RSM

REBUILDING THE BRIDGE TO THE FUTURE

Key measures in the Mauritian 2025/26 National Budget

THE POWER OF BEING UNDERSTOOD

ASSURANCE | TAX | CONSULTING

Agenda

From Abyss to Prosperity: Rebuilding the Bridge to the Future

Dr the Hon. Navinchandra Ramgoolam delivered the newly-elected government's first budget speech under its mandate earlier this evening.

As its title indicated, this budget aimed to be "a bridge to the future" and set down the building blocks towards economic development and revitalising the Mauritian economy.

The Prime Minister and Minister of Finance had beforehand cautioned the population to the tough balancing act that this budget exercise would entail. In view of the population's expectations built on the promises made during the electoral campaign which carried this government to its victory, the government had the difficult task of putting forward the necessary measures to strengthen the country's finances while managing expectations of halting the escalating cost of living

This budget provides for our national recovery to rest on three pivotal pillars:
• Economic Renewal
• A New Social Order
• Fiscal Consolidation

We are boldly laying the foundation for economic recovery through targeted investments in critical infrastructure, robust support for small businesses and the creation of sustainable, future-oriented jobs. However, we must also recognize that the proposed changes in the tax regime remains relatively burdensome for investors. This could dampen much-needed investment and slow the momentum of our recovery. Striking the right balance between revenue generation and economic stimulation is essential to unlocking the full potential of our transformation.

We believe that measures aimed at fostering a truly enabling investment environment will likely trigger higher sustainable economic return rather than placing more weight on higher revenue collection through the fiscal consolidation strategy adopted. With this in mind, we were left hankering for greater investment incentives and strategies.

We are pleased to share our summary of the tax measures announced in the national budget and invite you to contact us if you have any queries or matters that you wish to discuss.

Ravi Kowlessur – Managing Partner

PERSONAL TAX MEASURES

PERSONAL TAX MEASURES

Progressive income tax regime

- The eleven bands applicable under the current progressive income tax regime have been reduced to 3 bands. The new income tax rates and bands will take effect on income derived as from 1st July 2025

Current tax rates and bands		New tax rates and bands	
Chargeable Income	**Rate (%)**	**Chargeable Income**	**Rate (%)**
First Rs 390,000	0	First Rs 500,000	0
Next Rs 40,000	2	Next Rs 500,000	10
Next Rs 40,000	4	Remainder	20
Next Rs 60,000	6		
Next Rs 60,000	8		
Next Rs 300,000	10		
Next Rs 300,000	12		
Next Rs 300,000	14		
Next Rs 400,000	16		
Next Rs 500,000	18		
Remainder	20		

PERSONAL TAX MEASURES

Exemption for a person aged between 18 and 28 years

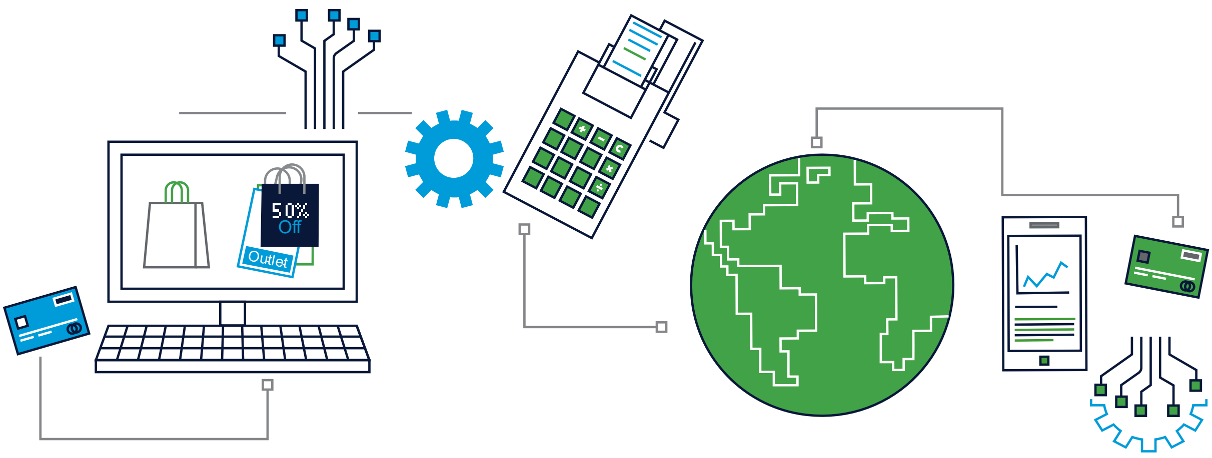
- As from 1st July 2025, employees or self-employed individuals aged 18–28 earning up to Rs 1 million annually will be exempt from income tax on their emoluments or business income.

Deduction for dependent child with a disability

- Full deduction for dependent child will be available for a child with a disability even if the child receives financial support under the National Pensions Act or the Social Contribution and Social Benefits Act.

Fair Share Contribution on high-income earners

- High income earners will be required to pay a fair share contribution of 15% on chargeable income for individuals with annual net income including dividends of more than MUR 12m.
- Collected through PAYE system as from 1 July 2025
- Applicable for three years until 30th June 2028.



PERSONAL TAX MEASURES

Taxation of car benefit

- The value assigned to car benefits on which employees will be taxed have been revised as per the table below:

Car Benefit	Monthly Taxable Benefits (Rs)	
	From	To
Cylinder Capacity -		Car costing not more than Rs 3 million
▪ up to 1,600cc	9,500	12,000
▪ 1,601 to 2,000cc	10,750	13,500
▪ above 2,000cc	12,000	15,000
Electric Car	N/A	13,500
Car costing –		Car costing more than Rs 3 million
▪ more than Rs 3 million up to Rs 5 million	N/A	25,000
▪ more than Rs 5 million up to Rs 8 million	N/A	35,000
▪ more than Rs 8 million	N/A	50,000

PERSONAL TAX MEASURES

Personal reliefs and deductions

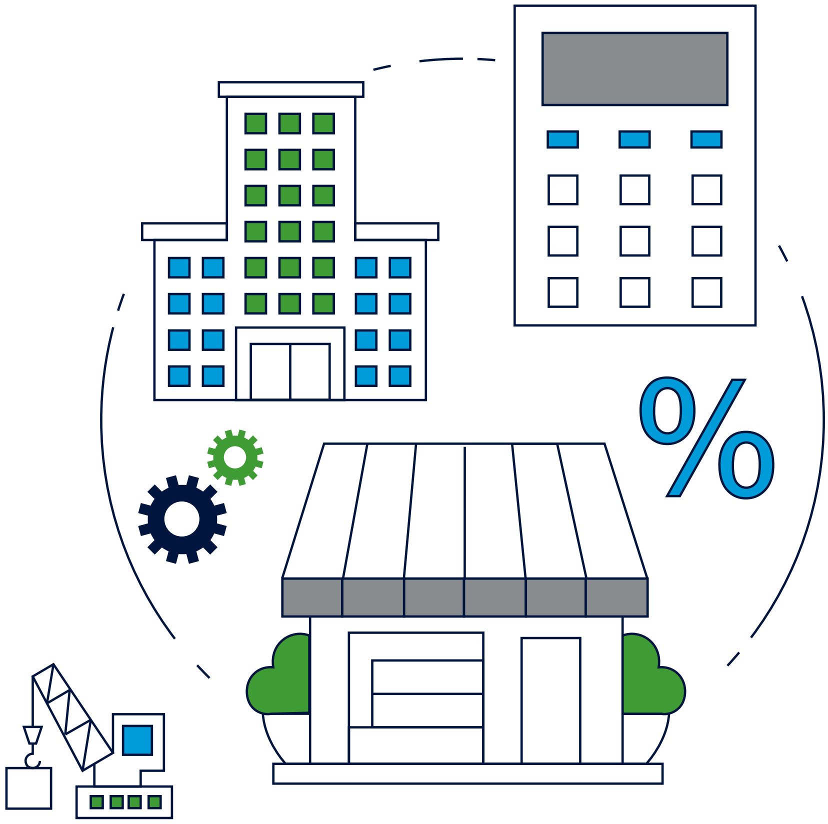
- As from the income year starting 1st July 2025, the following personal reliefs and deductions will be no longer be available:

i. Deduction of wage paid to a household employee;

ii. Donation to charitable institutions;

iii. Relief for adoption of animals; and

iv. Angel investor allowance.



CORPORATE TAX MEASURES

CORPORATE TAX MEASURES

Exempt bodies

i. Entities financed to the extent of at least 50% from grants concessionary financing from a foreign State or a donor institution and approved by the Ministry of Finance will be exempted from corporate tax and its expatriate employees from personal income tax.

ii. The National Guarantee Corporation Ltd

Investment Tax Credit (ITC) for small business

ITC of 5% on the cost of acquisition of new equipment will be available for small businesses if :

- annual turnover does not exceed MUR 10m
- the equipment cost up to MUR 500,000
- the investment is made between 1 July 2025 to 30 June 2025

The ITC will be available over 3 years and will not be applicable on motor vehicles. Unrelieved ITC may be carried forward over 5 years.

RSM Comment: With this measure, the scope of the already available ITC which was previously limited to plant and machinery acquired by manufacturing companies up to 30 June 2026 has been extended to all small companies irrespective of their sector of operation.

Corporate Social Responsibility

Companies will be allowed to spend up to 50% of its CSR Fund instead of the present 25%.

Partial Exemption Regime

i. The 80% partial exemption will be extended to Virtual Asset Service Providers engaged in the exchange, transfer, safekeeping and administration of virtual assets upon meeting the substance requirements.

ii. Foreign dividends derived by banks will not be eligible for the 80% partial exemption.

iii. For a company to benefit from partial exemption on an income, the relevant income will need to satisfy the substance conditions in respect of that income.

Alternative Minimum Tax

Companies in the following sectors will be subject to an Alternative Minimum Tax (“AMT”):

- Hotels
- Insurance companies
- Companies engaged in financial intermediation activities
- Companies engaged in real estate activities
- Telecommunication companies

AMT will **not** apply to the following:

- Global Business Corporations
- Companies exempt from income tax or benefitting from tax holidays

The AMT will apply if the total tax payable of the company after allowing for all deductions but before tax credits is less than 10% of its book profits. The AMT will be calculated at 10% of book profits of the company.

Book profit for the purpose of AMT computation will exclude capital gains and losses and dividends from resident companies.

No credit, including foreign tax credit or investment tax credit, can be offset against AMT.

CORPORATE TAX MEASURES

Qualified Domestic Minimum Top-up Tax ("QDMTT")

Introduction of a QDMTT on resident subsidiaries and holding companies of MNE having a consolidated revenue of EUR 750m if they have an effective minimum tax of less than 15% in Mauritius.

Fair Share Contribution on Companies

A Fair Share Contribution will be applicable on companies having annual chargeable of more than MUR 24m as follows:

- For companies subject to standard 15% tax rate – 5% of chargeable income
- For banks – 5% of total chargeable income including Segment B operations
- For companies subject to reduced rate of 3% - 2% of chargeable income

The contribution will not apply to:
- Global business corporations
- Companies exempt from income tax
- Companies benefitting from tax holidays

Tax credits, including foreign tax credit, cannot be offset against the fair share contribution.

Application:
- 3 years as from 1st July 2025, i.e, up to 30 June 2028
- Payable on a quarterly basis

The fair share contribution will be introduced under the Value Added Tax Act which will prescribe the mode and form of submission. It remains if this implies that this contribution will apply only for VAT registered companies.

Special levy on banks

The special levy applicable to bank will no longer be capped at 1.5 times of levy paid in 2017/2018.

Additional Fair Share Contribution on Banks

An additional 2.5% of chargeable income from domestic operations i.e on Segment A operations will apply for banks.

Application:
- 3 years as from 1st July 2025, i.e, up to 30 June 2028
- Payable on a quarterly basis

Tax credits, including foreign tax credit, cannot be offset against the fair share contribution and will be introduced under the Value Added Tax Act.

Income tax holidays for SMEs

SMEs engaged in professional services or as tourism operators or training institutions will not longer be eligible for the 4-year income tax holiday.

Review of allowable deductions for companies

Only SMEs having annual turnover of less than MUR 100m will be entitled to the following double or triple deductions:

- Double deductions for emoluments and training costs for employees in Rodrigues or paid to women under the Prime a l'Emploi scheme
- Double deduction for cost of setting up a child day care centre for its employees
- Double deduction of expenditure on acquisition of patents and franchises
- Double deduction on acquisition of specialized software and systems
- Double deduction on financing, sponsorship, marketing and distribution of films
- Deduction of 150% of filing fees in respect of application for arbitration
- Triple deduction on donations to specified charitable institutions or NGOs up to MUR 1m

CORPORATE TAX MEASURES

Smart City Scheme – Tax holiday

Projects issued with a Smart City Certificate or a Smart City developer registered after 5 June 2025 will no longer benefit from the 8-year income tax holiday.

Projects where development has already started prior to 5 June 2025 will however continue to benefit from the income tax holiday.

VAT AND VAT ADMINISTRATION MEASURES

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Mandatory VAT Registration

Commercial Pleasure Crafts

Compulsory VAT registration for holders of Pleasure Craft Licences (from the Tourism Authority) if used commercially, regardless of turnover.

Annual Turnover of Taxable Supplies

Threshold lowered from Rs 6 million to Rs 3 million in annual taxable turnover

Effective from 1st October 2025

Zero-Rated Items

The following will be zero-rated:

- Fruit and vegetable purées for infants (from exempt)
- Canned vegetables (e.g., tomatoes, mushrooms)
- Frozen packed vegetables (e.g., potatoes, beans, spinach, mixed)
- Hairdressing services
- CCTV cameras (clarified as zero-rated)

VAT on Foreign Digital Services

From 1st January 2026, foreign digital/electronic service providers will be subject to VAT.

Input Tax Credit

No credit for input tax shall be allowed on rented parking.

Exception: Applies if the parking is for motor vehicles used in business operations.

VAT Refunds

Planters who qualify under the VAT Refund Scheme for Small Planters will be entitled to claim a VAT refund on harvesting services.

VAT Refund Scheme for residential construction ends on 30th June 2025 and will not be renewed

Smart City Scheme

The exemption from VAT on buildings and infrastructure under the Smart City Scheme will be removed.

A project issued with a Smart City Certificate before 5th June 2025 will continue to benefit the exemption.

Place of Supply for Services

Services provided to foreigners outside Mauritius are VAT liable if the service is used in Mauritius.

Reverse Charge Mechanism

The reverse charge on services received from abroad will apply to all VAT-registered persons, including banks.

VAT AND VAT ADMINISTRATION MEASURES

Assessment & Administrative Authority

Best Judgment Assessment

MRA will be allowed to assess tax liabilities using the best of its judgment, similar to the Income Tax Act, when records are inadequate or inaccurate.

Liability of Administrators in Insolvency

A new provision will be introduced whereby an administrator, executor, receiver, or liquidator appointed to manage or wind up the business of a company will be held liable to pay the VAT due by the company.

The payment of VAT will follow the order of priority as laid out for preferential creditors under the Insolvency Act.

VAT Rulings

Binding Nature and Appeal

Rulings sought from the MRA are binding on MRA only, not on the taxpayer.

There is no right of appeal to the Assessment Review Committee (ARC) for the taxpayer.

Increase in Ruling Fees

- Individuals: From Rs 2,000 → Rs 3,000
- Others: From Rs 10,000 → Rs 15,000

Offences and Penalties

Non-Submission of Information

Upon conviction for failure to provide transaction details to MRA:

- Fine: Up to Rs 100,000
- Imprisonment: Up to 3 years

Denial of Access to Digital Devices or Obstruction

Upon conviction for failure to grant MRA access to computers or electronic devices, or obstructing MRA's duties:

- Fine: Up to Rs 200,000
- Imprisonment: Up to 5 years

Fines for Specific Offences

The following offences will attract fines not exceeding Rs 500,000:

- Incorrect returns/statements on input/output tax
- Incorrect claims for capital goods VAT
- Misstatements on tax liability
- Pretending to be VAT registered
- Obstructing MRA officers

Courts may also order payment of up to double the VAT due, in addition to penalties.

VAT AND VAT ADMINISTRATION MEASURES

Increased Penalties for Administrative Breaches

Fines increased from Rs 50,000 to Rs 100,000 for:

- Failing to keep or produce records
- Failing to issue VAT invoices
- Failing to change to monthly returns (if turnover > Rs 10 million)

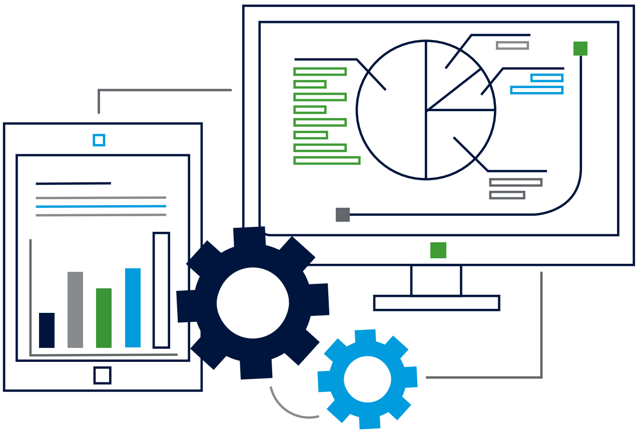
Contravention of other VAT Act/Regulation provisions (excluding impersonation or obstruction)

Increased Fines for Major Tax Offences

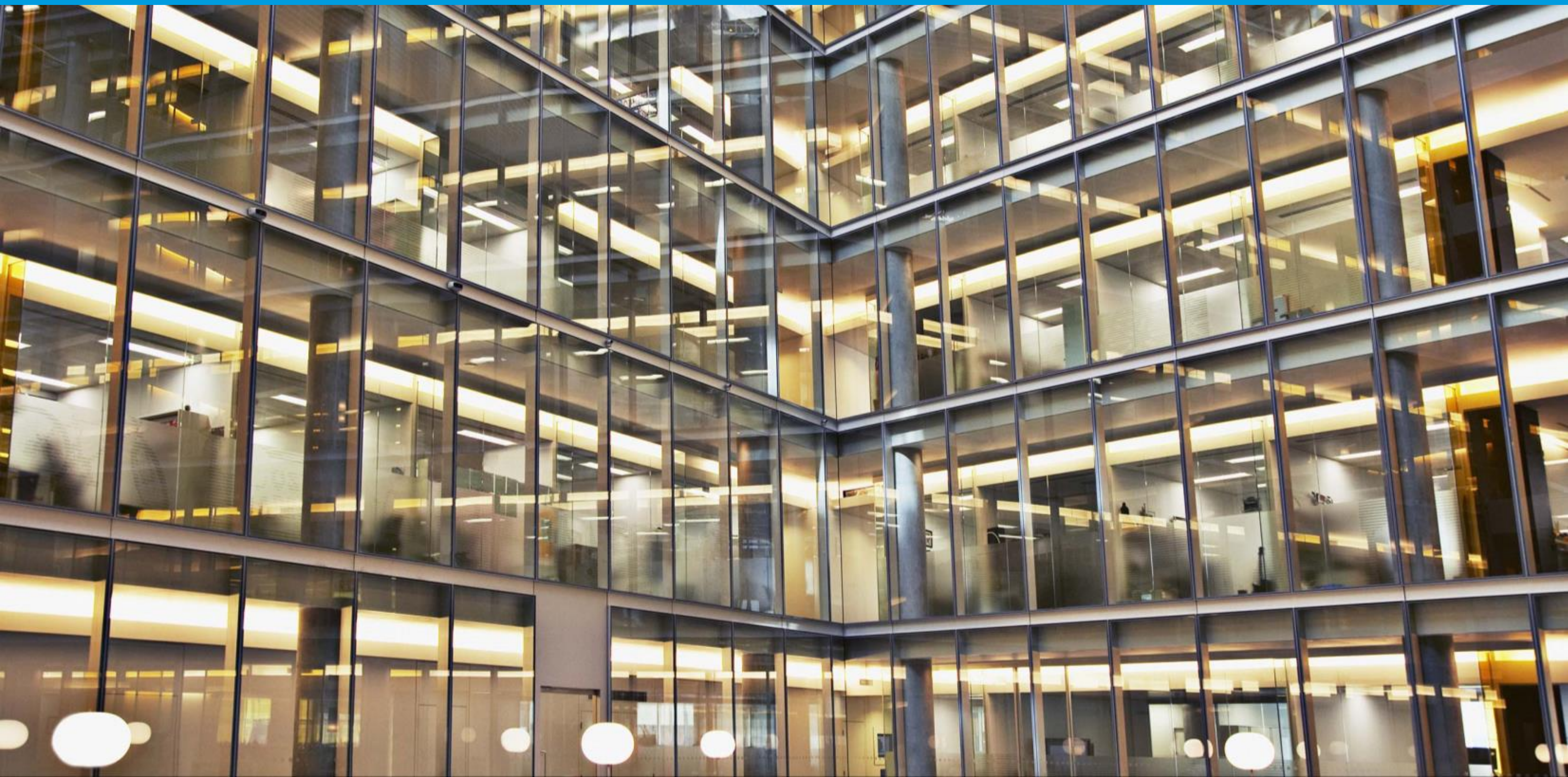
Upon conviction of the following offences, the fine will not exceed an amount of MUR 1m:

- Failure to register for VAT
- Failure to submit VAT return/pay tax
- Submission of false returns/documents/invoices with intent to evade VAT

Courts may also impose additional payments up to double the VAT due, over and above penalties.



TAX ADMINISTRATION AND OTHER TAX MEASURES



TAX ADMINISTRATION AND OTHER TAX MEASURES

General Tax Administration

- MRA's power to raise past assessments: limited to 2 years (except exceptional cases).
- Penalties and interest capped at 100% of tax due; If the tax unpaid does not relate to withholding taxes, the amount will be halved.
- Mandatory registration with the MRA for tax agents.
- Companies with revenue ≥50% in foreign currency must pay tax in foreign currency.

Income Tax Administration

- No penalty for late Statement of Income submission under CPS.
- All companies engaging non-resident entertainers/sportspersons will have to withhold TDS on payment.
- Tax ruling fees increased:
  - Individuals: Rs 2,000 → Rs 3,000
  - Companies: Rs 10,000 → Rs 50,000
- The MRA may revoke charitable institution status.
- Transfer pricing rules will be reviewed.
- One-stop payment window with Corporate and Business Registration Department.

Settlement Schemes

Tax Dispute Settlement Scheme (TDSS)

Objective:
To reduce the backlog of tax cases under litigation or dispute.

Eligibility:

Applicable to cases under litigation as at 5 June 2025 before:

- The Assessment Review Committee (ARC)
- The Supreme Court
- The Privy Council

The taxpayer must withdraw the case from the relevant forum.

Benefits:

100% waiver of penalties and interest on the tax claim.

Conditions:

- Tax due must be fully paid by 31 March 2026.
- The scheme operates until 31 March 2026.
- No refund of tax, penalties or interest paid, except in Supreme Court cases where tax has already been paid.

Exclusion:

- No refunds under any other circumstance.

TAX ADMINISTRATION AND OTHER TAX MEASURES

Voluntary Disclosure Settlement Scheme (VDSS)

- For undeclared/under-declared income or taxable supplies.
- Applies to:

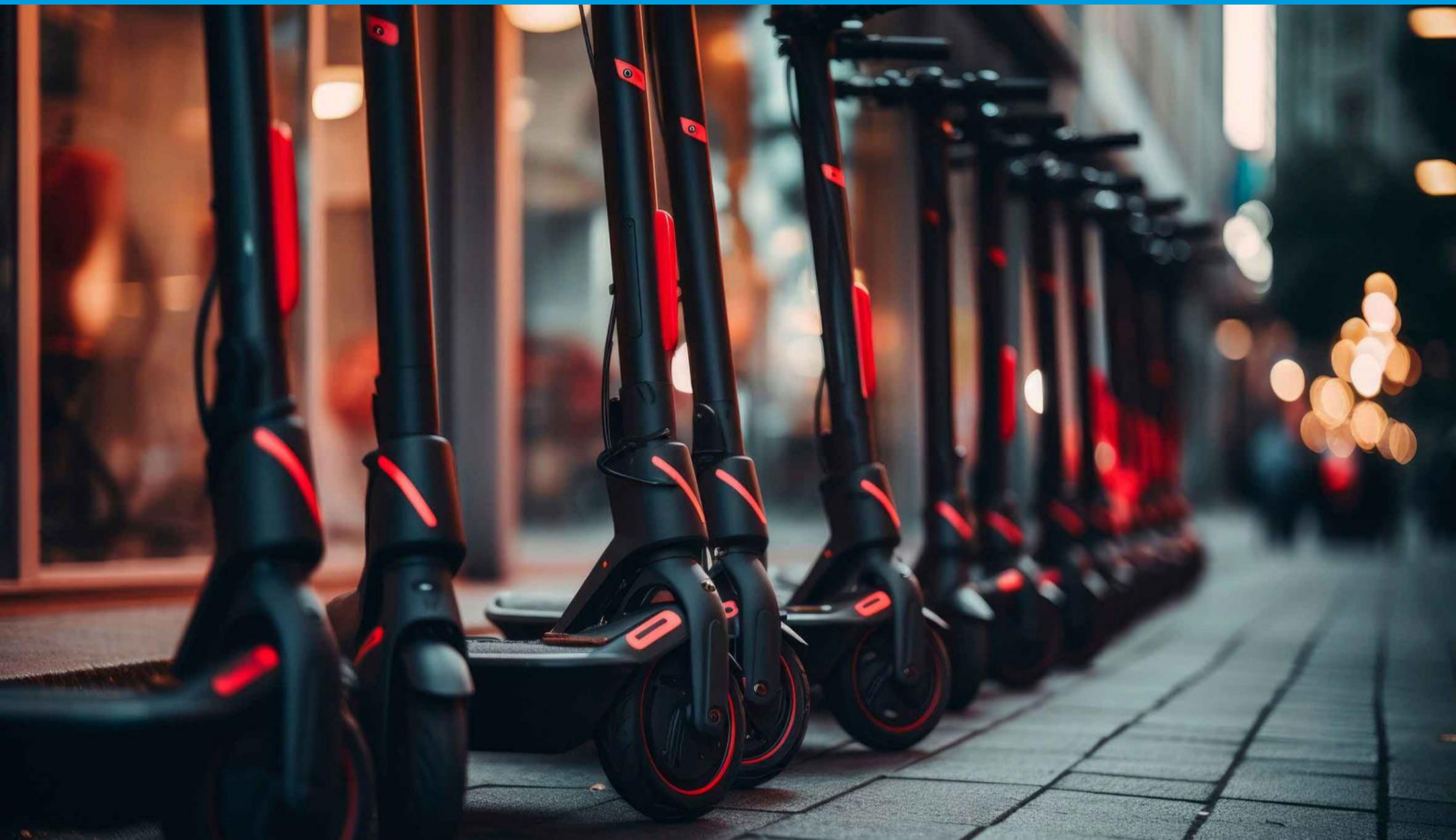
  Income Tax: Up to Year of assessment 2024/25.

  VAT: Periods up to 30 April 2025.
- 100% waiver of penalties and interest.
- No refunds under any circumstance.

Tax Arrears Settlement Scheme (TASS)

- For tax arrears as at 30 June 2025, taxpayer will benefit of a 100% waiver of penalties and interest
- Must register by 30 November 2025 and pay by 31 March 2026.
- Exclusion: These schemes are not available to individuals involved in serious offences (e.g., drug trafficking, money laundering, corruption).

OTHER MEASURES



OTHER MEASURES

Acquisition of Residential Property by Non-Citizens

- Registration Duty increased to 10% (from 5%)
- Applies to following schemes:
  i. Smart City Scheme
  ii. Property Development Scheme
  iii. Integrated Resort Scheme
  iv. Real Estate Scheme
  v. Invest Hotel Scheme
- Also applies to apartments in buildings with 2 floors or more above ground

Resale of residential property by Non-Citizens

- Land transfer tax payable on the higher of 10% of property value or 30% of gain on resale

Acquisition of residential property by Non-Citizens

- The acquisition of an apartment in a building with at least 2 floors above ground floor will be subject to a registration duty of 10% (instead of the current 5%) on the value of the property at the time of the deed registration.

Land Transfer Tax by Promoters to non citizen under above mentioned schemes

- Increased from 5% to 10%.

Trust Property

- A fixed duty applies when the settlor or a beneficiary adds a property to the Trust.
- Standard 5% registration duty applies when a third party adds a property to the Trust.

Home Ownership Schemes

- Home Ownership Scheme and Home Loan Payment Scheme will end on 30th June 2025.

Customs Act

- Photographic evidence is now admissible in court.
- VAT exemption threshold on capital goods import reduced from Rs 1M to Rs 500K.
- Tightened objection procedures and deadlines.
- Pleasures boats staying over a certain time to be taxed.
- New penalties for late or unsupported objections.

Excise Act

- Penalties up to 50% and 0.5% interest/month on unpaid excise duty after stocktaking.
- Objection rights streamlined (appeal only through MRA).
- Provisions for quick sale of perishable seized goods.
- Returning citizens and ambassadors eligible for vehicle duty exemptions (subject to conditions).
- MRA can publish excise licence changes in electronic formats.
- Negative excise duty scheme for electric vehicles have been removed.

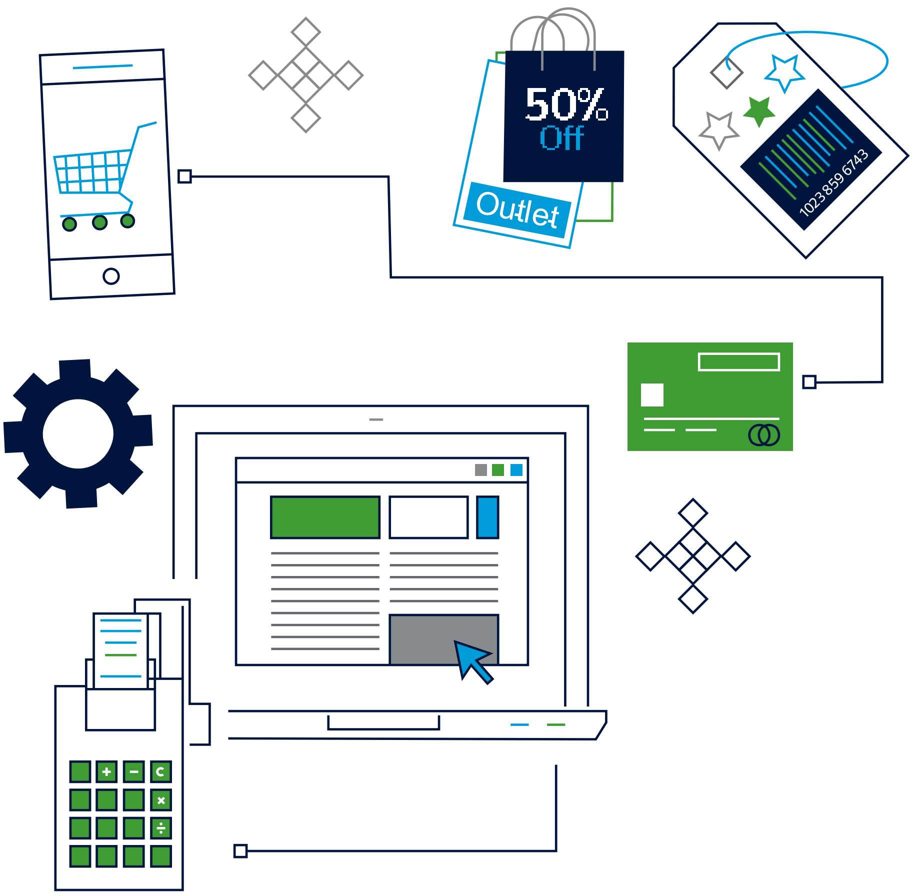
OTHER MEASURES

CSG Allowances and other social allowances

- Phasing out of the different allowances under the Social Contribution and Social Benefits Act till 30 June 2027

Registrar-General's Department

- Arrears Payment Scheme extended (arrears due as of 31 May 2025).
- Increased fees and duties for deeds registration:
    - Fixed duty: Rs 300 → Rs 500
    - Minimum duty: Rs 200 → Rs 500
    - Admin fee: Rs 100 → Rs 200
- Duty implications clarified for trust property, leases, and property transfers.
- Secure e-signatures now accepted for electronic deeds.
- Updated time limits for share transfer objections.



OTHER MEASURES

Registration Duty on residential property

- A non-citizen buying a residential property under the EDB Schemes will be subject to a 10% Registration Duty, instead of the previous 5%, payable upon registration of the transfer deed.

- The schemes are as follows:

i. Smart City Scheme;

ii. Property Development Scheme;

iii. Integrated Resort Scheme;

iv. Real Estate Scheme; and

v. Invest Hotel Scheme.

- The new rate will also apply to non-citizens purchasing an apartment in a building with at least two floors above the ground floor.

Resale of residential property by a non-citizen

- Land transfer tax of 10% will be applicable on the sale of residential properties bought under the EDB Schemes, or apartments in buildings with at least two floors above ground by non citizens.
- The land transfer tax will apply on higher of 10% of the property's value or 30% of the profit from the sale;
- Registration duty of 10% will apply on buyers of such properties, instead of the previous

Land Transfer Tax

- Land transfer tax of 10%, instead of 5% previously, will be applicable on the sale of a residential unit under the mentioned schemes, including an apartment in a building with at least two floors above ground level by a promoter.

FINANCE, TRANSPORT & GAMBLING

> A strong financial sector isn't just about numbers—it's about unlocking dreams, enabling growth, and securing tomorrow
>
> ***Viraj Cushmajee – Assurance Partner***

The financial services sector remains a cornerstone of our economy—driving investment, enabling innovation, and safeguarding the economic aspirations of individuals and businesses alike. As we navigate an increasingly complex global financial landscape, it is imperative that our policy and budgetary frameworks reflect both prudence and ambition.

This budget brief outlines the Government's strategic initiatives aimed at strengthening the resilience, inclusivity, and competitiveness of the financial services sector. From expanding digital finance infrastructure and fostering fintech innovation to enhancing regulatory oversight and promoting financial literacy, the measures set forth reaffirm the government's commitment to building a modern, accessible, and future-ready financial ecosystem.

Through targeted investments and reforms, the aim is to ensure that the financial sector not only supports economic growth but also deepens its role in advancing national priorities—such as financial inclusion, climate resilience, and digital transformation.

We invite all partners to engage with these initiatives as we work together to unlock the full potential of our financial services industry for the benefit of all.

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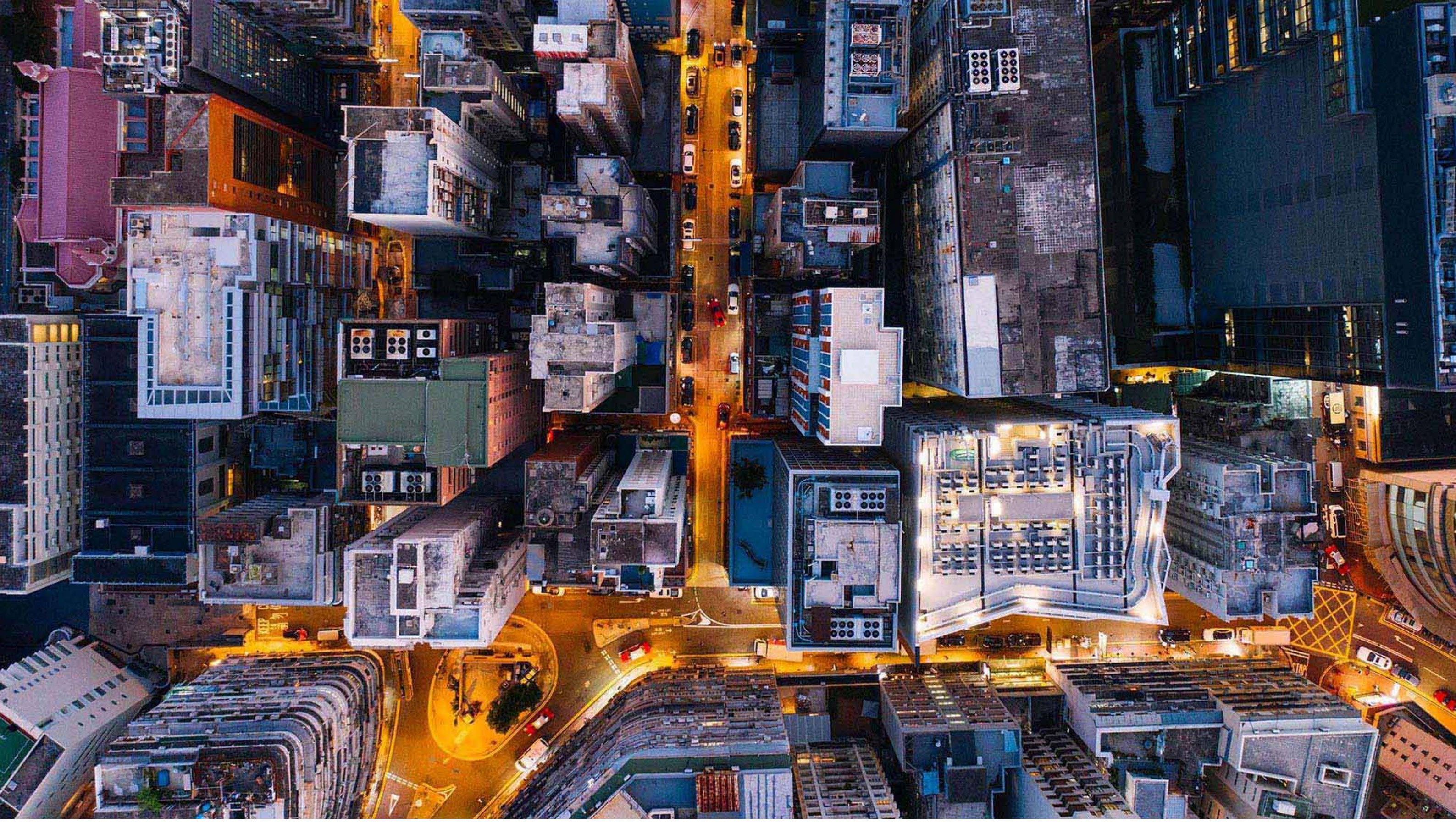


The Financial Reporting Act (FRA) & The Mauritius Companies Act (MCA)

- The FRA will be amended to align the definition of Public Interest Entity with international best practices.
- The MCA will be amended to clarify that all Public Interest Entities will have to prepare an annual report, irrespective of their turnover, within 6 months after their balance sheet date.
- It will be mandatory for a Public Interest Entity to prepare an annual report.

Expanding Financial Offerings and Innovation

- Introduction of Bullion Banking as a new authorised private banking activity.
- Setting up of a dedicated licensing framework for Wealth Management and Family Offices.
- Introduction of a new legislation to recognise electronic bills of exchange and trade documents.
- Development of a new Africa Strategy for the financial services sector.

Embracing Transformative Innovations

- The Financial Services Commission (FSC) will deploy a unified e-licensing platform integrated with the Centralised KYC Repository and “Known to the Commission” features.

Strengthening the AML/ CFT Framework

Introduction of a National Roadmap in order to prepare the Mauritius International Financial Centre for the ESAAMLG Mutual Evaluation exercise scheduled in 2027, through:

- implementation of the National Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Strategy and Action Plan;

The Co-operatives Act will be amended:

- Strengthen the AML/CFT supervisory framework for credit unions;
- Empower the Registrar of Co-operative Societies to issue guidelines and impose administrative sanctions and ensure adherence to AML/CFT standards;

Bridging Talent Gaps and Developing Financial Sector Capabilities

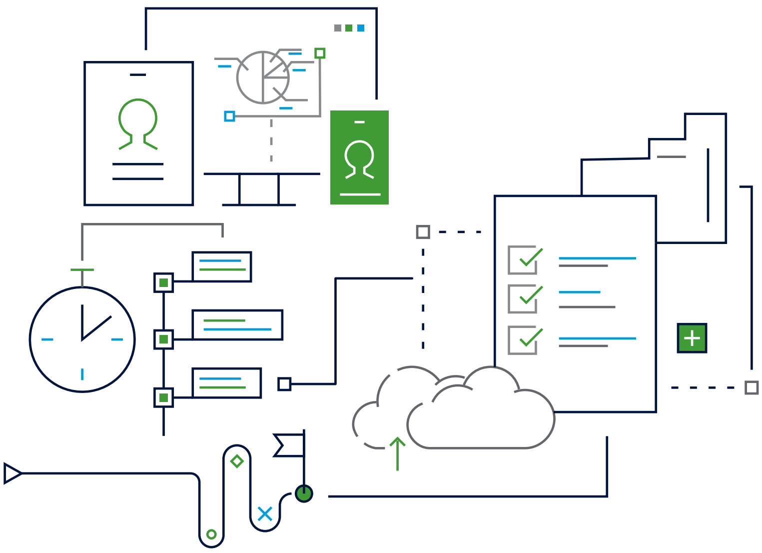
- Launching of specialised AML/CFT capacity-building programmes for public and private sector professionals;
- Carrying out of a National Banking Skills Mapping Exercise to assess workforce strengths and forecast demand for specific skills manpower;
- Establishing a Centralised Banking Skills Database.

Financial Sector Assessment Program (FSAP):

- Request to the IMF and World Bank for FSAP to evaluate the financial sector's soundness and regulatory framework.

FSC Annual Licence Fees

- The annual licence fees will be reviewed to reflect evolving market conditions.



Effective Resolution Regime

The Bank of Mauritius will implement an Effective Resolution Regime to strengthen financial system stability and ensure the resolution of failing banks in an orderly manner without causing major disruptions to the banking sector.

Strengthening Banking and Financial Services Legislations

The Bank of Mauritius Act will be amended to:

- Allow KYC institutions licensed by the FSC to participate in the Central KYC System and Central Accounts Registry, enhancing efficiency and financial transparency.
- Clarify the definitions of “account” and “customer” for better interpretation of these systems.

The Banking Act will be amended to:

- **Expand the Bank of Mauritius’s regulatory scope** to include foreign exchange swaps and similar transactions under licensed foreign exchange dealer activities.
- **Strengthen powers of conservators and receivers** by allowing them to sell a financial institution’s assets or shares without needing consent from the institution or its shareholders.

Financial Services Act

- *Strengthened Enforcement & Oversight:*

  The FSC will gain greater powers to investigate unlicensed activities and act on requests from foreign regulators.

- *Streamlined Regulatory Processes:*

  Certain share transfers (especially among existing shareholders or listed foreign entities) will no longer require FSC approval, provided there's no change in control.

- *Governance Improvements:*

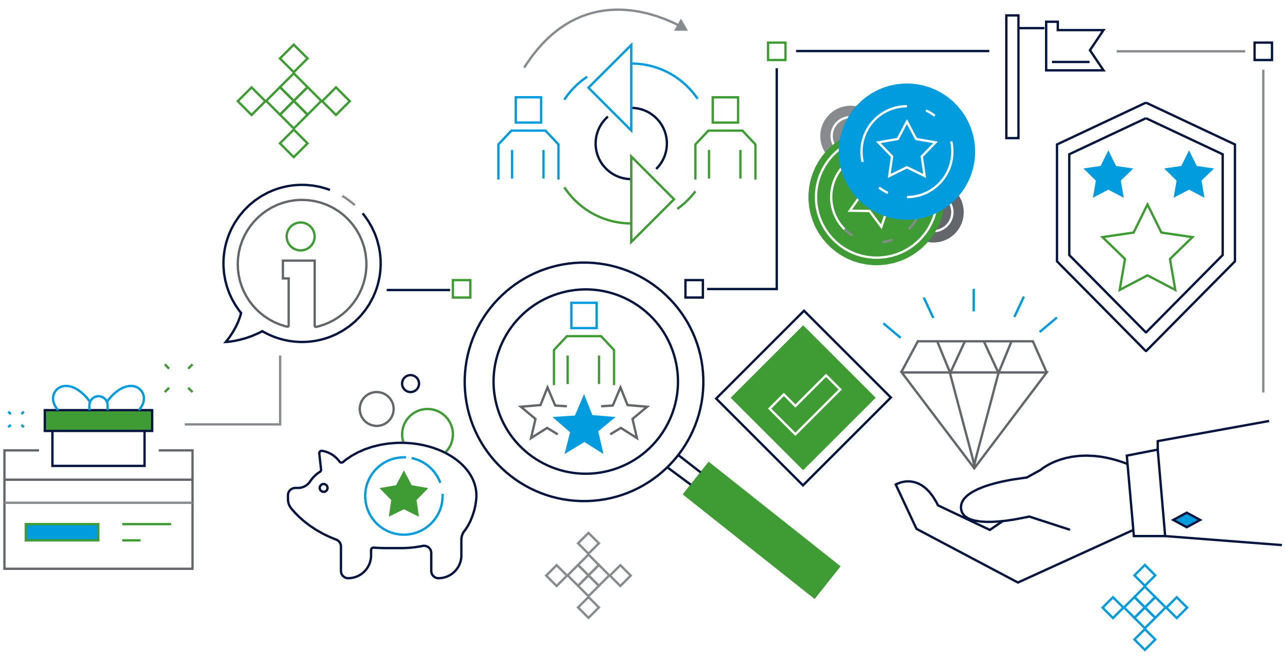
  Global Business License holders must always have at least two directors and inform the FSC of any changes within 7 days.

- *Broader Authority for the Chief Executive:*

  The Chief Executive (or a delegated employee) can refer matters to the Settlement Committee and issue directives for better oversight.

- *Enhanced Protection for Investigative Support:*

  Individuals assisting in FSC investigations will now benefit from confidentiality and legal protection.



The government is reforming the land transport system to make it more modern, efficient, and sustainable. Key actions include regulating bus services, digitalising operations, upgrading buses and infrastructure, adjusting financial support for operators, and improving service standards.

The Land Transport System

The government is aiming towards the transformation of the land transport system into one that is integrated, inclusive, safe and sustainable. The following measures are targeted:

- A Bus Service Bill will be introduced to regulate the service level of public bus transport.
- The IT system of the National Land Transport Authority (NLTA) will be revamped and its services will be fully digitalised.
- The age limit of public buses will be reviewed and the Bus Modernisation Scheme will be revamped to support renewal of the bus fleet.
- A Fleet Management System and a Cashless Ticketing System will be introduced to enhance public transport service by enabling commuters to track the location of buses.
- The base price of diesel used in the computation of diesel subsidies to bus operators will be increased to Rs 40 per litre as from 01st September 2025, and financial assistance provided to bus operators in relation to wage relativity and salary compensation will be phased out over the next 2 years to ensure that the Bus Companies Recovery Account is financially sustainable.
- A new mechanism will be put in place to review the bus fare to ensure financial sustainability.
- SMART bus shelters, with real-time information displays, will be constructed and maintained with the collaboration of the private sector.
- A Code of Conduct for bus drivers and conductors will be introduced

The Gambling Regulatory Authority Act will be amended to strengthen oversight of the gambling sector. Key changes include clearer roles for regulatory bodies, tighter controls on horse racing operations, stronger measures against illegal betting and money laundering, mandatory system integration for race operators, increased enforcement powers, tougher penalties for tax evasion, and revised licensing fees.

The Gambling Regulatory Framework

In order to reinforce and improve the Gambling Regulatory Framework, the Gambling Regulatory Authority Act will be amended, amongst others, to:

- spell out the roles and responsibilities of the Gambling Regulatory Authority Board, the Horse Racing Integrity Division (previously Horse Racing Division) and the Horse Racing Organiser;
- regulate the importation and local transfer of horse races;
- strengthen provisions regarding illegal betting and money laundering in the gaming industry
- make it mandatory for horse racing operators to be connected to the Central Electronic Monitoring System;
- strengthen the regulatory and enforcement power to better control gaming activities; and
- increase the existing penalties for offences relating to tax evasion in the gambling sector.
- revise the gambling licence fees as per the Appendix.

AGRICULTURE & SMART CITY

The Government is reshaping legacy laws like the Sugar Industry Act to drive rural renewal, while recalibrating Smart City incentives to strengthen public finances and ensuring growth is both sustainable and fair.

Parvish Bisnauthsing – Assurance Partner

In line with its commitment to sustainable development and inclusive growth, the Government is reforming the Sugar Industry Efficiency Act. The revised framework will promote agricultural diversification, reinforce land-use protections for arable areas, and implement measures to improve the socio-economic well-being of ex-sugar sector employees.

The Government's decision to remove fiscal concessions under the Smart City Scheme is a strategic move to generate additional income from taxes and duties. However, these fiscal incentives had played a significant role in attracting investment in the past and phasing them out might slow down Smart City developments or reduce investments, potentially triggering a slowdown in the construction and related sectors.

Key Measures - Agriculture

- The definition of cultivation will now include food crops, fruits, medicinal plants and ornamental plants. This broadens the scope of permitted agricultural activities and promotes diversification beyond sugar cane.

- For sugar cane planters producing up to 60 tons of sugar, Government will pay the premium to the Sugar Insurance Fund Board for Crop 2025.

- The waiver on the application of the CESS levy will lapse on 30th June 2025. Accordingly, CESS levy will be applicable as from Crop 2025.

- The subsidy on seeds granted to potato and onion planters will be reduced from 75% to 50%. The maximum retail price of potato and onion will be adjusted in line with the recommendations of the National Potato Committee and the National Onion and Garlic Committee

- Land transfer tax and registration duty will be waived for sugar sector workers who received land under approved retirement schemes.

  Note: This **excludes** the Voluntary Retirement Scheme (VRS), Early Retirement Scheme (ERS), and Blue Print.

- New guiding principles will be introduced to restrict the conversion of prime agricultural land to non-agricultural purposes, such as real estate or industrial development, with the aim of protecting agricultural resources and enhancing future food security.

- Currently, the National Biomass Framework provides for a remuneration of Rs 3.50 per kWh to sugarcane planters and producers for bagasse. As from 01st July 2025, the cost relating to the remuneration of bagasse purchased for the production of electricity, under the National Biomass Framework, will be borne by the Central Electricity Board.

Key Measures – Smart City

Effective from 5 June 2025, the following fiscal incentives under the Smart City Scheme will be discontinued, unless the project is constructing a public transport station or terminal, or is part of the National Regeneration Programme.

The following exemptions will be revoked:

- VAT exemption on buildings and infrastructure
- 8-year income tax holiday on real estate income within the Smart City
- Exemption from customs duty on machinery and materials for construction
- Exemption from registration duty and land transfer tax for land transfers into a Smart City Company
- Exemption from morcellement fees
- Exemption from land conversion tax

Projects with Certificates Issued After 5 June 2025 will **not** benefit from any of the above tax exemptions.

Projects that began development before 5 June 2025 will **lose eligibility** for land conversion tax exemption and customs duty exemption on imported furniture, machinery, and materials for construction

However, they will **retain benefits** for components that have a valid Building and Land Use Permit and have commenced construction before 5 June 2025:

- VAT recovery on capital goods, buildings, and public road construction
- 8-year income tax holiday on real estate revenue

New Morcellement Fee Rule:

- Even though Smart City projects are outside the scope of the **Morcellement Act**, they will now be **required to pay a fee equivalent to the morcellement fee**.

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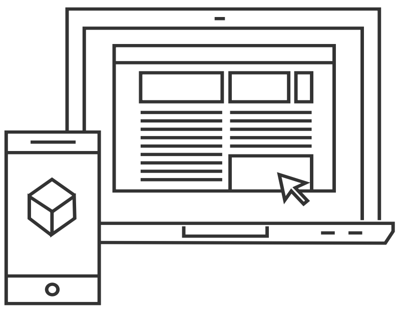

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