, the National Transport Authority (NTA) will be the sole authority dealing with the registration of car ownership

Customs Duty

- Effective from 1 January 2014, removal of customs duty on products originating from a SADC country:

  black tea, spices, flour, salt, edible oil, margarine, electric filament and discharge lamps, safety glass, toilet paper in rolls, soap, trays, dishes, plates, cups of paper, dog and cat food, tubes, pipes of iron and steel, napkins and napkins liners for babies, doors, windows and their frames, tableware and kitchenware, paint, school stationary (box, files), printed postcards, iron bars and furniture

Customs Duty

- Increase in excise duty on tobacco as follows:

	From	To
Cigars (Rs per Kg)	12,236	12,845
Cigarillos (Rs)	12,236 per kilo	7,500 per thousand
Cigarettes (Rs per thousand)	3,540	3,717

- Increase of 5% in excise duty on alcoholic products with immediate effect
- Increase of 1 cent to 3 cents per gram in the rate of excise duty on sugar content of soft drinks with immediate effect

Gambling & Betting Duties

- Application of betting duty to bets on football matches; rate per outlet Rs24,000 per week
- Increase in fixed gambling registration duty from Rs200 to Rs300
- Merging of stamp duty and transcription fee and increase of 30% in rate
- Increase in shooting and fishing lease tax by 100%

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Taxation
Tax Administration

- Introduction of Tax Administration Bill to consolidate, streamline and incorporate common and repetitive administrative provisions under revenue laws into a single piece of legislation

- Re-assessment of Customs Administrative Penalty System to simplify process:

  - No penalty in case of voluntary revision of original declaration due to an error by the declarant prior to detection by MRA

  - Appropriate administrative arrangements to deal with waiver of penalty and interest under the Customs Act, Customs Tariff Act and Excise Act

  - Penalty of 50% imposed in case of underpayment of duties and taxes will now be payable only after the final determination of the case

  - The schedule relating to compoundable offences is being revisited

- Simplification of income tax return and record keeping requirements for corporate businesses with a turnover of up to Rs10m

- Submission of corporate tax returns for companies having accounting year ending 30 June by 15 January of the following year where no tax is payable

- Harmonisation of payment dates for various taxes and remittance to the MRA to enable block payments, thus simplifying electronic transfers

- Introduction of an Arrears Payment Scheme at the Registrar-General's Department whereby

  - any payment owed to the department as at 8 November 2013 can be settled free of any penalty on or before 30 June 2014

  - cases pending before the Objection Unit or the Assessment Review Committee may be removed and settled free of penalty

- Harmonisation of penalties in connection with registration duty and stamp duty for late submission of documents

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Tax Tables

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Corporate Tax Rates and Tax Credits
(Page 1 of 4)

Year of Assessment (YOA)		2015	2014	2013	2012	2011
Corporate Tax Rates - Part II of First Schedule to the ITA 1995						
1	Corporate body incorporated in Mauritius	15%	15%	15%	15%	15%
2	ICT companies engaged in BPO back office operations, call centres or contact centres (up to 30.06.2012)	15%	15%	15%	5%	5%
3	Companies operating in the Freeport Zone (including Holders of a Private Freeport Developer License) - applicable rate depends on type of licence (exemption will apply indefinitely)	0	0	0	0	0
4	Information and Communication Technology Companies (certificate in force on or before 30.09.2006) – on services provided to non-residents	15%	15%	15%	Exempt	
5	Companies under the Investment Promotion (Regional Headquarters Scheme) (certificate in force on or before 30.09.2006)	Exempt for 10 years				
6	Small enterprise under the Small and Medium Enterprises Development Authority Act 2009	15%	15%	Exempt		

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Corporate Tax Rates and Tax Credits
(Page 2 of 4)

Annual Allowances	YOA 2015	YOA 2014
Commercial premises	5% cost	5% cost
Hotels	30% base value	30% base value
Commercial premises including shops and shopping malls, offices, showrooms, restaurants and other entertainment places and clinics	5% cost	5% cost
Plants or machinery:		
- Ships or aircrafts	20% base value	20% base value
- Aircrafts and aircraft simulators leased by a company engaged in aircraft leasing	100% cost	100% cost
- Motor Vehicles (Maximum allowance of Rs3m per vehicle)	25% base value	25% base value
- Furniture and fittings (other than by a manufacturing company)	20% base value	20% base value
- Other (other than by a manufacturing company)	35% base value	35% base value
Improvement on agricultural land for agricultural purposes	25% base value	25% base value
Golf courses	15% base value	15% base value
Patents	25% base value	5% cost
Acquisition or improvement of any other item of a capital nature which is subject to depreciation under normal accounting principles	5% cost	5% cost

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Corporate Tax Rates and Tax Credits
(Page 3 of 4)

Accelerated Annual Allowances (granted for capital expenditure incurred during the income years 2013 and 2014	YOA 2015	YOA 2014
Industrial premises dedicated to manufacturing	30% base value	30% base value
Plant or machinery costing less than Rs 50,000	100% cost	100% cost
Electronic and high-precision machinery (including computer hardware and software)	50% cost	50% cost
Plant and machinery (excluding passenger car) by a manufacturing company	50% cost	50% cost
"Green" technology equipment	50% cost	50% cost
Scientific research	50% cost	50% cost
Landscaping and other earth works for embellishment purposes	50% cost	50% cost
Renovation works incurred by hotels, restaurants and retail outlets	33% cost	33% cost

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Corporate Tax Rates and Tax Credits
(Page 4 of 4)

Tax Deduction at Source	Rate of tax				
Year of Assessment (YOA)	**2015**	**2014**	**2013**	**2012**	**2011**
Interest – Non Resident	15%	15%	10%	10%	10%
Royalties – Resident	10%	10%	10%	10%	10%
Royalties – Non Resident	15%	15%	15%	15%	15%
Rent	5%	5%	5%	5%	5%
Payments to contractors and sub-contractors	0.75%	0.75%	0.75%	0.75%	0.75%
Payments to providers of specified services	3%	3%	3%	3%	3%
Payment by Ministries and Local Government for the procurement of:					
- payments > Rs 300,000 (goods & services)	1%	1%	1%	1%	
- payments > Rs 100,000 (goods only)	1%	1%	1%	1%	
- payments > Rs 30,000 (services only)	3%	3%	3%	3%	
Payments made to the owner of an immovable property or his agent	5%	5%	5%	5%	
Payments made to a non-resident for any services rendered in Mauritius	10%	10%	10%	10%	

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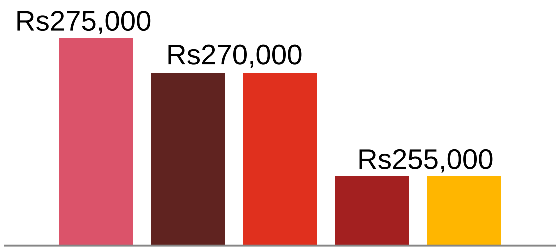
Personal Taxation

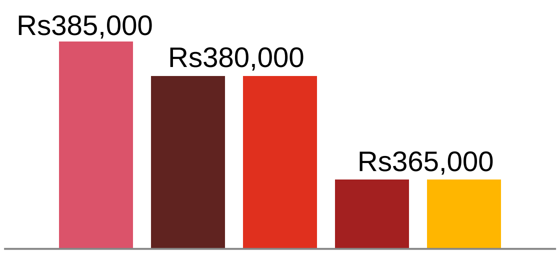
Income Exemption Threshold

YOA

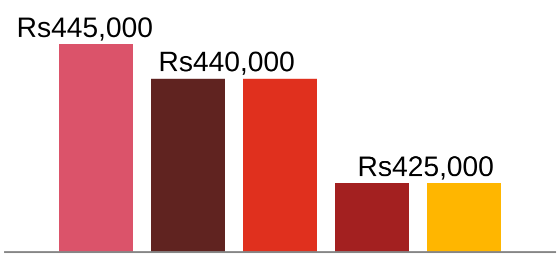
- **2015**
- **2014**
- **2013**
- **2012**
- **2011**



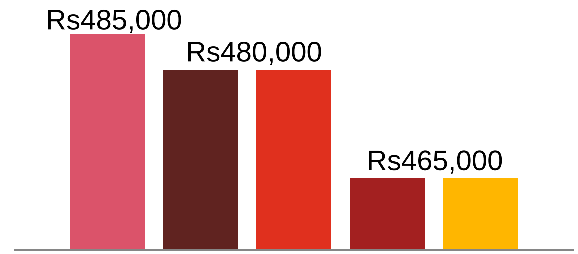
Category A - Individual with no dependent



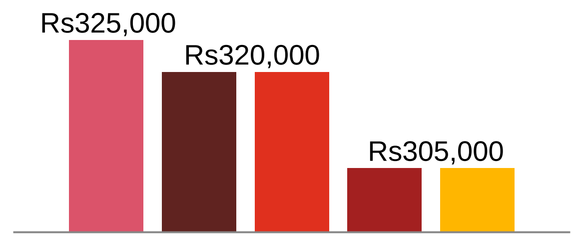
Category B - Individual with one dependent



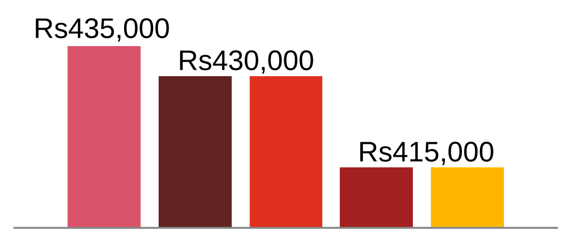
Category C - Individual with two dependents



Category D - Individual with three or more dependents



Category E - Retired/disabled person with no dependent



Category F - Retired/disabled person with one dependent

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Personal Taxation

Maximum relief for medical/health insurance premium

Year of Assessment (YOA)		2015	2014	2013
		Rs	Rs	Rs
Category A	Individuals with no dependent	12,000	12,000	N/A
Category B	Individuals with one dependent	12,000 for self + 12,000 for dependent	12,000 for self + 12,000 for dependent	N/A
Category C	Individuals with 2 dependents	12,000 for self + 12,000 for first dependent + 6,000 for second dependent	12,000 for self + 12,000 for first dependent + 6,000 for second dependent	N/A
Category D	Individuals with 3 or more dependents	12,000 for self + 12,000 for first dependent + 6,000 for second dependent + 6,000 for third dependent	12,000 for self + 12,000 for first dependent + 6,000 for second dependent + 6,000 for third dependent	N/A
Category E	Retired person with no dependent	12,000	12,000	N/A
Category F	Retired person with one dependent	12,000 for self + 12,000 for dependent	12,000 for self + 12,000 for dependent	N/A

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About PwC

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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 184,000 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 200 professional staff combine the resources of our global network with detailed knowledge of local issues.

We favour an industry approach to serve a large number of companies doing business in Mauritius, ranging from multinationals, a cross section of local businesses, to public institutions.

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