



BUDGET 2021-2022

TAX BRIEF

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING





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CORPORATE TAX

Assistance to Small and Medium Enterprises (SMEs) (Turnover up to Rs50M) for Salary Compensation

The Income Tax Act will be amended to cater for the decision of Government to refund to an SME the salary compensation paid to its employees, that is a maximum of Rs 375 per employee monthly, for the period January to June 2021. The amendment will be effective as from 1 January 2021.

An SME which is an export-oriented enterprise will be refunded a maximum of Rs 235 per employee monthly.

The maximum salary compensation of Rs 375 will be extended for the period 1 July 2021 to 30 June 2022.

This assistance is not payable to an SME for a particular month if it has benefitted from the Wage Assistance Scheme in that month.

Double Deduction of expenditure Incurred on Research & Development (R&D)

In order to encourage our local companies to export on the African market, a manufacturing company will be entitled to a double tax deduction in respect of expenditure incurred for market research and product development targeting the African market.

Tax payment under Advance Payment System

The method for computing tax liability of companies under the Advance Payment System will be amended to cater for companies which are subject to corporate tax at a lower rate than the 15% standard tax rate.

Investment Tax Credit

It will be clarified that any unrelieved investment tax credit of a manufacturing company may be carried forward for 10 years.

Small Enterprise (Turnover up to Rs10M) paying Presumptive Tax

A small enterprise is eligible, at its option, to pay a presumptive tax of 1% of its turnover and is not required to declare its chargeable income. It will, therefore, be clarified that such an enterprise is exempted from Corporate Social Responsibility (CSR) obligation.

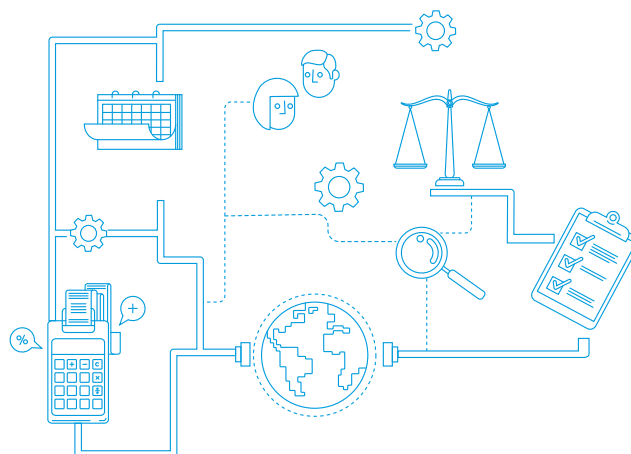
Tax Holiday

Asset/Fund Manager

A 5-year tax holiday is granted on emoluments of an asset manager, a fund manager or asset and fund manager who manages an asset base of not less than USD 100 million and who has been issued with a certificate on or after 1 September 2016.

Holders of a certificate issued on or after 1 September 2016 will be exempted from tax on their emoluments for an additional 5 years while new certificate holders will be eligible to a tax holiday of 10 years.

In addition, the threshold of USD 100 million in respect of asset base being managed by an Asset/Fund Manager will be reduced to USD 50 million.



PERSONAL TAX

Additional exemption in respect of dependent child pursuing undergraduate course

(a) Increasing the maximum exemption in respect of a child pursuing tertiary education to Rs 225,000, irrespective of the place of study of the child and total income of the household;

(b) Increasing the maximum allowable deduction for medical insurance premiums from:

i. Rs 15,000 to Rs 20,000 for an individual and his first dependent; and

ii. Rs 10,000 to Rs 15,000 for every other dependent.

(c) Allowing for an exemption in respect of donations made to an approved charitable NGO or religious bodies up to an amount of Rs 30,000.

(d) Allowing for an exemption of an amount of up to Rs 30,000 in respect of an individual pension scheme.

Deduction for Dependent who is a Bedridden Next of Kin

Since last year, a taxpayer is allowed to claim as dependent a bedridden next of kin who is in his care.

It will be clarified that any financial assistance provided to the bedridden person under the National Pensions Act such as basic retirement pension, basic invalidity pension, carer's allowance and contributory invalidity pension will not be taken into account in determining his eligibility as a dependent.

Contributions to COVID-19 Vaccination Programme Fund

Individuals and enterprises contributing to the COVID-19 Vaccination Programme Fund will be allowed to deduct the amount contributed from their taxable income at the time of submission of their income tax return.

An individual may carry forward any unrelieved deduction in an income year for a maximum period of two successive income years.



OTHER TAX MATTERS

Tax Administration: Income Tax

(i) Tax Arrears Settlement Scheme (TASS)

The Tax Arrears Payment Scheme has been re-introduced. The Scheme provides for full waiver of penalties and interest where tax arrears, outstanding as at 31 October 2020 under the Income Tax Act, the VAT Act and the Gambling Regulatory Authority Act, are paid in full by 31 December 2021 and provided the taxpayer registers under the Scheme by 30 June 2021.

Taxpayers having assessments pending before the Assessment Review Committee, 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.

As regard SMEs, the scheme will remain open to them up to December 2021.

(ii) Statement of Financial Transactions

The monetary thresholds for submission of information by banks, non-bank deposit taking institutions, insurance companies and money changers to the MRA through a statement of financial transactions will be reduced by half.

Thus, a bank or a non-bank deposit taking institution shall report to the MRA a deposit made by an individual, a société or succession exceeding Rs 250,000 or deposits exceeding in the aggregate Rs 2 million in a year. As regards a corporate, the threshold will be Rs 500,000 and Rs 4 million respectively.

A money changer or an exchange dealer shall report any foreign currency transaction equivalent to Rs 100,000 or more. An insurance company, on its part, shall disclose to the MRA, insurance premium exceeding Rs 250,000 paid in respect of a person.

(iii) Tax on Winnings

Licensed operators shall submit a statement of the amount of winnings exceeding Rs 20,000 paid to any person instead of Rs 50,000.

(iv) Arm's Length Test

The Arm's Length Test as provided for in the Income Tax Act for domestic companies shall equally apply to Global Business Companies.

(v) Submission of Return by Self-Employed Individuals

All self-employed individuals will be required to submit an income tax return.

(vi) Request for Information

It will be possible for MRA to request information from taxpayers to be provided electronically.

MRA will also be allowed to conduct virtual meetings with taxpayers through a teleconferencing device.

(vii) Tax Ruling

The time limit of 30 days for MRA to issue a tax ruling shall run as from the date additional information sought by the MRA is received from the applicant.

(viii) Record Keeping

The types of records that a person in business should keep at its premises and make available for audit purposes to the MRA shall be stipulated in regulations.

(ix) Exchange of Information with Treaty Partners

In order to improve exchange of information with Treaty partners, penalties will be introduced for companies which fail to comply with MRA requests relating to exchange of information.

OTHER TAX MATTERS

Tax Administration: Value Added Tax Act

(i) The time limit of 30 days for MRA to give ruling on VAT issues will run as from the date of submission of all documents and information requested by MRA.

(ii) Provision will be made to allow a taxpayer to submit electronically any information requested by MRA.

Tax Administration: Mauritius Revenue Authority Act

(i) Securing presence of a Retired Government Valuer or any other person at the Assessment Review Committee (ARC)

The law will be amended to compel the attendance and production of documents before the ARC by any person including a retired Government officer.

(ii) Lodging of Representations

A taxpayer will be allowed to make representation to the Assessment Review Committee without any payment where an objection was lapsed by the MRA because the taxpayer has failed to provide requested information.

(iii) Money Laundering

Money laundering in the MRA Act will be given the same definition as in the Financial Intelligence and Anti-Money Laundering Act.

(iv) Independent Tax Panel

The Director-General of the MRA will not be required to seek the authorisation of the Independent Tax Panel under the Assessment Review Committee (ARC) to issue assessments under Revenue laws in cases of fraud or non-submission of tax return by a taxpayer.

Any aggrieved taxpayer will still be entitled to the normal objection and appeal process.





APPENDIX 1

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Investment Certificate	
Incentives	<p>8-year tax holiday (New Companies)</p> <p>Exemption from payment of Registration Duty and Land Transfer Tax for the purchase of immovable property for business purposes (New Companies)</p> <p>Payment of VAT on Plant, machinery, and equipment &</p> <p>Construction of purpose-built building and plant and equipment (excluding vehicles) for research and development:</p> <ul style="list-style-type: none"> ○ Zero-rated for provision of healthcare, nursing and residential care services ○ Exempt for others <p>5% Tax credit over 3 years in respect of capital expenditure incurred on new plant and machinery (manufacturing company only) until 30 June 2023.</p> <p>Eligibility for schemes and services offered by the Industrial Financial Institution (Leasing)</p>
Sectors/ Activities Concerned	<p>Aquaculture</p> <p>Industrial fishing</p> <p>Seafood processing</p> <p>High tech Manufacturing</p> <p>Pharmaceutical Research and Manufacturing</p> <p>Agro Processing</p> <p>Food Processing</p> <p>Healthcare, Biotechnology and Lifesciences</p> <p>Nursing and Residential Care Digital Technology and</p> <p>Innovation Marina</p> <p>Tertiary education</p> <p>Seeds production</p> <p>Others, as may be approved by the EDB</p>

APPENDIX 1

Export Development Certificate	
Incentives	3% income tax on export of goods Freight Rebate Scheme Trade Promotion and Marketing Scheme Subsidy on the cost of Credit Guarantee Insurance Premium Preferential Port and Handling Charges
Premium Investor Certificate	
Incentives	To be negotiated with EDB, recommended by Technical Committee and approved by the Minister of Finance on- <ul style="list-style-type: none"> ○ Land and Buildings ○ Infrastructure and public facilities ○ Supply of utilities and telecommunications facilities ○ Fiscal incentives ○ Other taxes, duties, fees, charges and levies ○ Labour requirements, including foreign labour ○ Permits and Licenses ○ Training Grants
Eligibility	Minimum investment of Rs 500 million, except for pharmaceuticals.

APPENDIX 2

VAT payable on the Acquisition of an Immovable Property

Value Added Tax (VAT) is payable on the transfer of a commercial or industrial building. It will be clarified that land duties and taxes will be levied on the value of the immovable excluding any VAT payable.

This amendment will be backdated to take effect as from 1 January 2021.

Home Ownership Refund Scheme

Under the Scheme, a Mauritian Citizen acquiring, in financial year (FY) 2021-2022, a house, an apartment or bare land to construct a residential unit will be eligible to a payment representing 5% of the declared value of the immovable property up to a maximum of Rs 500,000 per property acquired.

The payment will be in respect of the purchase of residential properties in the financial year and the refund will be granted even if the purchaser has been exempted from payment of registration duty on the acquisition of the property. If the property is sold within a period of one year of the date of acquisition, the amount received under the Scheme will have to be refunded.





RSM (Mauritius)

109 Moka Business Centre

Mount Ory Road

Bon Air

Moka

Mauritius

T +230 4335776

E rsm@rsmmu.mu

rsmmu.mu

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