Mauritius National Budget 2023-2024 Tax Brief

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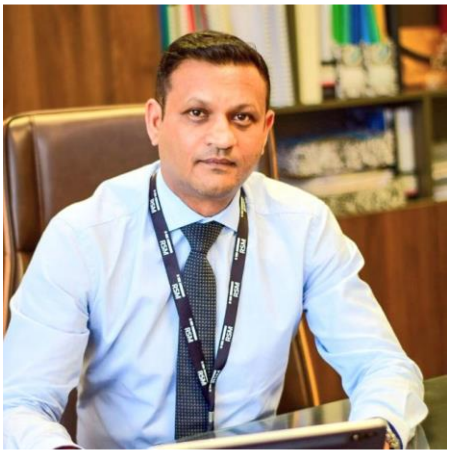
MAURITIUS BUDGET 2023-2024 – TO DARE AND TO CARE



Ravi Kowlessur, FCCA
CEO / Managing Partner

The Minister of Finance, Economic Planning and Development, Dr. the Honorable Renganaden Padayachy presented his fourth national budget on 2 June 2023. The Minister’s budget speech focused on three pillars:

- Strengthening the foundation of the Mauritian economy;
- Transforming Mauritius into a sustainable economy; and
- Building the future.

In addition, in line with the budget title, there was a strong social focus underpinning the measures announced. For example, there were a plethora of measures announced to help women enter or return to the workforce. Whilst the social measures are very welcome and will no doubt help with the cost of living crisis, perhaps additional measures targeting economic growth may have a more sustained impact.

That being said, we note that the abolition of the solidarity levy for individuals will position Mauritius as an attractive jurisdiction for individuals wishing to work and/or settle in Mauritius. Similarly, the implementation of the progressive tax rate will bring more equity to individual taxpayers, despite the increased administrative burden. It is also hoped that these measures might counter the brain-drain from Mauritius and inject funds back into the economy through increased dividend distributions.

We are pleased to share our brief of the major tax measures announced in the budget and invite you to contact us for any queries or if you wish to discuss any of the contents further.

Ravi Kowlessur
Managing Partner

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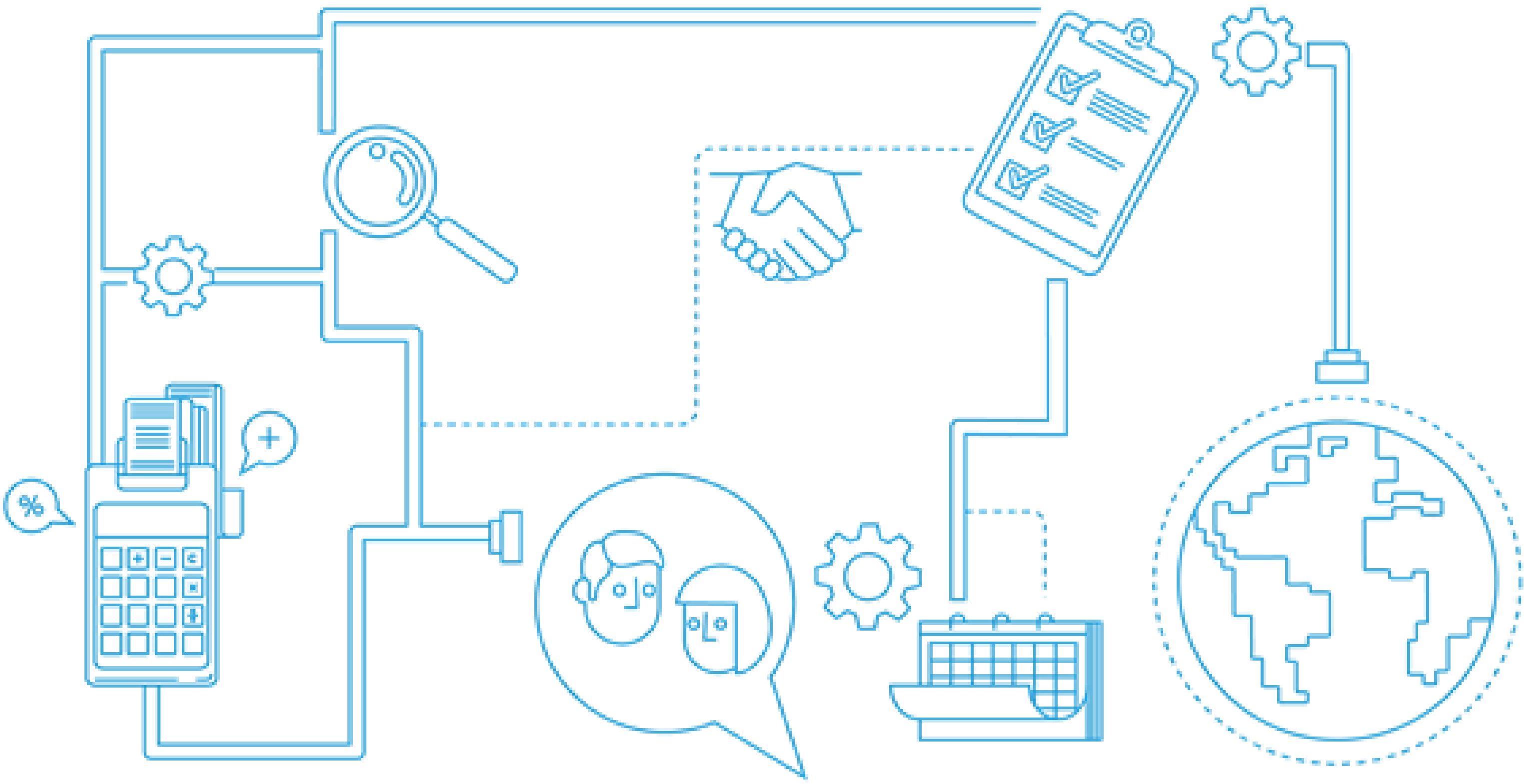

TAX MEASURES IMPACTING BUSINESSES

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Manufacturing companies

- *Investment tax credit*

(i) Manufacturing companies that incur expenditure on new plant and machinery (excluding motor cars) up to 30 June 2026 will benefit from an investment tax credit of 15% over 3 years.

(ii) Any unrelieved investment tax credit can be carried forward over 10 years.

(iii) Companies engaged in the manufacturing alcoholic and non-alcoholic beverages will be allowed to claim the investment tax credit on expenditure incurred on new plant and machinery used exclusively to produce non-alcoholic drinks.

- *Double Deduction of Expenditure Incurred on Market research and Product Development*

The 200% deduction on expenditure incurred on market research and product development granted to manufacturing companies is no longer restricted to the African market only. However, the deduction is available only to companies with a turnover of Rs 500 million or less.

The Information and Communication Technology and Business Process Outsourcing sector

- Local training institutions or new campuses focusing on the ICT or BDP sectors will benefit from a 200% deduction on their costs upon partnering with an African counterpart.

The scope of the Deduction of Tax at Source (TDS)

- TDS at the rate of 3% will apply to fees made by insurance companies to panel beaters and spray painters for repairs of motor vehicles of policy holders.
- TDS will also apply on payments to interior decorators and designers at the rate of 5%.
- However, TDS will not apply on fees paid to a management company licensed by the Financial Services Commission (FSC) or to an investment adviser licenced by the FSC.

Waiver of COVID-19 Levy

All amounts repayable under the COVID-19 levy as at 20 January 2023 will be waived. The waiver will also apply to penalties and interest due on the unpaid levy.

Employment taxes and social security charges

The Workers' Rights Act will bring changes to the portable retirement gratuity fund (PRGF) as follows:

- allowing an employer to contribute towards the PRGF for any period where the employee was not enrolled in a private pension scheme;
- mandating the administrator of a private pension scheme or the governing body of a self-administered scheme to check the employer's compliance with the eligibility criteria of the PRGF before a certificate is submitted to the Financial Services Commission;
- stipulating that the monthly contribution made by the employer in the private pension scheme must not be lower than the amount under PRGF;
- instructing the PRGF administrator to consider the lump sum directly provided by the employer to the worker when conducting the benchmarking process;
- establishing provisions for granting gratuity payments through the PRGF to laid-off workers who have reached retirement age, specifically in cases where the enterprise they were employed in is deemed insolvent;
- ensuring consistency in the notional computation of retirement benefits within the PRGFand applying the same calculation method for both full-time and part-time workers;
- enhancing the administration of the PRGF by implementing the following measures:
  (i) employers will no longer be obligated to submit an annual PRGF return if the information has already been provided to the MRA on a monthly basis.
  (ii) Review the methodology for calculating surcharges related to unpaid PRGF contributions to streamline the recovery process for any outstanding contributions;
- safeguarding workers' gratuity upon retirement by stipulating that employers who have sponsored workers in private pension schemes are prohibited from deducting any amount from the gratuity payment when the private pension scheme is inadequately funded; and
- introducing a new legislation to ensure compliance for the protection of workers' rights in instances of employer non-compliance.

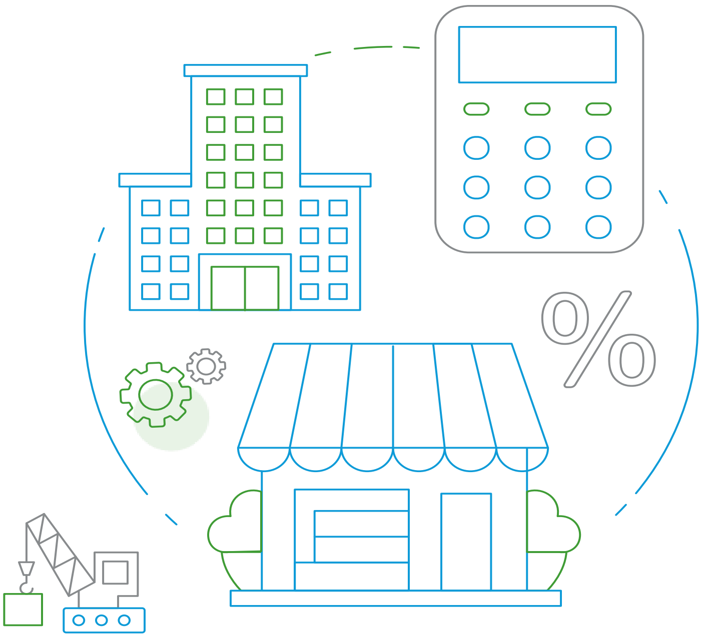
TAX MEASURES IMPACTING BUSINESSES (CONT.)

Taxation of Banks

The tax rates for banks will be amended as follows :

Chargeable income	Current rate	New rate from year of assessment 2022-2023
Chargeable income up to Rs 1.5 billion	5%	5%
Chargeable income above Rs 1.5 billion but not exceeding chargeable income of base year 2017/2018	15%	15%
Chargeable income above Rs 1.5 billion in excess of chargeable income of base year 2017/2018	5%	15%

- The rate of special levy on banks under VAT will be 5.5% for all banks irrespective of their operating income from transactions with residents.
- Given that the new rates apply from year of assessment 2022-2023, it appears that banks that have already filed their returns for that year would need to submit an amended return. However, it is hoped that the measure will apply from year of assessment 2023-2024.



TAX MEASURES IMPACTING INDIVIDUALS

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Tax measures impacting individuals

Abolition of the solidarity levy

During his speech, the Honourable Minister announced the abolition of the solidarity levy applicable to individuals with leviable income of more than Rs 3m.

The leviable income included dividends from Mauritian resident companies.

It is a welcome measure given that the rate of the solidarity levy was high in comparison with the general tax rates in Mauritius.

Progressive income tax rates

The income tax rates for individuals have been changed as follows:

Chargeable Income (MUR)	Income Tax Rate (MUR)
0-390,000	0%
390,001 - 430,000	2%
430,001 - 470,000	4%
470,001 -530,000	6%
530,001 - 590,000	8%
590,001 - 890,000	10%
890,001 - 1,190,000	12%
1,190,001 - 1,490,000	14%
1,490,001 - 1,890,000	16%
1,890,001 - 2,390,000	18%
>2,390,001	20%

We illustrate the impact of the new tax rates compared to the current tax rates at Appendix 1.

Whilst it is clear that the measure is intended to add fairness to the tax system, the incremental rate progressions are likely to cause significant administrative burdens, especially to payroll providers.

The Income Exemption Threshold

The income exemption threshold has been increased by Rs 65,000. We set out the new thresholds below:

Income Exemption Threshold

Category	Individuals having	Rs
A	No dependent	390,000
B	1 dependent	500,000
C	2 dependents	580,000
D	3 dependents	665,000
E	4 or more dependents	745,000

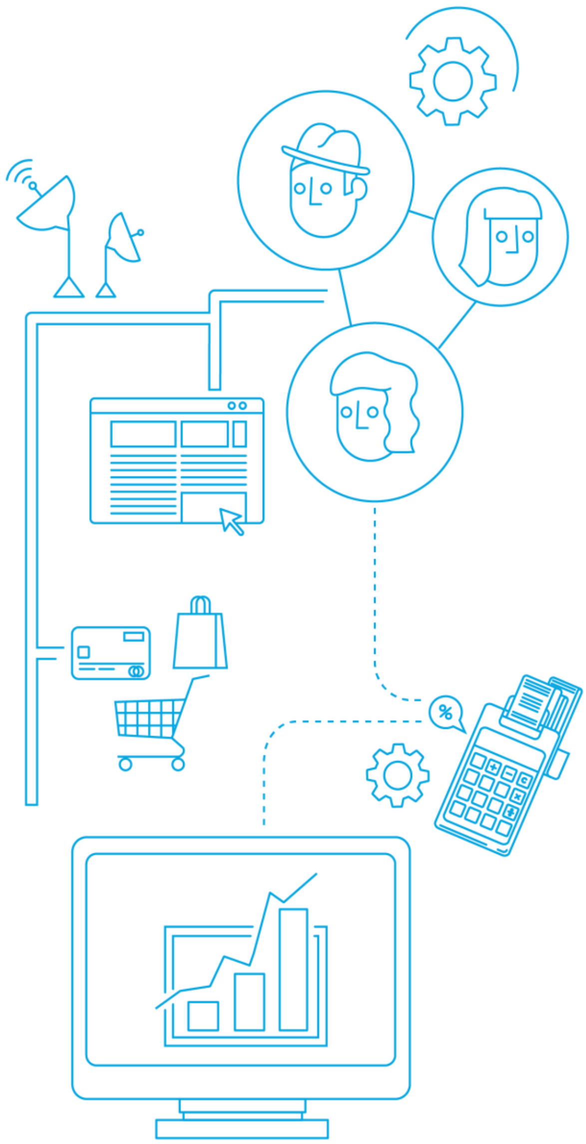
TAX MEASURES IMPACTING INDIVIDUALS

Animal welfare

- Individuals adopting animals from a registered NGO will be allowed to deduct Rs 10,000 per adoption from their chargeable income.

National minimum wage

- The National Minimum Wage will be increased to Rs 15,000. The Government plans to pay Rs 1,425 monthly to individuals with revenue, including the CSG Income Allowance, of less than Rs 15,000.



Contribution Sociale Generalisee ("CSG")

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- Household employers and self-employed individuals who have submitted monthly CSG returns during part of a financial year will be allowed to submit one return for the remaining months.
- The deadline to submit annual CSG returns has been extended from July to August.
- Self-employed individuals who submit an annual social contribution return will be exempt from submitting quarterly statements.
- Penalty and interest regarding unpaid social contributions will also apply to self-employed individuals.

Property Taxes

Home Ownership Scheme

- Extension of the scheme for an additional year for residential property acquired during the period 1 July 2023 to 30 June 2024. Under the scheme, an individual is entitled to a refund of 5% up to a maximum of Rs 500,000 on the cost of buying a house, apartment or land for personal residential construction.

Home Loan Payment Scheme

- The Home Loan Payment Scheme will be extended for an additional year for loans taken between 1st July 2023 and 30th June 2024. Under the scheme, a refund of 5% of the disbursed loan amount, up to a maximum of Rs 500,000, is available to individuals who have obtained housing loans. Loans disbursed up to 30 June 2025 will be eligible for the scheme.

VAT AND OTHER TAX MEASURES

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Value Added Tax (VAT)

No VAT will apply on the following products:

- Glass-ceramic blocks for dental use;
- Toothpastes and toothbrushes;
- Noodles;
- Baby wipes, baby diapers, baby powder, baby cream, breast pumps, infant feeding bottles and baby diapers;
- Exercise books, pencils, crayons, erasers;
- Walking sticks and incontinence mattress pads; and
- Medical grade silicone.

- The VAT exemption currently applicable to the construction of purpose-built buildings for tertiary education will now be extended to include construction for primary and secondary education as well.
- Contractors involved in the construction of social housing units under a Social Housing project facilitated by New Social Living Development Ltd will be exempt from paying VAT, customs duty, and excise duty. This exemption will apply to the procurement of goods (excluding vehicles), works, consultancy services, and other related services.
- Instruments and appliances used in medical, surgical, dental, or veterinary sciences (HS Code 90.18) will be reclassified from exempt to zero-rated for VAT purposes.

Tax Arrears Settlement Scheme (TASS)

- The Tax Arrears Payment Scheme will be reintroduced, offering a complete waiver of penalties and interest for taxpayers who fully pay their tax arrears under the Income Tax Act, Value Added Tax Act, and Gambling Regulatory Authority Act by 31st March 2024. To benefit from the Scheme, taxpayers must register by 31st December 2023.
- Taxpayers with pending assessments before the Assessment Review Committee, Supreme Court, or Judicial Committee of the Privy Council can benefit the Scheme by withdrawing their case from these institutions if they choose to do so.

VAT administration

- A person who has voluntarily registered for VAT purposes will be allowed to claim an input VAT credit as from the date of registration.
- The time period to issue a VAT assessment will not exceed 4 years following the period in which the tax liability arose, unless there is fraudulent conduct.
- In order to alleviate the administrate burden, event organisers will be exempt from payment on VAT on accommodation costs for visitors during qualifying events.
- A non-business person may require that a VAT-registered supplier to include his name and address on a VAT invoice to enable a VAT refund.

Protected Cell Company and Variable Capital Company

- The MRA will not recover taxes owed by a specific cell of a protected cell company by going after the assets of other cells or non-cellular assets in a protected cell company.
- Similarly, for tax recovery, each sub-fund or special purpose vehicle of a variable capital company will be treated as an independent entity.

APPENDICES

APPENDIX 1

Part I

Description	MUR	MUR	MUR	MUR
Monthly net income	0 -25,000	25,001 - 50,000	50,001 - 75,000	>75,000
Current tax rates	0%	10%	12.50%	15%
Annual Income Tax payable under current rates	0	1 - 26,000	32,500 - 73,125	>87,750

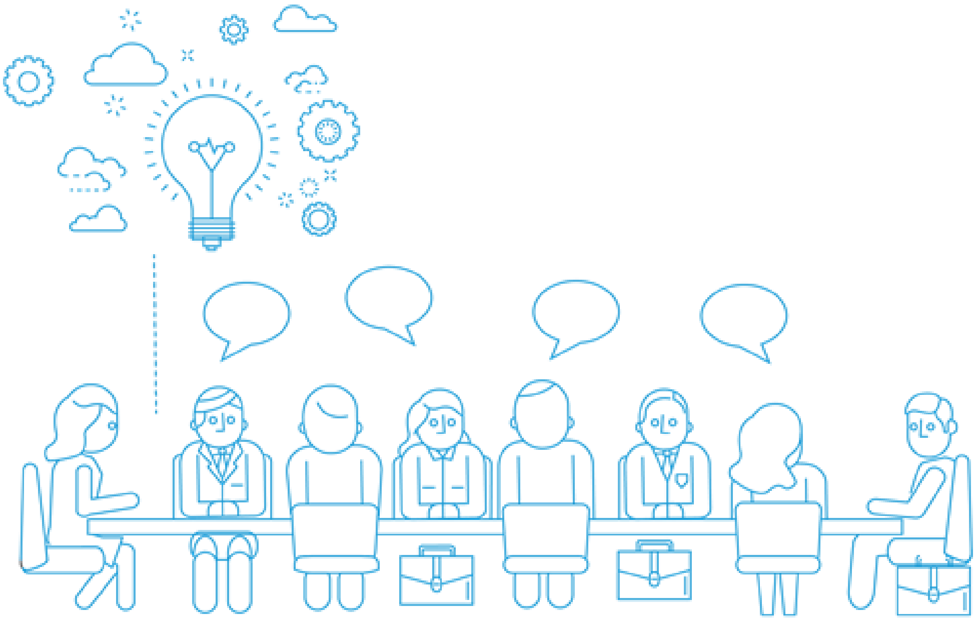
Part II

Description	MUR	MUR	MUR	MUR
Annual net income	650,000	975,000	1,300,000	4,500,000
Chargeable income	260,000	585,000	910,000	4,110,000
Tax under current rates and solidarity levy (A)	26,000	73,125	136,500	894,000
Tax under new proposed rates (B)	16,800	51,000	92,200	694,800
Effective tax rate under (A)	10%	13%	15%	22%
Effective tax rate under (B)	6%	9%	10%	17%

Notes

For comparative purposes, we prepared our illustrative computation on the assumption that the taxpayer is an individual with no dependents and therefore an income exemption threshold of Rs 390,000.

GET IN TOUCH



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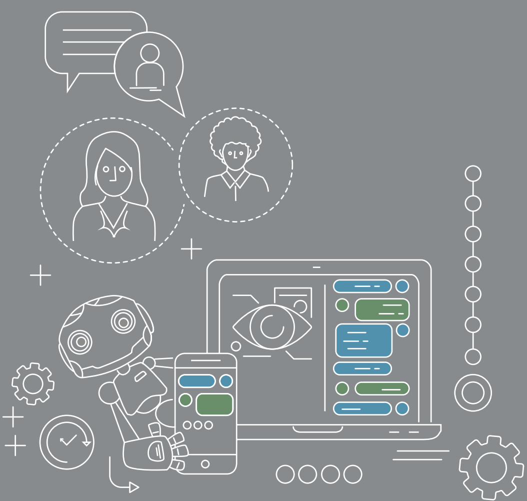

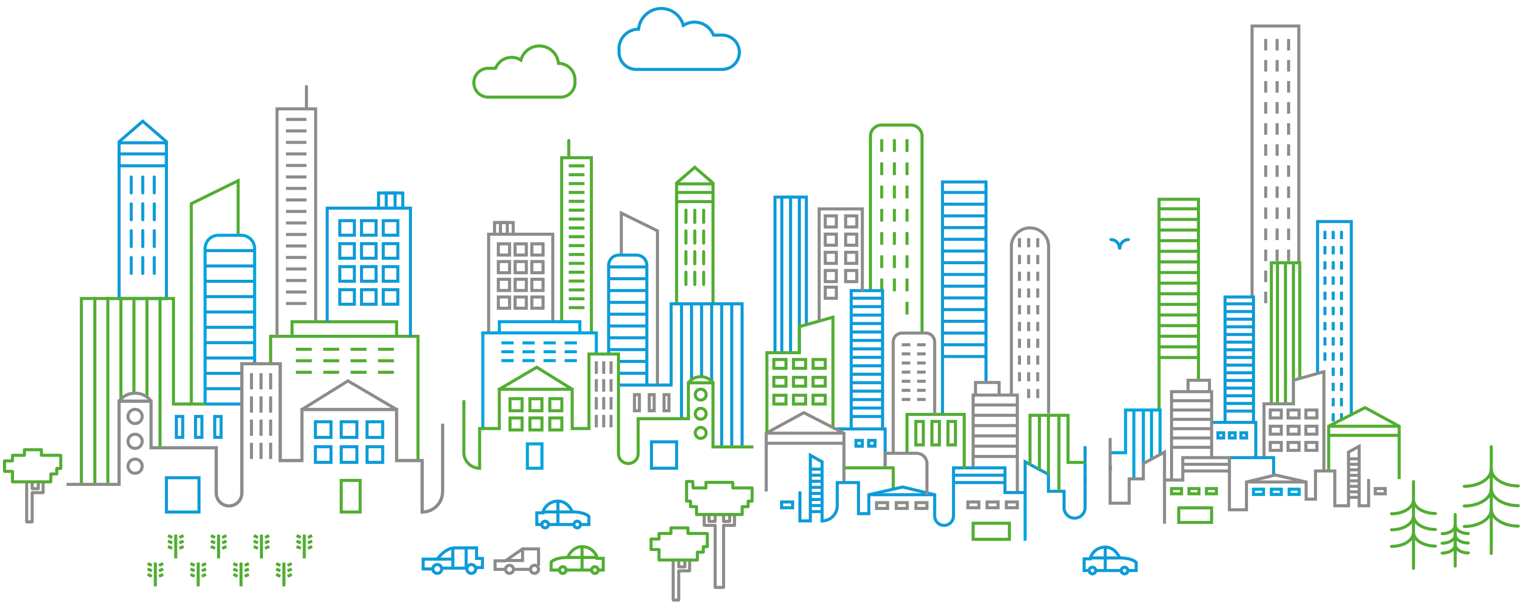

Disclaimer: The publication has been prepared as a broad guidance and should not be viewed as providing advice. It cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained herein without obtaining specific professional advice.

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