

The Mauritius Minister of Finance and Economic Development, Honourable Pravind Jugnauth delivered his budget speech for 2016-17 on 29 July 2016. The main announcements having a bearing on the financial services and global business sectors, direct or indirect, together with \$anFirst's comments, are summarized below:

### **10 key strategies**

1. Fostering a wave of modern entrepreneurs;
2. Creating more job opportunities;
3. New economic cycle focusing on innovation, boosting exports and private investments;
4. Moving towards a fully-fledged digital society;
5. Fundamentally reforming business facilitation and expanding economic horizons;
6. Building the infrastructure that fits into the future;
7. Lifting the quality of life;
8. Addressing the root causes of poverty;
9. Launching a major public sector reform programme; and
10. Ensuring macro-economic stability and sound public finances.

### **Fiscal Measures**

#### **Income Tax rate**

First and foremost, this is a no tax budget, that is, income tax remains at the flat rate of 15%.

This position continues to maintain Mauritius as a highly competitive and low tax jurisdiction compared to others.

- Corporations holding a Category 1 global business licence will continue to be taxed on their taxable income at the rate of 15%, while availing of actual foreign tax credits or the unilateral tax credit of 80% of the Mauritius tax charge, resulting in a maximum effective income tax rate of 3%.
- Corporations holding a Category 2 global business licence will continue to be income tax exempt.

#### **Tax - Tax Deduction at Source**

Tax deduction at source will be extended to:

- services provided by accountants and tax advisers; and
- management fees paid to individuals.

#### **Statement of Assets and Liabilities by High Net Worth Individuals**

The Mauritius Revenue Authority ('MRA') will be allowed to request an individual with net income exceeding MUR 15 million [USD 1 = MUR 35] in a year or having assets exceeding MUR 50 million to submit a Statement of Assets and Liabilities.

#### Time limit for Submission of Amended Income Tax Returns

A time limit of 2 years is being introduced for submission of amended income tax returns both by individuals and corporates. However, this time limit will not apply to arrears of emoluments paid by an employer. In such cases, an employee will be allowed to submit amended income tax returns to offset emoluments accruing in those years against any unused income exemption threshold and other deductions.

Companies (except holders of a Category 1 global business licence and trusts) not in operation will be required to file a declaration instead of an income tax return.

#### Definition of 'Fraud' for the purpose of Revenue Administration

For the purpose of administering revenue laws, the definition of 'fraud' will be amended to include cases of non-submission of tax returns. This will allow the MRA to raise assessments beyond the 3 years statutory limit in the event where a tax payer has not submitted a tax return provided the MRA obtains the authorisation of the Independent Tax Panel under the Assessment Review Committee.

#### VAT rate

The VAT rate also, remains at 15%.

#### VAT Administration

Supply of a good or service will be subject to VAT even if an invoice has not been issued nor payment made.

In order to ensure a level playing field between domestic and foreign businesses providing services in Mauritius, non-VAT-registered persons who source services from abroad will be required to incorporate VAT on the services sourced and remit same to the MRA. This will not apply to a bank carrying on business wholly and exclusively with non-residents and a licensee under the Financial Services Act 2007.

#### Measures affecting financial services and global business

In view of promoting Mauritius as an International Financial Centre, the Minister has announced new developments to be brought into the financial services sector:

- Companies holding a Category 2 global business licence will be allowed to invest in listed securities on the Stock Exchange of Mauritius.
- Companies holding a 'Global Headquarters Administration Licence' issued by the Financial Services Commission ('FSC') shall be granted a 8-year tax holiday, subject to meeting conditions of employment creation and substance. Introduced in 2013, the following services are provided by companies holding a Global Headquarters Administration Licence, out of which a minimum of 3 should be met:
  - a. Administration and general management;
  - b. Business planning, development and coordination;

- c. Economic or investment research and analysis;
  - d. Services related to international corporate headquarters in Mauritius; and
  - e. Such other global headquarters administration services as may be specified in FSC Rules.
- A 5-year tax holiday will be granted to companies which have been granted the following licences by the FSC in Mauritius, subject to meeting conditions of employment creation and substance:
  - a. a 'Treasury Management Centre Licence';  
  
Global treasury activities relate to the provision of at least 3 of the following services to at least 3 related corporations:
    - i. Arrangement for credit facilities, including credit facilities with funds obtained from financial institutions in Mauritius or from surpluses of network companies;
    - ii. Arrangement for derivatives;
    - iii. Corporate finance advisory;
    - iv. Credit administration and control;
    - v. Factoring, forfeiting and re-invoicing activities;
    - vi. Guarantees, performance bonds, standby letters of credit and services relating to remittances;
    - vii. Management of funds for designated investments; and
    - viii. Such other global treasury activity as may be specified in FSC Rules.
  - b. an 'Asset and Fund Managers Licence' and which manages a minimum asset base of USD 100 million;
  - c. International law firms with a 'Global Legal Advisory Services Licence'. A Limited Liability Partnership Bill will be introduced to facilitate the establishment of the international law firms;
  - d. an 'Investment Banking and Corporate Advisory Licence'; and
  - e. an 'Overseas Family Corporation' Licence.
- Personal and corporate tax holiday of 5-years to Foreign Ultra High Net Worth Individuals investing a minimum of USD 25 million in Mauritius, subject to meeting conditions of employment creation and substance.
- The Government will set up a Mauritius International Derivatives & Commodities Exchange (MINDEX) with an initial seed capital of MUR 50 million.

#### Financial Services Act 2007

The Financial Services Act 2007 will be amended to allow the FSC to:

- a. issue a new Global Legal Advisory Licence to cater for flagship international law firms to set up their regional offices and operations in Mauritius in order to provide legal advisory services on international and domestic transactions. These law firms will not be allowed to litigate in Mauritius;

- b. introduce a Family Corporation Licence to allow high net worth foreigners and their dependents to benefit from residency;
- c. introduce Online Licensing in order to reduce the lead time in the application process for licensees; and
- d. regulate securities for Preferential Offer Rules including Private Placement Schemes for 25 investors or more who individually invest at least MUR 1 million. Private placements, as approved by the FSC, will also be allowed to list on the local exchange.

### **Freeport**

Amendment to the Freeport Act 2004 on manufacturing activities - 80% restriction of the annual export towards Africa will be reduced to 50%.

### **Enhancing business facilitation**

On a positive note, the Minister announced measures to reform business facilitation including an acceleration in issuing Building and Land Use Permits, the removal of constraints around Property Development Schemes, e-licensing facilities, new powers to the Board of Investment to clear projects already in the pipeline, authorisation for non-citizens to acquire apartments and business buildings.

To facilitate business, a standardised and centralised online Know Your Client database will be introduced for the non-bank financial services sector. This database will be managed by the FSC and service providers in the non-bank financial services sector will have access to the database to facilitate execution of transactions.

For enhanced substance, the spectrum of products and services provided by the jurisdiction will be broadened by:

- a. setting up Treasury Centres and Regional Headquarters;
- b. developing Mauritius as the Renminbi clearing centre for the African region to capture trade, investment and financial flows between Africa and China; and
- c. promoting Mauritius as a centre for clearing of African currencies and securities.

For acquisition of property for business purposes, no approval from Prime Minister's Office for companies with non-citizens holding not more than 25% of the shareholding.

### **Alternative Dispute Resolution**

With a view to expedite tax appeal cases exceeding MUR 10 million, except customs and excise duty disputes, an Alternative Dispute Resolution mechanism will be set up at the level of the MRA. A taxpayer who is not satisfied with an assessment not exceeding MUR 10 million or who has appealed to the Assessment Review Committee, the Supreme Court or the Privy Council may apply for the dispute to be dealt under the Alternative Dispute Resolution mechanism. Once the request is agreeable to the Director General, the latter will set up an Alternative Dispute Resolution Panel which will be made up of three persons with one of them from the Attorney-General's Office. The taxpayer will not be required to withdraw his appeal at the level of Assessment Review Committee, Supreme Court or Privy Council. Once an agreement is reached, it will be final, conclusive and binding on the parties and the taxpayer will then be required to

withdraw his appeal before any other appeal bodies. However, the dispute will continue to follow the normal objection and appeal process in case no agreement is reached within 6 months.

#### Companies Act 2001

The following measures are announced:

- Notification within 5 days of registration of a document with the Registrar of Companies.
- Electronic document admissible in legal proceedings.
- Registrar of Companies to issue electronic documents such as certificate of incorporation online.
- Appointment of an administrator instead of a liquidator in the event of winding up a limited life company. The administrator needs not be a registered Insolvency Practitioner.
- Undisposed funds available when companies are being removed from the register of companies to be vested in a Companies Surplus Account or the Curator as the case may be.

#### Financial Reporting Regulation

The Financial Reporting Act 2004 will be amended:

- a. to introduce a mandatory audit firm rotation policy of mandatory audit firm rotation for banks every 5 years and for listed companies every 7 years;
- b. to introduce the concept of penalties and fines on licensees of the Financial Reporting Council (FRC); and
- c. to provide for a line of reporting by the National Committee on Corporate Governance to the FRC.

#### Arbitration

Mauritius is set to become a full-fledged International Arbitration Centre.

#### Mauritius bridging Asia and Africa

The budget outlines several measures for Mauritius to bridge Asia and Africa. For instance, finalisation of the Comprehensive Economic Cooperation and Partnership Agreement with India including a Preferential Trade Agreement, enhancing the Africa strategy through agreements with Senegal, Madagascar and Ghana for the establishment and management of Special Economic Zones; further marketing of the Africa – Mauritius – Singapore – Asia air corridor to position Mauritius as an aviation hub in the region, opening the Mauritius Freeport for the African market, among others.

#### Disclaimer

The principals at \$anFirst shall not be liable for any consequence(s) of any action taken by anyone relying on information provided in this budget brief. Should you have any legal issues, in all cases, you must seek specific independent legal advice. The information in this brief is only a caution and informational in nature and do not, in any circumstances, constitute legal advice from \$anFirst. Also, we are under no obligation to update the information in this brief. You may contact us for the full budget speech delivered by the Minister or download it from the website of the Ministry of Finance and Economic Development: [www.mof.govmu.org](http://www.mof.govmu.org)

The budget proposals have not yet been debated in the National Assembly and may therefore be subject to changes. Additional measures may also be included in the Finance Act 2016.

30 July 2016