

BUDGET SPEECH 2023/2024



—AAA—
GLOBAL SERVICES

Foreword

The Honourable Dr Renganaden Padayachy, Minister of Finance, Economic Planning and Development delivered his budget speech for 2023-24 on 2nd June 2023, the fourth of the current Government.

On the back of a GDP increase of 8.7% in 2022, receding Covid-19 outbreak in terms of fatalities but pessimism about the global economy, the Minister of Finance had the delicate task to urgently address the loss in purchasing power of the population, 1 year ahead of the general elections. The Finance Minister presented a socialist budget, implementing a plethora of measures to ensure that low income earners, families with toddlers, teenagers reaching the age of 18 and pensioners receive funds from the State. This “giveaway” approach, although an immediate breath of fresh air to the neediest, may prove to be unpopular if reversed in the future and does not encourage upward mobility.

The Finance Minister has rightfully identified that the current scarcity of labour will hamper the growth of the country. The streamlining of procedures for the granting of occupational permits and the lowering of the threshold for professional occupational permits to MUR 30,000 are measures that will enable economic operators to stabilise and grow their operations. The added boost to the economy by such an expanding working force is also not to be neglected.

In so far as fiscal measures are concerned, the abolition of solidarity tax is a positive measure that will make Mauritius regain its advantage as a competitive and attractive destination to invest, work and live. High income-earning locals and expatriates will thus be more attracted to remain, return or come over to Mauritius and live as tax residents. The replacement of solidarity tax by a progressive tax system, ranging from 0% to a maximum of 20%, is more equitable and fairer for individual tax payers.

We are pleased to present the highlights of the budget speech for 2023-24 and wish you a pleasant reading!

On a final note, we wish to draw your attention that the budget measures will, as from this week, be debated at Parliament after which a Bill will be tabled for approval by the MPs. Enactment of the budget measures will most probably be completed by the end of July or beginning of August. AAA will be pleased to keep you updated.

Best wishes,

Tax Team
AAA Global Services Ltd

Table of Contents

Key Facts and Figures	3
Corporate Tax Measures	4
Value-Added Tax Measures	5
Personal Tax Measures	5
Financial Services Sector	6
Measures for Doing Business	8
Immigration and Employment Measures	10
Other Measures	14
Appendix 1	15

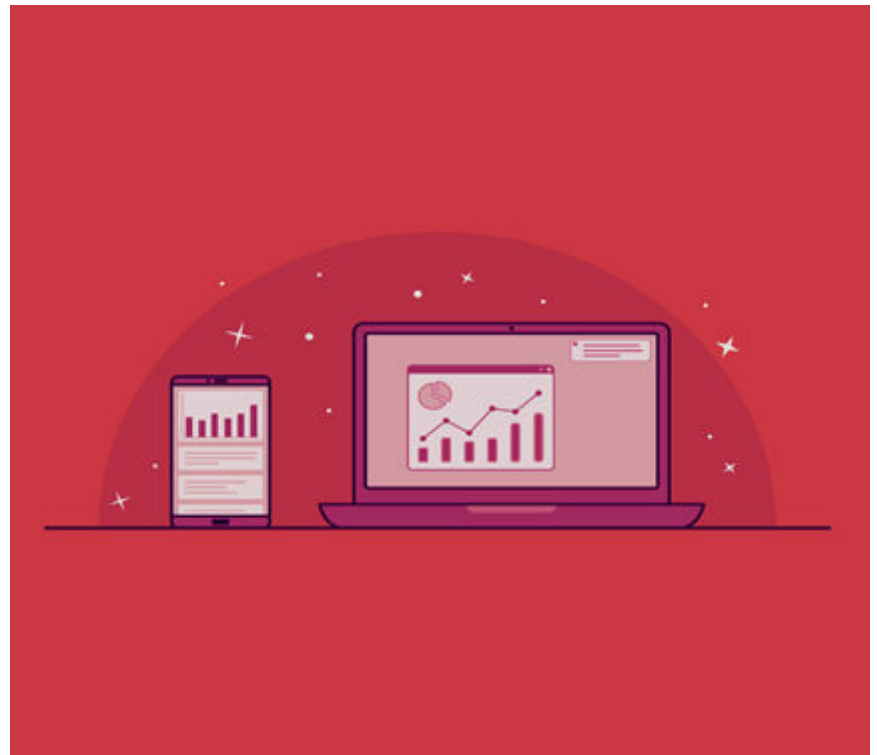
KEY FACTS and FIGURES

8.7% GDP growth in 2022 compared to an initial forecast of 7.2%

Expected GDP growth of 8% for 2023-2024

Unemployment declined from 9.1% in 2021 to 7.7% in 2022

Budget deficit of 2.9% for the current budget



Foreign direct investment totaled MUR 27.7 billion in 2022, 50% higher than in 2021

Public sector debt expected to fall from 86.1% in June 2022 to 79% by June 2023 and 71.5% by end of June 2024

Corporate Tax Measures

Corporation Tax rate

Corporation tax rate remains at 15%.

Partial Exemption

Collective Investment Schemes and Closed Ended Funds to benefit increase in partial exemption on interest income from 80% to 95%.

Tax exemption

Interest income derived from bonds, debentures or sukuku issued by an overseas entity to finance renewable energy projects (green bonds) approved by the Mauritius Revenue Authority to be exempted.

Tax Deduction at Source (TDS)

- The Income Tax Act will be amended to broaden the scope of TDS to cover payments made:

Services	Rate of TDS
By insurance companies to panel beaters and spray painters for repairs of motor vehicles of policy holders	3%
To interior decorator/ designer	5%

- TDS Exemption
 - On fees paid to management companies licensed by the FSC; and
 - On fees paid to an investment adviser license by the FSC.

Other Tax Incentives

- Triple deductions for emoluments and expenses related to the employment of disabled individuals.
- Triple deductions on contribution up to a maximum of MUR 1 million to NGOs involved in supporting persons with health issues and disabilities, protection of street children and rehabilitation programmes.
- Double deductions on:
 - Costs incurred by new campuses or local training institutions partnering with their African counterparts;
 - Expenditure incurred by a local company participating in financing, sponsoring or marketing and/or distribution of an approved film project produced at least 90% in Mauritius, under the Film Rebate Scheme, intended for theatrical or media streaming release;
 - Cost of setting up a childcare centre to companies;
 - Emoluments paid by companies to newly-employed women or women who have been unemployed for at least one year under the Prime a L'Emploi scheme;

- Profits derived from sale of aviation fuel to an airline will be considered as export of goods and benefit from concessionary tax rate of 3%.

Tax Arrears Settlement Scheme (TASS)

The Tax Arrears Payment Scheme will be re-introduced. The Scheme provides for full waiver of penalties and interest where tax arrears, outstanding under the Income Tax Act, the Value Added Tax Act and the Gambling Regulatory Authority Act, are paid in full by 31 March 2024 and provided that the taxpayer registers himself under the Scheme by 31 December 2023.

Taxpayers having assessments pending before the Assessment Review Committee (ARC), the Supreme Court or Judicial Committee of the Privy Council, and who wish to take advantage of the Scheme, may do so by withdrawing the case before these institutions.

Value Added Tax Measures

- Removal of VAT on essentials products such as noodles, toothpastes, toothbrush, medical grade silicone etc.
- Removal of VAT and Custom duty on glass ceramic blocks for dental use.
- VAT exemption extended to construction of a purpose-built building for the provision of primary and secondary education.
- VAT exemption extended to event organisers from payment of VAT on accommodation costs.
- Zero-rate VAT on instruments and appliances used in medical, surgical, dental or veterinary sciences of HS Code 90.18.
- The Mauritius Revenue Authority will launch a portal to test the Electronic Billing System supplied by vendors and ensure invoices are in standard e-invoicing format.
- Clarification that input VAT can be claimed by a VAT registered person who has done a voluntary registration.

Personal Tax Measures

Income Tax

- Progressive tax system to be introduced.
- All income will be taxed incrementally (the chargeable income will be divided into different revenue brackets).
- Different rates will be applicable to each bracket.
- The income tax rate will range from 0% to 20% (please refer to table in Appendix 1).

- Non-resident individuals earning Mauritius sourced director fees were taxed at 15%. With the new tax system, the rate of tax may vary between 0% and 20% unless the legislation provides for a separate rate of tax for non-resident individuals.

Solidarity Levy

- Abolishment of solidarity levy which was previously applicable to both Mauritian citizens and foreign nationals.

Financial Services Sector

New Measures and Licenses

- The scope of the variable capital companies will be extended to allow their use for family offices and wealth management.
- Introduction of a new framework to support the licensing and operation of electronic money institutions.
- Introduction of a wealth manager and family officer licence under private banking.
- The Securities Act will be amended to enhance the attractiveness of Mauritius as a Fund domicile by allowing Funds to invest in loans or similar debt instruments.

AML/CFT legal framework

- A national risk assessment of money laundering and terrorism financing risks will be undertaken with the assistance of the World Bank.
- Introduction of a new set of legislative amendments to reinforce the existing AML/CFT legal framework and a Whistleblowing Act to sustain the fight against corruption.
- Commissioning of an independent assessment of the effectiveness of our AML/CFT system ahead of the ESAAMLG mutual evaluation in 2025.
- The Financial Intelligence and Anti-Money Laundering Act (FIAMLA) will be amended to clarify that entities such as fintech service providers, reinsurance companies and brokers, travel insurance, health insurance, actuarial services, credit rating agency and insurance salesperson do not fall under the scope of the FIAMLA.
- The FSC will be specifically empowered to take enforcement actions in case of breach of AML/CFT legislations.
- The following amendments will be made to the Financial Services Act:
 - provide that the FSC can enter into arrangements and extend assistance to a foreign supervisory institution if that institution satisfies relevant confidentiality requirements imposed by the FSC;

- require moneylenders to comply with any requirement of the FSC instead of prudential requirements;
- align sanctions for non-payment of administrative penalties with that of non-payment of license fees;
- provide for the delegation of the Chief Executive’s power to issue directions for the purpose of an investigation;
- provide that licensees will be under an obligation to submit independent compliance reports to the FSC;
- include breach of the AML/CFT legislation as a ground for referral to the Enforcement Committee;
- remove the Chief Executive as a member of the Settlement Committee to avoid possibility of conflict;
- enhance the role of management companies with respect to ensuring compliance of their clients with relevant laws;
- clarify that the issuance of a certificate of good standing is also applicable to Authorised Companies;
- provide for the electronic filing of documents by licensees;
- provide that recovery of annual fees and late charges due to the FSC will not be time barred to enhance recovery capacity of the FSC; and
- empower the FSC to make Rules on obligations and responsibilities of holders of a management licence.

Banking, Insurance and other measures

- The Bank of Mauritius will operationalise the Mauritius Deposit Insurance Scheme and the Mauritius Deposit Insurance Company.
- The Digital Rupee will be rolled out in November this year on a pilot basis.
- To reinforce the position of Mauritius internationally, the Bank of Mauritius will set up its Centre for International Cooperation to host international ad-hoc and permanent representations and projects. The office of the World Bank in Mauritius will be the first representation under this initiative. The Knowledge Hub of the World Bank will also be launched under this initiative.
- The Bank of Mauritius will host the OECD – FinCoNet Annual General Meeting in November this year.
- The FSC will issue guidelines to insurance companies to cater for retirees including foreign retirees and to ascertain that new risks are being properly reinsured and ring-fenced.
- The Banking Act will be amended to replace the term “Repo Rate” by “Key Rate” in the context of the implementation of the new monetary policy framework by the Bank of Mauritius. Consequential amendments will be made to other relevant legislations accordingly.
- The Ombudsperson for Financial Services Act will be amended to exclude financial services not licensed by the BOM and the FSC from the purview of the Ombudsperson for Financial Services.

- Increase in the promotion and marketing budget of the Economic Development Board by MUR 100 million.
- The Bank of Mauritius will develop a carbon trading framework for both blue and green credits.
- The Insurance Act will be amended to enable the Insurance Industry Compensation Fund to provide for appropriate non-pecuniary assistance to victims of hit and run road accidents.

Virtual Asset and Initial Token Offering Services Act

The Virtual Asset and Initial Token Offering Services Act will be amended to:

- allow a virtual asset custodian to also hold custody of securities tokens;
- remove the requirement for an applicant to be considered as issuer of initial token offerings to submit an approval letter, in respect to the initial token offerings, issued by the virtual asset exchange or its equivalent acceptable to the FSC; and
- empower the FSC to make Rules for the setting up of a virtual asset register on virtual asset service providers.

Measures for Doing Business

Companies Act

The Companies Act will be amended to:

- clarify that service address of a company has to be in Mauritius;
- establish a time limit of one month from the date of resignation or death of the last remaining director, for shareholders of a company to appoint new directors, failing which the Registrar of Companies will remove that company from the Register;
- require a company to send its annual report to shareholders at least 21 days, instead of 14 days, prior to the annual meeting;
- enable a company to send its annual report and financial statements electronically coupled with a right for shareholders to request for a hard copy of the documents; and
- provide that a meeting of shareholders and voting may be done in such manner as the Registrar of Companies may approve.

Ease of Doing Business

- The EDB, the Corporate and Business Registration Department and the MRA will work on the introduction of a unique identification number, be it for company, business registration, VAT, tax or employee number.
- Setting-up of a B-Ready Coordination Committee to coordinate and ensure implementation of reforms in line with the recommendations of the World Bank.
- The 38 existing licences for registration of different activities in the tourism sector will be streamlined.
- In order to encourage the adoption of e-signatures, certifications, including DocuSign and Adobe Sign will now be recognised.
- Various measures announced to support local entrepreneurs, with increased grants, extension of various schemes, continuation of the payment of salary compensations and writing-off of outstanding loans by the Development Bank of Mauritius.
- A national contact point will be established under the EDB to promote responsible business conduct and handling cases as a non-judicial grievance mechanism.

Premium Investor Scheme

The Premium Investor Scheme will be extended to cover investors taking over or acquiring the whole or part of a government undertaking including by way of acquisition of shares in a government-owned company in order to benefit from negotiable incentives.

Gender Equality

- Listed companies shall be required to have a minimum of 25% of women on their boards.
- Women-owned MSMEs will benefit from a 10% increase in the margin of preference for public procurement of goods.

Immigration and Employment Measures

Immigration

- The minimum salary for applicants to the occupation permit as professional will be reduced from MUR 60,000 to MUR 30,000.
- An applicant for an occupation permit will be allowed a business visa of 120 days without having to leave Mauritius.
- The initial investment requirement of USD 50,000 for investors and USD 35,000 for self-employed will be exempted at the time of issuance of permits. They will be required to show evidence of transfer of funds within 4 weeks of issuance of permits and post monitoring will be carried out.
- Retired non-citizens applying for residence permits will not be required, in the initial stage, to open a local bank account. Instead, a certified bank statement from the applicant's country of origin or residence showing proof of funds would be accepted together with a written undertaking to open a local bank account in two months' time.
- The Young Professional Occupation Permit will be opened to all fields of study.
- To better position Mauritius as an ESG-rated investment destination platform as per the ESG Index Risk Map, support Climate-Smart Development in Africa and encourage potential investors and companies to adopt climate-smart solutions for their forthcoming projects, ESG-related projects will be included under the Premium Investor Certificate Scheme.
- The National Electronic Licensing System (NELS) will be extended to the Passport and Immigration Office in order to expedite the issuance of residence permits.
- The NELS will be embedded with a tracking system so as to enable applicants to track the different stages of their respective applications.
- A 'silence is consent' provision of 4 weeks will be introduced for registration of foreign professionals with professional bodies including the Allied Health Professionals Council, medical, dental and veterinary councils.
- The composition and process of the Medical, Dental, Veterinary and Allied Professionals Councils will be reviewed.
- Various measures were also announced for work permit applications:
 - Work permit applications will be made solely on the National e-licensing platform;
 - 'Silence is consent' principle of 4 weeks for work permits applications;
 - A new tier system will be introduced allowing companies with a good track record to avail from a streamlined process to recruit foreign labour under a work permit;
 - The ratio of foreign to local employees will be removed for specific sectors, including construction, manufacturing, agriculture and SMEs, such as bakery operator; and
 - Non-citizens on a tourist or business visa will be allowed to apply for a work permit.

- Medical patients and retirees as well as up to two accompanying caretakers will be eligible for a premium visa.
- The Ministry of Labour, Human Resource Development and Training will work out a new policy framework for the employment of domestic migrant workers in Mauritius such as maids and babysitters.
- Carers from abroad will be allowed to stay and work in Mauritius beyond the current maximum period of 4 years, so long as their services are required.
- A foreign patient or retiree will not need to open a bank account in Mauritius.
- Foreign retirees above 60 years old will have access to medical insurance.
- To support the establishment of high-end research and development centres, an 18-month International Expert Training Visa will be introduced.

Sale of Land and Immoveable Property to Non-Citizens

- The promoter of a project under the Smart City Scheme or Property Development Scheme is presently allowed to sell one plot of serviced land not exceeding 2,100 m² to a non-citizen holder of occupation permits, permanent residence permit or a residence permit. The time limit will be extended for another period of two years, that is, up to 30 June 2026 instead 30 June 2024.
The conditions in relation to the time limit to complete construction of a residential building and the maximum land area of serviced land for sale in a project will continue to apply.
- A resident non-citizen is currently allowed, upon application, to acquire residential property of a minimum of USD 350,000 outside of existing schemes subject to the payment of an additional registration duty of 10%. The minimum value of a residential property of USD 350,000 will be increased to USD 500,000.
Only **one** property may be acquired by the main holder of a resident permit and not his or her spouse or children.
- The Immigration Act will be amended to grant a residence permit to a retired non-citizen and his family on the acquisition of a property in a PDS project relating to senior living provided that -
 - the acquisition price exceeds USD 200,000; and
 - the non-citizen is aged above 50 years old.
 The status of resident shall remain valid as long as the buyer holds the property.
This amendment will be backdated to 27 April 2019, i.e., the date the Property Development Scheme was amended to include construction of purpose-built building or bringing an existing building under the Scheme targeting senior citizens.
- The Non-Citizens (Property Restriction) Act will be amended to allow non-citizens to acquire residential property in a sustainable city in the same manner as for an acquisition under the Smart City Scheme.

The Immigration Act will also be amended to allow a non-citizen and his family to be granted a residence permit on the acquisition of property of a minimum price of USD 375,000 under the Sustainable City Scheme. The status of resident will remain valid as long as the buyer holds the property.

- The EDB will work together with the Chambre des Notaires to propose a new legal framework with respect to the provisions of a 'Vente en L'état Futur D'achèvement'. To professionalise and regulate the functions of syndic, appropriate legal framework will be introduced in the 'Code Civil Mauricien'.
- The processing fees for Integrated Resort Scheme (IRS), Real Estate Scheme (RES), Invest Hotel Scheme (IHS) and Smart City Scheme (SCS) will be harmonised. A processing fee of MUR 25,000 per application will be introduced for applications for Ground plus two apartment acquisitions by non-citizens and for applications for residence permit (under the residential schemes). A non-refundable processing fee will also be introduced as follows:

Type of Scheme	Processing fee (MUR)
Smart City Scheme	1,000,000
Property Development Scheme	500,000
Invest Hotel Scheme	500,000
Premium Investor Certificate	50,000
Integrated Modern Agricultural Morcellement Scheme	25,000

Employment

- The Workers' Rights Act will be amended to:
 - authorise a worker to be employed on a part-time basis and also allow a full-time worker, with his consent, to complete his normal working week in 4 working days with a view to promoting more flexible working hours and reconciling family obligations with work;
 - introduce the principle of hourly rate to harmonise the mode of computation of wages for purposes including overtime;
 - align the allowance of 5% payable to a part-time worker to the rate of 10% as specified in the National Minimum Wage Regulations to ensure consistency in the legislations;
 - align provisions of the Workers' Rights Act regarding work during extreme weather conditions with legislations falling under the purview of the Mauritius Meteorological Services;
 - require employers to pay insurance policies, where required, in favour of workers who are required to work during period of extreme weather conditions;
 - allow a worker to constitute a bank of annual leave by providing that untaken leaves be accumulated to avail him of more leisure time and to provide that any outstanding accumulated leave be also refunded on termination of employment;
 - ensure a worker a fair hearing in cases of alleged charges of misconduct or poor performance by granting a worker, who is required to give a written explanation, an opportunity to answer the charge in an oral hearing;
 - clarify that the Redundancy Board can also make an order where a termination is justified;

- extend the timeframe to enable the Redundancy Board to complete its proceedings from 30 days to 60 days;
 - align the definition of “basic wages” as regards refund of balance of injury allowance to the provisions in the Second Schedule to the National Savings Fund (Collection of contributions) Regulations;
 - create favourable conditions for a more active labour market and a better adjustment of the demand of labour to the supply of labour by disallowing payment of the transition unemployment benefit where a worker has refused an offer of employment corresponding to his qualifications or profile twice;
 - provide for an employer who has sponsored a worker in a private pension scheme to pay the Portable Retirement Gratuity Fund (PRGF) contribution for any period that the worker was not covered by the private pension scheme;
 - harmonise the provisions of the Workers’ Rights Act with the rules of the FSC, by requiring the administrator of a private pension scheme or the governing body of a self-administered scheme to ensure that the employer is complying with the eligibility criteria of the PRGF prior to the submission of a certificate to the FSC;
 - facilitate conversion of the rate of contribution of a private pension scheme to the PRGF rate by providing that the amount of the employer’s monthly contribution in the private pension scheme cannot be less than the amount of the employer’s monthly contribution if it was based on the PRGF prescribed rate;
 - require the administrator of the PRGF to take into account the lump sum directly paid to the worker by the employer when carrying out the benchmarking exercise to ensure that there is no double payment in the computation of the retirement benefits under the PRGF;
 - provide for the payment of a gratuity, under the PRGF, to laid off workers who have attained the age of retirement where the enterprise in which they are employed is considered to be insolvent;
 - ensure uniformity in the notional calculation of the payment of retirement benefit under the PRGF for both full time and part-time workers;
 - ensure a more efficient administration of the PRGF by providing that:
 - (i) employers would not be required to submit an annual PRGF return where the information has already been provided to the MRA on a monthly basis; and
 - (ii) the method for computing surcharge in respect of unpaid PRGF contribution be reviewed so as to facilitate the recovery of any unpaid contribution;
 - better protect workers’ gratuity on retirement by providing that an employer who has sponsored a worker in a private pension scheme does not make any deduction from any gratuity payable where the private pension scheme is not adequately funded; and
 - better protect workers’ rights in cases of non-compliance of the law by an employer, by providing for the classification of offences of failing to comply with a written notice as a direct contravention whereby there will be no obligation on the prosecution to put the charge to the accused prior to criminal proceedings.
- Several measures were announced in order to encourage women to join the labour force, including:
 - Setting-up of public childcare centres in main areas under a PPP model;
 - Increase the grant by 30% to MUR 650,000 for child day care centres to undertake upgrading works;
 - Make it compulsory for all companies employing more than 250 employees to provide necessary facilities for workplace-based childcare;

- Allow a double deduction on the cost of setting up a childcare centre; and
- Make it mandatory for all new shopping malls, office buildings and hotels to have a nursing room for women.

Other Measures

Medical Services

Companies manufacturing medical devices will be taxed at 3%.

The Asset Recovery Act

The Asset Recovery Act will be amended to impose the requirement of keeping documents beyond the prescribed timeline in cases where a restraining order or restriction order has been granted to ensure that vital documents are made available to facilitate criminal investigations.

National Pensions Act

The National Pensions Act will be amended to provide for the portability of accumulated fund from the National Pensions Fund to Government and/or SICOM, in respect of an officer/insured person reckoning service in the private sector who is subsequently redeployed/absorbed in the public sector and where Government has approved that his past service in the private sector be reckoned as pensionable service. Besides preventing double payment in respect of the past service in the private sector, this measure will allow SICOM, where required, to adjust and transfer funds from the Statutory Bodies Pension Funds to Government, for the payment of pension benefits to the officer concerned at his time of retirement.

Pensions Act

The Pensions Act will be amended to clarify that premium for part of death benefit, paid in respect of an officer who joined service on or after 1 January 2013 and who dies while in service, is deducted from total pension contributions paid.

Appendix 1

Progressive Tax Rates

Annual chargeable income (MUR)	Taxed on (MUR)	Tax Rate
0 – 390,000	First 390,000	0%
390,001 - 430,000	Next 40,000	2%
430,001 - 470,000	Next 40,000	4%
470,001 - 530,000	Next 60,000	6%
530,001 - 590,000	Next 60,000	8%
590,001 - 890,000	Next 300,000	10%
890,001 - 1,190,000	Next 300,000	12%
1,190,001 – 1,490,000	Next 300,000	14%
1,490,001 – 1,890,000	Next 400,000	16%
1,890,001 – 2,390,000	Next 500,000	18%
Above 2,390,000	Remainder	20%

Contact Us



4th Floor, Iconebene,
Rue de l'Institut, Ebene
Mauritius

T: +230 454 3200
F: +230 454 3202
E: headoffice@aaa.com.mu
W: www.aaa.com.mu

Disclaimer

This document is for reference purposes only and no reader should act on the basis of any statement contained herein without seeking professional advice. AAA Global Services Ltd and its officers expressly disclaim all and any liability to any person who has read this document, or otherwise, in respect of anything, and of consequences of anything done, or omitted to be done by any such person in reliance upon the contents of this document.