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BUDGET 2022-2023

TAX BRIEF

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THE POWER OF BEING UNDERSTOOD
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CORPORATE TAX

Additional Deduction - Procurement from Small Enterprises

Presently, a large manufacturer (having annual turnover exceeding Rs 100 million) is granted an additional deduction of 10% on the amount incurred to purchase locally manufactured products from a small enterprise. The rate of additional deduction will be increased from 10% to **25%**.

Waiver of Income Tax Penalties for Small and Medium Enterprises

The Income Tax Act will be amended to implement the decision of Government to waive penalties imposed on Small and Medium Enterprises (SMEs), remaining outstanding as at 25 March 2022, for late submission of income tax returns and late payment of income tax during the years 2020 and 2021.

Tax on Transfer of Leasehold Rights in State Lands for Hotels

The halving of the rate of tax on transfer of leasehold rights in State land for hotels built on State lands will end on 30 June 2023.

Global Minimum Tax

The Income Tax Act will be amended to cater for any change that may be required in connection with the introduction of a domestic minimum top-up tax, applicable to companies resident in Mauritius forming part of multinational enterprise groups having a global annual revenue of 750 million euros or more, to ensure that they are taxed at the global minimum rate of 15%.

Share Buyback

The relevant legislations will be amended to clarify that a share buyback, i.e. acquisition by a company of its own shares, will be subject to registration duty and tax in the same manner as for a transfer of shares.

Rate of Tax Deduction at Source

The rate of tax deduction at source (TDS) on - (A) services provided by professionals will be increased from 3% to 5%; and (B) rent paid to a resident will be increased from 5% to 7.5%.

Extension of the scope of Tax Deduction at Source

The Income Tax Act will be amended to broaden the scope of TDS to cover –

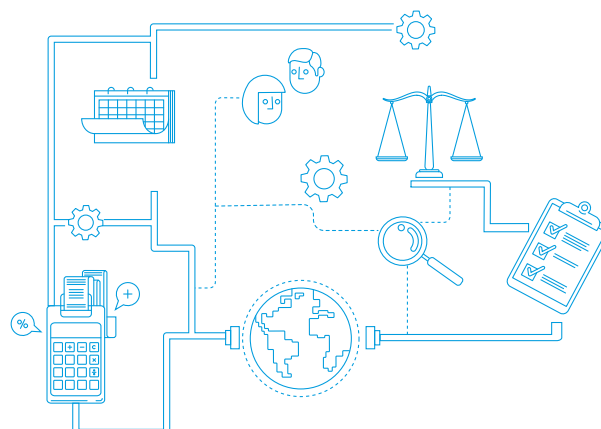
Services	Rate of TDS
Consultancy Fees	3%
Security Services and Cleaning Services	3%
Pest Management Services	3%
Payment of fees made by insurance companies to motor surveyors and mechanics for repairs motor vehicles of policy holders	3%

Tax Holiday

Income Tax Holiday- Freeport Companies

An **8-year** income tax holiday will be granted to a newly set up freeport operator or developer making an investment of at least **Rs 50 million** and provided it –

- I. starts its operations on or after 1 July 2022; and
- II. conforms with the substance requirements set by the Organisation for Economic Co-operation and Development (OECD).



PERSONAL TAX

Introduction of a New Tax Rate

As from the income year 2022-2023, an individual earning annual net income –

- (i) of up to Rs 700,000 will be taxed at the rate of **10%**;
 - (ii) above Rs 700,000 and not exceeding Rs 975,000 (i.e. Rs 75,000 per month) will be taxed at the rate of **12.5%**;
- or
- (iii) above Rs 975,000 will be taxed at the rate of **15%** and the Solidary Levy, if applicable.

Additional Deduction for Tertiary Education

The additional deduction in respect of a dependent child who is pursuing tertiary studies will be raised from Rs 225,000 to **Rs 500,000** and covers both undergraduate and postgraduate courses.

Relief for Medical or Health Insurance Premium

The maximum allowable deduction for medical insurance premium will be increased as follows –

- (A) Rs 20,000 to **Rs 25,000** for an individual and his first dependent; and
- (B) Rs 15,000 to **Rs 20,000** for every other dependent.

Donations to Charitable Institutions

The maximum allowable deduction for donations made to an approved charitable institution including a religious body will be increased from Rs 30,000 to **Rs 50,000**.

Contribution to Personal Pension Schemes

The maximum allowable deduction in respect of contributions made by a taxpayer to a personal pension scheme for the provision of a pension for himself will be increased from Rs 30,000 to **Rs 50,000**.

Exempt Income

The maximum allowable deduction for petrol or travelling allowance paid to an eligible employee using his private car for the performance of his duties will be increased from Rs 11,500 to **Rs 20,000**.



OTHER TAX MATTERS

Tax Administration: Income Tax

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 2023 and provided that the taxpayer registers himself under the Scheme by 31 December 2022.

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.

Transfer of Asset to a Related Company

Transfer of plant, machinery or industrial premises to a related company is deemed to be transferred at its net value (after allowing for depreciation under the Income Tax Act). This facility will be extended to cover any asset which is subject to depreciation.

International Arrangements

The Income Tax Act will be amended to allow Mauritius to enter into international arrangements for -

- A. alternative dispute resolution with a view to resolving cross border tax disputes; and
- B. implementing the internationally agreed standards to prevent base erosion and profit shifting.

Tax Administration: Value Added Tax Act

Where a person is required by law or MRA directs him to be compulsorily VAT registered but he fails to do so, MRA will be empowered to register him compulsorily.

VAT Refund

Provision will be made for a VAT refund on a residential building, house or apartment to be effected not later than **30 days** from the date of receipt of all documents in support of an application for refund instead of 30 days from the date of receipt of the application.

One of the conditions to be eligible to make an application for VAT refund on a residential building, house or apartment is that the cost should not exceed Rs 3 million. This will be replaced by the condition that the covered area constructed should not exceed 1,800 square feet.

Tax Administration: Registrar-General's Department

Arrears Payment Scheme

The Arrears Payment Scheme under the Registrar-General's Department will be re-introduced for another year. The Scheme will provide for full waiver of penalties and interest if a debtor of the Department settles any debt amount on or before 31 March 2023. This Scheme will apply to tax arrears due as at 31 May 2022.

Claim for Additional Duty or Tax on Re-assessment

No claim for additional duty or tax will be issued by the Registrar-General for an amount of less than Rs 7,500 instead of Rs 5,000 following a re-assessment of the value of an immovable property.

Small & Medium Enterprises ("SMEs")

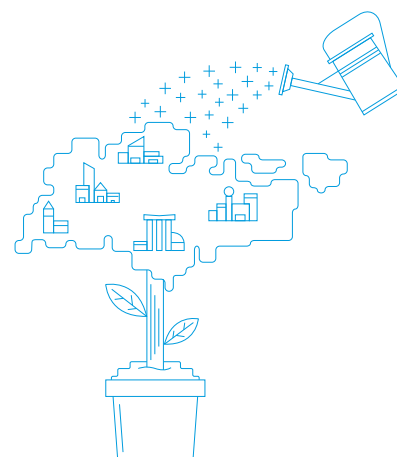
Through the DBM and the IFCM, some Rs 4.7 billion have been approved as loans and equity financing to more than 12,000 SMEs.

New definition of SMEs: -

- a) Micro-Enterprise from a turnover of Rs 2 million to **Rs 10 million**;
- b) Small Enterprise from a turnover above Rs 10 million and up to **Rs 30 million**; and
- c) Medium Enterprise from a turnover above Rs 30 million and up to **Rs 100 million**.

All companies with a turnover of up to **Rs 100 million** will henceforth be categorised as SMEs.

A Mid-Market Enterprise with a turnover up to Rs 250 million will now be included as a new category under the SME Act.



OTHER TAX MATTERS

Doing Business

The Minister of Finance stated that henceforth it will not cost a single rupee to start a business and incorporate a company in Mauritius.

The Bank of Mauritius will ensure that a bank account can be opened within **1 week**, be it for an individual or a business.

Acquisition of Residential Property by Non-Citizens

A residential property acquired by more than one non-citizen under 'fractional ownership' will be eligible to apply for the status of residency provided that the investment by each non-citizen exceeds **USD 375,000**.

Companies Act

The Companies Act will be amended to –

1. remove temporary time extension provided because of Covid-19 and reinstate the requirements for registered companies to –
 - i. call annual meeting of shareholders not later than **6 months** after the balance sheet date;
 - ii. prepare financial statements within **6 months** after balance sheet date; and
 - iii. filing of financial statements with the Registrar of Companies within **28 days** from the date such financial statements have been signed, or such other period as may be determined by the Registrar of Companies.
2. prevent companies from being both registered in Mauritius and in another jurisdiction at the same time.

Insurance Act

The Insurance Act will be amended to –

1. extend the prescribed delay from 2 to 5 years for claim applications to be made in order to cater for more victims of hit and run accidents;
2. provide that the FSC may require motor insurers to furnish information to facilitate, in collaboration with other regulatory body, the clearing and settlement of claims through a clearing system.



OTHER TAX MATTERS

Miscellaneous

Other Reforms

- The Government shall give a direct monthly income allowance of Rs 1,000 to those earning a gross income of up to Rs 50,000.
- The Government shall provide within the coming weeks a CSG income allowance support of Rs 1,000 every month to approximately 350,000 employees and registered self-employed individuals.
- Petrol and travelling allowance will be increased by **10%** up to a maximum of Rs 2,000.

Duty on Hybrid and Electric Vehicles

As from 1st July 2022, all hybrid and electric vehicles **will be free from duty**.

The introduction of a negative excise duty scheme of **10%** for the purchase of electric vehicles by individuals up to a maximum of Rs **200,000**.





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