

## **BUDGET BRIEF 2017-18**

The Prime Minister and Minister of Finance and Economic Development, Honourable Pravind Jugnauth delivered his budget speech for 2017-18 on 08 June 2017. The salient features having a bearing on the financial services and global business sectors, direct or indirect, together with SanFirst's comments, are summarised below.

### **Export promotion**

A highly attractive income tax rate of 3%, compared to 15% previously, will apply on income from exports of goods by domestic companies. Key industries have been targeted as the government seeks the right formula to further boost the economy. This is welcoming in the sense that Mauritius will have more argument to counter allegations of ring-fencing the global business sector which is subject to a maximum effective income tax rate of 3% under the current foreign tax credit regime.

### **Blueprint**

With the challenges of the US FATCA and the OECD CRS, the government is dedicated to ensuring that the global business sector remains attractive and competitive, whilst staying in line with international standards and best practices. A blueprint will be elaborated by the Ministry of Financial Services, Good Governance and Institutional Reforms, in collaboration with the forthcoming Economic Development Board (see below), the Bank of Mauritius, the Financial Services Commission ('FSC') and all stakeholders in the financial services sector. This blueprint will focus on the vision for the sector over the next 10 years and will also take on board the forthcoming international requirements with regards to taxation without undermining the competitiveness of the jurisdiction.

### **Management and Control Criteria**

Companies holding a Category 1 global business licence ('GBC1') will need to satisfy at least 2 of the following management and control criteria out of the 6 outlined by the FSC in order to demonstrate management and control in Mauritius (currently, at least 1 out of 6), for the purposes of the Category 1 global business licence. Those criteria are:

- the GBC1 has or shall have office premises in Mauritius;
- the GBC1 employs or shall employ on a full time basis at administrative / technical level, at least one person who shall be resident in Mauritius;
- the GBC1's constitution contains a clause whereby all disputes arising out of the

constitution shall be resolved by way of arbitration in Mauritius;

- the GBC1 holds or is expected to hold within the next 12 months, assets (excluding cash held in a bank account or shares / interests in another corporation holding a global business licence) which are worth at least USD 100,000, in Mauritius;
- the GBC1's shares are listed on a securities exchange licensed by the FSC;
- the GBC1 has or is expected to have a yearly expenditure in Mauritius which can be reasonably expected from any similar corporation which is controlled and managed from Mauritius. The onus is on the GBC1 to satisfy the FSC that its level of expenditure in Mauritius is reasonable. Reasonableness of expenditure would be judged in the light of circumstances of each case. Factors to be considered to decide whether the level of expenditure of the GBC1 is reasonable include the type of activity of the GBC1, its average turnover, the country/ies in which it is conducting business, the value of its net assets and the industry average.

Note: A GBC1 shall be deemed to have satisfied the management and control criteria where a related GBC1 satisfies those criteria.

### **Economic Partnership**

The Government is promoting economic partnerships to create growth corridors with targeted Asian and African countries and enhance bilateral cooperation in various sectors, including trade, investment and capacity building. Key measures to step up economic diplomacy are as follows:

- Joint Commissions to be held with Ivory Coast, Ethiopia, Ghana, Kenya, Madagascar and Zambia;
- A Business and Investment Platform for Africa to ease the implementation of joint projects by Mauritian enterprises in Africa;
- Negotiations to continue on Free Trade Agreements with China and the European Free Trade Association;
- Finalisation of the Comprehensive Economic Cooperation and Partnership Agreement with India;
- An international capital market to be set up by the Stock Exchange of Mauritius with the engagement of Euroclear to encourage governments and corporates from Africa to issue multi-currency bonds in Mauritius.

## **Fintech hub**

It is further announced to position Mauritius as a fintech hub for Africa, with the creation of a Regional Fintech Association with the help of international institutions. The FSC will set the rules for regulating the fintech activities.

It is critical that Mauritius continues to reform its business environment to improve its competitiveness. The Business Facilitation Act was promulgated in May 2017. This budget outlines a number of new measures:

- An Economic Development Board is to be established. The Board of Investment ('BOI'), Enterprise Mauritius, the Financial Services Promotion Agency and Mauritius Africa Fund will be integrated in the Economic Development Board;
- BOI to carry out a business process re-engineering on more than 125 licences and permits;
- High tech machines and equipment brought by an investor from abroad to be considered as part of the minimum investment of USD 100,000 required to obtain an occupation permit;
- Introduction of an Innovator Occupation Permit for innovative start-ups with a minimum operational expenditure of 20% on R&D;
- Invest Hotel Scheme to be amended to allow a non-citizen acquiring a unit in a hotel for at least USD 500,000 to qualify for a residence permit;
- Non-citizens acquiring residential property costing less than USD 500,000 will be entitled to a multiple-entry visa for a maximum of 180 days per year, renewable every 5 years depending on the ownership status.

## **Special Purpose Funds**

A Special Purpose Fund conducts investment solely in countries which do not have a tax arrangement with Mauritius and invests mainly in securities whose returns are exempted from taxation. Henceforth, the legal obligations of such Special Purpose Funds will be aligned to those of GBC1s.

## **Prospectus**

Requirements for prospectus will not be applicable for GBC1s listed in another jurisdiction.

## **Companies Act 2001**

The following key changes to the Companies Act have been announced:

- Islamic financial institutions and banks will be allowed to adopt accounting standards from the Accounting and Auditing Organisation for Islamic Financial Institutions;
- The Registrar of Companies will be allowed to keep a register of beneficial owners / ultimate beneficial owners;
- Companies can use Extensible Business Reporting Language (XBRL) to pay a fee to the Registrar of Companies.

## **Corporate Governance**

Companies will be allowed to include a corporate governance report in their annual report - wholly owned subsidiaries shall not be required to comply with the National Code of Corporate Governance if the ultimate holding company is already complying with it.

## **Banking**

Minimum capital requirements for banks will be raised from MUR 200 million to MUR 400 million to raise their standing.

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