

Mauritius Budget 2022/2023

Implications for the Global Business Sector

The Minister of Finance and Economic Development presented his budget speech for the year 2022/2023 on 7 June 2022. In the aftermath of the Covid 19 pandemic and the ongoing conflict between Ukraine and Russia the Minister's theme for the budget speech was 'With the People, for the People'.

The budget focuses on rebooting and reshaping the Mauritius economy through investing in its people. The current global crisis has demonstrated that self sufficiency is a necessity not an option.

The expectation for the 2022/2023 fiscal year is that economic growth will boost revenue. It is expected that growth will be achieved through food security and green energy. The budget speech was also focused on promoting local production and measures to support the Mauritius people during difficult times. Several measures have been introduced such as:

- Increased subsidies on some essential products to prevent increase in prices
- Implementation of a price control mechanism on certain food items
- The margin for pharmaceutical products will be reduced through a regressive mark-up regime
- Providing a direct monthly income allowance of MUR 1,000 for those earning gross income of up to MUR 50,000

Other features of the budget speech were:

Financial services

- The Financial Services Commission will revamp its framework to enable Re-Insurance companies to set up operations in Mauritius.
- Following the exit of Mauritius from the FATF, EU and UK lists, there is a need to strengthen the sector's resilience and to consolidate domestic and global business by adopting legislative framework.
- The Bank of Mauritius and the Bank of China will launch a regional Renminbi Clearing Centre this year.
- The Bank of Mauritius will collaborate with the National Payments Corporation of India for the issuance of 'RuPay' cards and Indian QR Codes in Mauritius.

Ease of Doing Business

- There will be no fee to start a business and incorporate a company in Mauritius.
- The Bank of Mauritius will ensure that a bank account can be opened within one week, for an individual or a business (once all relevant information is received).
- To promote business facilitation, a Business Regulatory Reform Bill will be introduced.

International Financial Centre

- The current requirement for high-net worth individuals' families will be reviewed to a minimum portfolio of USD 5 million per management family office; and
- holders of Global Headquarters Administration licenses will be provided work and residence permits for five executives and dependents.

Tax Matters

Global Minimum Tax

The Income Tax Act will be amended to cater for any change in connection with the introduction of a domestic minimum top-up tax.

This will be applicable to companies residing in Mauritius with a global annual revenue of 750 million euros or more to ensure that they are taxed at the global minimum rate of 15%.

Tax Deducted at Source (TDS)

The TDS applicable on professionals will increase from 3% to 5% and on rent from 5% to 7.5%.

The scope of TDS will be broadened to cover consultancy fees, security and cleaning services, pest management services and payment of fees made by insurance companies to motor surveyors and mechanics for the repairs of policy holders' vehicles.

Personal Tax

New Tax Rate

Implementation of a progressive tax system for income earners, i.e 10% on those earning annual income of MUR 700,000; 12.5% on those earning annual income of MUR 975,000; 15% on those earning annual income over MUR 975,000.

Exemptions

Exemption of travelling allowances deductible from income tax will increase from MUR 11,500 to MUR 20,000.

The exemption of donations made to an approved religious body or charitable NGO will increase from MUR 30,000 to MUR 50,000.

The exemption in respect of an individual pension scheme will increase from MUR 30,000 to MUR 50,000.

Deductions

The deduction in respect of a child pursuing tertiary education will increase from MUR 225,000 to MUR 500,000.

The deduction of an individual and their first dependent for medical insurance premiums will increase from MUR 20,000 to MUR 25,000 and from MUR 15,000 to MUR 20,000 for every other dependent.

Property Taxes

- A VRS property transferred to the heirs of a deceased beneficiary shall be deemed to have been obtained by inheritance enabling the property to be transferred between the heirs free from duty and tax. This amendment will be backdated to take effect from 1 July 2016.
- Share buyback by companies holding immoveable property in Mauritius will be subject to registration duty and tax.

Human Capital

The Government will provide a monthly job bonus of MUR 15,000 for the first year of employment for 10,000 young people, men between 18 and 35 years and women up to 50 in sectors such as renewable energy, financial services, ICT, manufacturing, tourism and construction.

Support will be given to businesses for the training and skilling of 3,000 young people, men and women through an increased monthly stipend of:

- a. MUR 8,000 for those under the National Apprenticeship Programme and the National Skills Development Programme; and
- b. MUR 10,000 for the Graduate Training for Employment Scheme.

The period of placement will be doubled to 2 years to encourage women return to work.

The Financial Services Institute (FSI) will become an awarding body to cater for specialised training in the sector.

Non-citizens

- Amendments will be made to the Non-Citizen (Property) Restriction Act to reduce the risk of a non-citizen becoming an owner of a residential property they are not entitled to through the acquisition of shares.
- 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.
- Holders of Residence Permits will be given the opportunity to acquire a residential property of a minimum of USD 350 000 outside the existing schemes, subject to a 10% contribution made to the Solidarity Fund.
- A committee chaired by the Prime Minister will examine the applications on a monthly basis.
- A non-citizen will be required to produce a certified copy of the certificate under the Non-Citizens (Property Restriction) Act upon the acquisition and disposal of shares in a partnership, société or a company.

Trusts and Foundations

- The MRA will be allowed to request information from foundations and trusts to enable it to make assessments, collect tax or comply with any request for the exchange of information under a Double Taxation Avoidance Agreement.

Other Legislative Amendments

Companies Act

The Companies Act will be amended to:

- a. remove temporary time extension provided because of Covid-19 and reinstate the requirements for registered companies to:

- i. call annual meetings 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.
- b. reinstate the application of Section 162 of the Act relating to duty of directors on insolvency subject to such conditions as may be prescribed
 - c. provide for the disclosure of the following information with respect to subsidiaries in annual reports:
 - i. particulars of interest;
 - ii. donations made by the subsidiaries;
 - iii. details of present and past directors;
 - iv. fees payable to auditors; and
 - v. details of major transactions;
 - d. prevent companies from being both registered in Mauritius and in another jurisdiction at the same time.
 - e. allow the Registrar of Companies to remove a company from the Register of companies where there is no other reason for the company to continue its existence; and
 - f. ease restoration of a company to the Register in case it was still carrying on business at the time of removal by the Registrar of Companies.

The Financial Services Act will be amended to:

- a. remove "Global Headquarters Administration", "Global Shared services" and "Global treasury activities" from the scope of "financial services" under the Financial Services Act and to create a separate section for regulation of global activities in line with FATF requirements.
- b. enable the Financial Services Commission (FSC) to initiate regulatory actions against individuals who have in effect been performing the functions of an officer although they have not been formally approved by the FSC.
- c. provide for the setting up of a Settlement Committee for the purpose of assessing the possibility for early resolution of disciplinary matters with a licensee; and
- d. review provisions on global shared services and compliance services for them to be regulated under the relevant section.

Financial Intelligence and Anti-Money Laundering Act (FIAMLA)

- FIAMLA will be amended to harmonise its provisions by including combatting of proliferation financing under its scope, in line with FATF requirements.

Non-Citizens (Property Restriction) Act

- Amendments will be made to the law to reduce the risk of a non-citizen becoming a residential premises owner through the acquisition of shares where they are not entitled to do so.

Bank of Mauritius Act

- The law will be revisited to enable Bank of Mauritius to accept digital currency to open an account and include measures to aid the collection, verification, validation and extraction of KYC records.

Mauritius Revenue Authority Act

- Legal amendments will be made to empower the Mauritius Revenue Authority to recover foreign taxes to aid foreign countries in the recovery of taxes.

Virtual Asset and Initial Token Offering Services Act

- The law will be modified to allow the FSC and investigatory authorities to make use of software/digital tools in carrying out supervision and investigation and any such evidence obtained will be admissible evidence for the purposes of a criminal investigation, prosecution or other related criminal or civil court proceedings.

United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act ("UNSA")

- The UNSA will be amended to cater for a definition for 'international terrorism'.

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