

BUDGET 2019/2020 TAX MEASURES



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A man in a blue suit and white shirt is standing on the right side of the frame, gesturing with his hands as if presenting. On the left, there is a large rectangular area with a green border and a blue border, containing the text 'Corporate tax'.

Corporate tax

Partial Exemption Regime

- The Income Tax Regulations 1996 will be amended to provide additional guidance on the partial exemption benefit, which was introduced in last year's budget. The aforementioned regulations will define the detailed substance requirements as well as the conditions that must be satisfied where a company outsources its core income generating activities, namely:
 - the company must be able to demonstrate adequate monitoring of the outsourced activities;
 - the outsourced activities must be conducted in Mauritius; and
 - the economic substance of service providers must not be counted multiple times by multiple companies when evidencing their own substance in Mauritius.

The section of the Financial Services Act regarding Global Business will also be amended to reflect these changes.

- The partial exemption regime will be extended to cover companies engaged in the following:
 - leasing and provision of international fibre capacity;
 - reinsurance and reinsurance brokering; and
 - sale, financing arrangement and asset management of aircraft and its spare parts, including aviation related advisory services.



Tax Residency

- Currently, the Income Tax Act provides that a company which is incorporated in Mauritius is considered as non-resident for Mauritius tax purposes if its place of effective management is situated outside of Mauritius.
- The definition will be changed to state that a company incorporated in Mauritius will not be considered as tax resident in Mauritius if its central management and control is outside of Mauritius.
- The section of the Financial Services Act regarding authorised companies will also be amended to reflect this change.

Anti-abuse rule

- The Income Tax Act will be amended to set out rules on controlled foreign company (CFC).

Reduced income tax rate of 1%

- Enterprises having annual turnover not exceeding MUR10 million and engaged in specific activities such as manufacturing or trading of goods will be given the option to pay 1% income tax on their turnover or file a standard annual income tax return.

Innovation Box Regime

- Currently, the income of a company set up on or after 1 July 2017 and involved in innovation-driven activities for intellectual property assets which are developed in Mauritius, is eligible for a tax holiday of 8 years as from the income year in which the company started its innovation-driven activities.
- Henceforth, the tax holiday of 8 years will apply to existing companies that derive income from intellectual property assets developed in Mauritius after 10 June 2019. To be eligible for the tax holiday, the companies will need to satisfy pre-defined substantial activities requirement in compliance with the Base Erosion and Profit Shifting (BEPS) Action 5 report.

Accelerated annual allowance

- Capital expenditure incurred on plant or machinery whose cost does not exceed MUR60,000 will be eligible to an accelerated annual allowance rate of 100% on the cost of the asset.



Freeport Regime

- An income tax rate of 3% will apply to profits derived from the sale of goods on the local market, by a freeport operator or private freeport developer engaged in the manufacture of goods.
- Existing manufacturing companies issued with a Freeport certificate will be required to satisfy the following criteria in order to be eligible for the income tax rate of 3% on profits derived from sales of goods on the local market:
 - (i) employ a minimum of 5 employees; and
 - (ii) incur an annual expenditure exceeding MUR3.5 million.
- Freeport Operators will be liable to pay Corporate Social Responsibility ("CSR") on sale of goods on the local market.

Tax on Winnings

- Currently, a tax of 10% is applicable on winnings paid by an operator where the payment amount exceeds MUR100,000.
- The Income Tax Act will be amended to reduce the possibility to split payment to winners in order to avoid the 10% tax on winnings exceeding MUR100,000.
- The threshold to submit a statement of winnings to the MRA will be reduced to MUR50,000.

Carry Forward of Unrelieved Tax Losses

- Currently, manufacturing companies with a change of more than 50% in the beneficial ownership are allowed to carry forward their accumulated tax losses subject to meeting certain conditions.
- Companies facing financial difficulty and taken over by another shareholder will be allowed to carry forward their accumulated tax losses provided conditions imposed by the Minister are met. This change will be backdated to take effect as from 1 July 2018.

Deduction for hotels

- A deduction of 150% will be granted to hotels on the expenditure incurred on cleaning, renovation and embellishment works in the public realm.

Investment on fast charger for an electric car

- A company may claim a 200% deduction from its taxable income on investment for the acquisition of a fast charger for an electric car.

Arm's Length Transaction

- Further guidelines will be issued on the arm's length test to remove any doubt or uncertainty about its application.





Personal tax

Tax band rate of 10%

- An employee earning a basic salary (including compensation) not exceeding MUR50,000 in the first month of an income year and whose annual net income does not exceed MUR700,000 will be eligible to a reduced income tax rate of 10% and a tax credit of 5% on chargeable income at the time of submission of his annual income tax return .
- The employee will be subject to PAYE at a reduced rate of 10% on his average cumulative emolument in a month if it is below MUR53,845.

Income exemption threshold

- As from income year starting on 1 July 2019, there will be an increase in the income exemption threshold for all categories ranging from MUR5,000 to MUR45,000. Please refer to Appendix 1 for details.

Negative Income Tax/Special Allowance

- In order for the MRA to pay negative income tax allowance/special allowance to household employees, the employers will be given the option to either pay the NPF/NSF contribution on a monthly basis or continue to pay NPF/NSF contribution at the end of the year but submit quarterly statements to the MRA.
- Employers will be required to submit the returns to the MRA electronically and pay via e-payment.



Relief on tuition fees in respect of tertiary education

- The relief in respect of a dependent child who is pursuing tertiary studies will be extended to a maximum of 4 dependents instead of 3 dependents.

Relief for Medical or Health Insurance Premium

- The relief for medical/health insurance premium will be extended to a maximum of 4 dependents instead of 3 dependents and up to MUR10,000 may be claimed as medical relief for the 4th dependent.

Solidarity Levy

- Lump sum income (commutation of pension, death gratuity, compensation for death or injury) will be excluded from the computation of the solidarity levy. This change will apply retrospectively as from 1 July 2017.
- The Income Tax Act will also be amended to clarify that individual's share of income in a société or succession should be taken into account in the computation of the solidarity levy.

Investment on fast charger for an electric car

- An individual may claim a 100% deduction from his taxable income on investment for the acquisition of a fast charger for an electric car.





Value added tax

Bilateral Air Services Agreement

- Airlines will be exempted from payment of VAT on printed materials which bear their insignia, publicity materials and uniforms.

Transport Fares of Passengers by Light Rail

- The transport fares of passengers by light rail will be zero rated.

Bread

- Bread has been classified as zero-rated good instead of exempt with retrospective effect as from 1 March 2019.

Foodstuff

- VAT will be removed on vermicelli, toukmaria, linseed (graine de lin), sagoo, appalam, mustard seed and sesame seed.

Compression Garments

- VAT will be removed on specialised compression garments used for medical purposes.



Services provided to a foreign company outside of Mauritius

- It is clarified that the services provided by a local company, to a foreign company which is outside of Mauritius, are zero-rated for VAT purposes provided the foreign company does not in turn supply these same services to another local company.

Subscription fees to professional bodies

- Payment of subscription fees to prescribed professional bodies will be exempt from VAT.

VAT Invoice

- Where a VAT invoice is issued to a non VAT-registered person in business, his name, business address and Business Registration Number will be stated on the invoice.

Management of insurance schemes

- It is clarified that the management of insurance schemes is exempt from VAT.

Repayment of VAT on capital goods

- Repayment of VAT will be extended to VAT paid on goodwill on acquisition of a business and the acquisition of intangible assets such as software, patents or franchise agreements.

Electronic filing

- As from 1 March 2020, all VAT-registered persons will be required to file their VAT return and pay VAT electronically.

VAT Refund Scheme on the construction of residence or the purchase of an apartment

- The VAT refund scheme on the construction of residence or the purchase of an apartment has been extended to individuals whose cost of construction of a residence or the purchase price of an apartment does not exceed MUR5million (previously MUR4million) and whose household income threshold is MUR3.5million (previously MUR2million). The scheme will be applicable up to 30 June 2025.





Other tax matters

Corporate Social Responsibility Assessment

- Currently a company required to set up a CSR fund must remit a specified portion of the CSR fund to the MRA and the other part may be used by the company to implement a CSR Programme in accordance with its own CSR Framework. Any unspent amount needs to be remitted to the MRA at the time of filing of its annual income tax return.

The MRA may henceforth raise an assessment on a company if it has neither spent the CSR fund nor remitted same to the MRA.

Voluntary disclosure scheme

- A person making a voluntary disclosure of previously undeclared foreign income on or before 31 March 2020, will be subject to tax on the disclosed chargeable income at the rate of 15% free from any penalty and interest.
- Small and medium enterprises, (turnover not exceeding MUR50 million) will be given the opportunity to regularise any undeclared or under-declared income with the MRA free from penalty and interest.

Arrears payment scheme for SMEs

- A small and medium enterprise will be allowed to pay arrears of tax owed to the MRA as at 10 June 2019 free from penalty and interest provided payment is made on or before 31 March 2020.



ARC– Filing of Statement of Case

- An aggrieved taxpayer will be given sufficient time to file his statement of case and other relevant documents to the Assessment Review Committee (ARC). Furthermore, if the Chairperson or the Vice-Chairperson of the ARC is satisfied that failure to submit the required statement of case or other documents is due to a reasonable cause, the ARC will proceed with the hearing of the appeal.

Tax Administration: Mauritius Revenue Authority Act

- A person will have the right to make a representation at the ARC if he is not agreeable to a claim made by the MRA for payment of duties and taxes on an exempted good due to a breach of conditions attached to the exemption.
- With a view to expedite resolution of disputes and recover revenue, the scope of the Expeditious Dispute Resolution Tax Scheme and Alternative Tax Dispute Resolution will be enlarged to cover tax assessments raised in connection with the Environment Protection Fee and duties and taxes under Customs Laws.

Property tax

- Registration duty, land transfer tax and tax on transfer of leasehold rights in State land will not be leviable on the transfer of immovable property between a statutory body, a company where Government holds directly at least 90% of its shareholding or a wholly owned.
- It will be clarified that transfer of a movable property between spouses will be registered free.
- A descendant returning back to an ascendant a property donated by the latter is exempted from payment of registration dues. This exemption will, henceforth, apply equally to the spouse of the descendant if the donated property was jointly owned by the spouses.

Tax administration: Registrar-General's Department

- In the context of ease of doing business, the Stamp Duty Act 1990 will be repealed. The Registration Duty Act will be amended to introduce an administrative fee which shall not exceed the amount of stamp duty. Consequential amendments will be made in the Transcription and Mortgage Act.
- 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 2020. This scheme will apply to tax arrears due as at 10 June 2019.



Tax administration: Registrar-General's Department (Continued)

- No claim for additional duty or tax will be issued by the Registrar-General for an amount of less than MUR5,000 following a re-assessment of the value of an immovable property.
- A notice issued by the Registrar-General for additional duty or tax pursuant to a reassessment of the value of an immovable property will now be accompanied by a concise version of the valuation report giving the reasons for the assessment, the basis of assessment, valuation methodology and comparable transactions used, if applicable.
- An aggrieved party who agrees to a settlement at the level of the objection unit will not be allowed to subsequently lodge a representation with the ARC. In addition, it will be specified in law that the value of immovable property agreed at the objection unit cannot be automatically used as a precedent or a reference for other appeal cases.
- A person who has not benefitted from an exemption from registration duty or land transfer tax to which he was eligible may, within 3 years from the date the deed was registered, apply to the Committee chaired by the Registrar-General to examine his case for a refund. The time limit for an application is currently one year.



APPENDIX 1

Income Exemption Threshold

	2019/2020 MUR	2018/2019 MUR
Individual with no dependent	310,000	305,000
Individual with one dependent	420,000	415,000
Individual with two dependents	500,000	480,000
Individual with three dependents	550,000	525,000
Individual with four or more dependents	600,000	555,000
Retired/disabled person with no dependent	360,000	355,000
Retired/disabled person with dependent(s)	470,000	465,000

Tax band rate for individuals

	2019/2020	2018/2019
10%	Annual net income not exceeding MUR700,000	Annual net income not exceeding MUR650,000
15%	Annual net income exceeding MUR700,000	Annual net income exceeding MUR650,000

Relief on tuition fees for tertiary education*

	2019/2020	2018/2019
Dependent pursuing full time unsponsored undergraduate course in Mauritius	From MUR135,000 up to a maximum of MUR175,000 per dependent up to a maximum of 4 dependents	From MUR135,000 up to a maximum of MUR175,000 per dependent up to a maximum of 3 dependents
Dependent pursuing full time unsponsored undergraduate course abroad	MUR200,000 per dependent up to a maximum of 4 dependents	MUR200,000 per dependent up to a maximum of 3 dependents

¹ *No relief shall be granted where:

- tuition fees are less than MUR34,800 for child pursuing an undergraduate course in Mauritius;
- the income of the person or spouse of the person exceeds MUR4 million in the income year; or
- it has been granted for 6 consecutive years for the same dependent

Relief for medical or health insurance premium

	2019/2020 (MUR)	2018/2019 (MUR)
Individual with no dependent	15,000 for self	15,000 for self
Individual with one dependent	15,000 for self + 15,000 for dependent	15,000 for self + 15,000 for dependent
Individual with two dependents	15,000 for self+ 15,000 for first dependent+ 10,000 for second dependent	15,000 for self+ 15,000 for first dependent+ 10,000 for second dependent
Individual with three dependents	15,000 for self + 15,000 for first dependent + 10,000 for second dependent + 10,000 for third dependent	15,000 for self + 15,000 for first dependent + 10,000 for second dependent + 10,000 for third dependent
Individual with four dependents	15,000 for self + 15,000 for first dependent + 10,000 for second dependent + 10,000 for third dependent+ 10,000 for fourth dependent	15,000 for self + 15,000 for first dependent + 10,000 for second dependent + 10,000 for third dependent+ No relief for fourth dependent



Ravi Kowlessur

Managing Partner | Audit & Accounting

E: ravi.kowlessur@rsmmu.mu

M: 5257 5987



Prashant Calcutteea

Partner | Tax & Advisory

E: prashant.calcutteea@rsmmu.mu

M: 5251 1314

RSM Mauritius

109 Moka Business Centre, Mount Ory Road, Bon Air, Moka, Mauritius

T +230 4335776 | +230 4335768 | +230 4335752 | **M** +230 59044066

E rsm@rsmmu.mu | **W** rsmmu.mu



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