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2023-2024 BUDGET INSIGHTS.

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BUDGET 2023-2024

The Honourable **Renganaden Padayachy**, Minister of Finance, Economic Planning and Development delivered his fourth budget on the 02 June 2023 on the back of strengthening economic fundamentals and making Mauritius more competitive, attractive and sustainable.

We recognize that a real effort was made to ensure equality of gender, strengthen the legal and regulatory laws and improve the ease of doing business.

The current tax regime has been overhauled in a bid to restore Mauritius as an attractive destination to work and live. This will certainly help to attract investments and strengthen the economy.

The introduction of incentives to leverage Mauritius as a carbon neutral and green certified jurisdiction is certainly welcomed. In line with global trends, Mauritius is gearing towards sustainability by adopting key measures for zero carbon emissions. Sustainable developments will bring various socio-economic benefits to the country by reducing energy use. The advent of sustainable solutions will increase operational and resource efficiency across industries and encourage innovation by developing new products to create new growth opportunities.

The Financial Services sector remains a key contributor to the Mauritian economy. Although some interesting measures have been announced, we however note that more should have been done to boost this pillar of the Mauritian economy.

Rizwana Ameer Meea

Chief Executive Officer & Director



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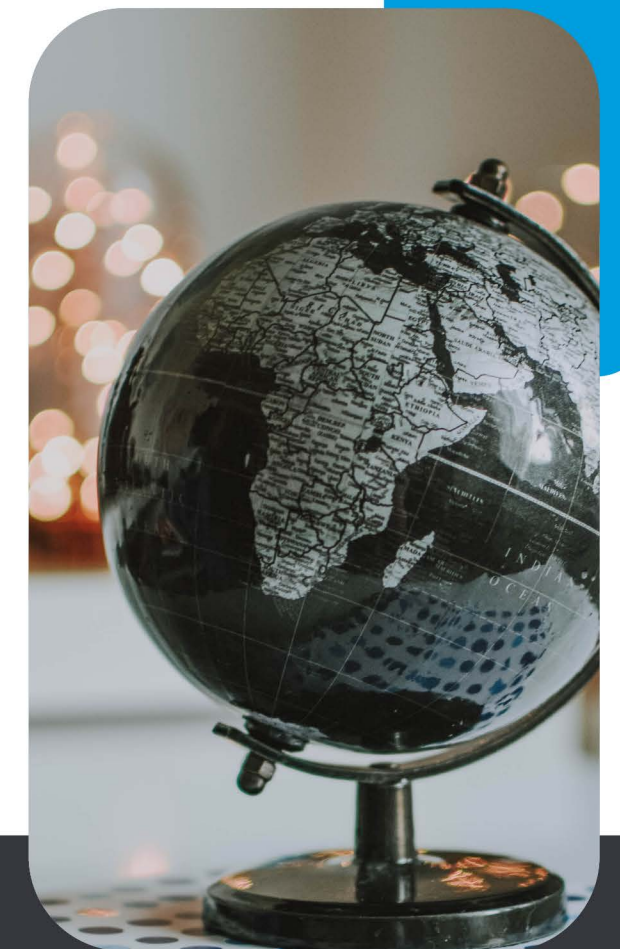
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ECONOMIC LANDSCAPE

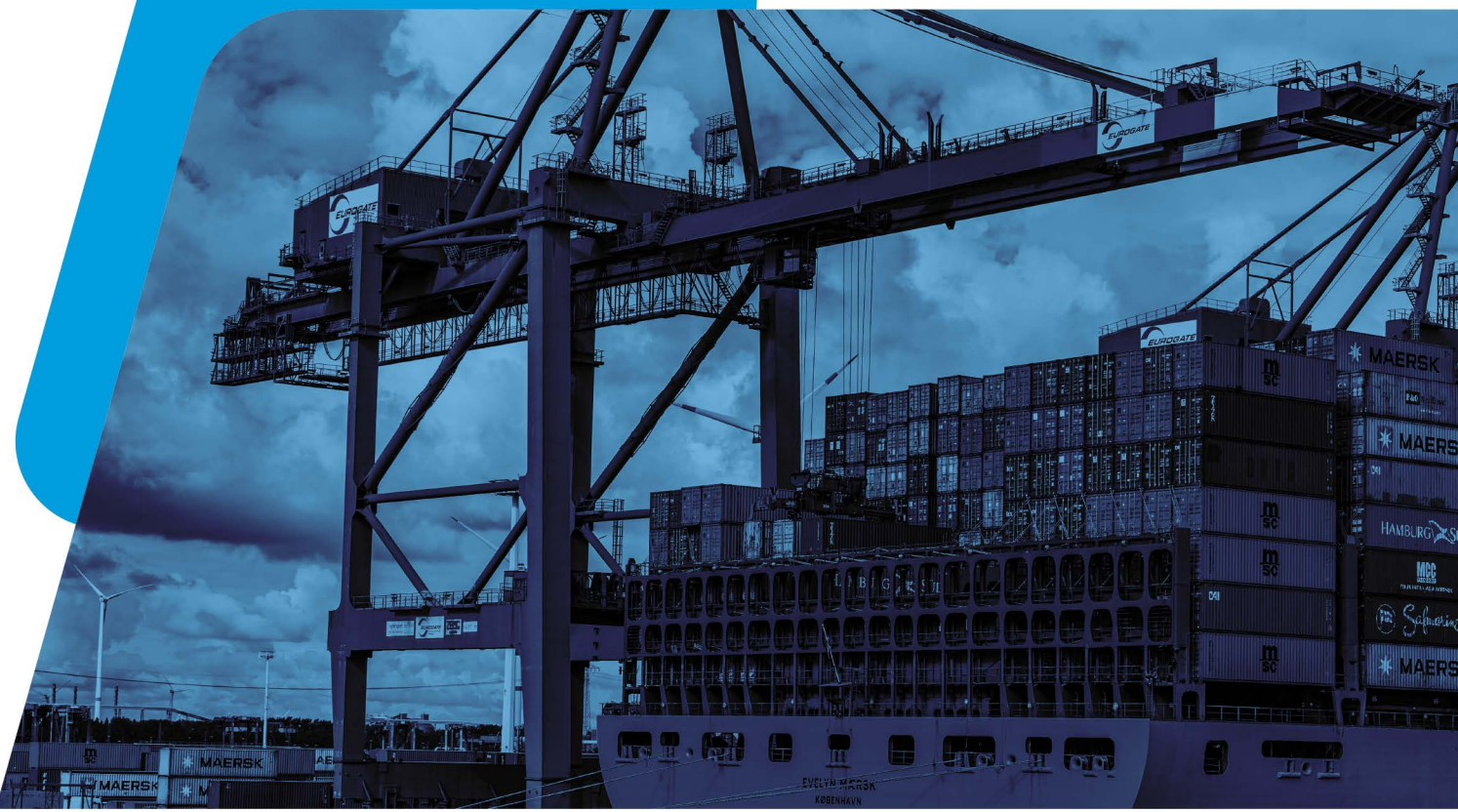
According to the IMF's World Economic Outlook in April 2023, Mauritius was amongst the 20 fastest growing economies in the world last year. The macroeconomic indicators are positive underpinning the strength of our island economy.

- In 2022, the Mauritian economy grew at 8.7% outperforming an initial forecast of 7.2% . It is expected that the economy will replicate this good performance for the coming fiscal year with a projected growth of 8%.
- GDP reached MUR570bn.
- The Financial Services sector being the second largest contributor.
- Foreign Direct Investment totaled MUR27.7bn.

- Total investment totaled MUR113bn.
- Exports of goods and services amounted to MUR320bn.
- Unemployment rate declined from 9.1% in 2021 to 7.7% in 2022
- Government debt and Public sector debt both decreased by 7.2%, now at 68.7% and 79% respectively. It is expected that public sector debt will be further reduced by the end of June 2024.
- Tourist arrivals have increased from 553.1k to reach 1.2m by end of June 2023.
- Tourism earnings will reach MUR80bn in this fiscal year, 20% higher than pre-pandemic levels. The country's goal is to achieve 1.4m tourists next year and MUR100bn of earnings from tourism.
- Inflation is likely to be reduced due to falling global commodity prices and the stabilization of the Mauritian rupee.



We outline in the following pages the key changes which has a direct impact on our clients. Should you require any further information or clarification, we would be pleased to assist you.



FINANCIAL SERVICES

- The activities permissible under a Variable Capital Company shall be extended to include family offices and wealth management.
- A Wealth Manager and Family Officer licence will be introduced under Private Banking.
- Securities Act amended to allow funds to invest in loans or similar debt instruments.
- Existing laws and regulations have been reinforced in line with international standards and best practices.
- The Virtual Asset and Initial Token Offering Services Act amended to:
 - Allow a virtual asset custodian to hold custody of securities tokens
 - Empower the FSC to make rules for setting up a virtual asset register on virtual asset service providers.
- Reinforcement of the existing AML/CFT legal framework and introduction of a Whistleblowing Act to combat corruption.
- Setting up of the Mauritius Deposit Insurance Scheme and Mauritius Deposit Insurance Company in view of protecting depositors.



- Introduction of a new framework to support the licensing and operation of Electronic Money Institutions.
- Financial Services Act amended to:
 - Require moneylenders to comply with the requirements of FSC instead of prudential requirements.
 - Require licensees to submit independent compliance reports to the FSC.
 - Clarify that the issuance of a certificate of good standing also applies to authorised companies.
 - Allow the FSC to recover annual fees and late charges without any time limit.
- Existing laws and regulations have been reinforced in line with international standards and best practices.
- FSC empowered to take enforcement actions in case of breach of AML/CFT laws.
- Reinforcement of the existing AML/CFT legal framework and introduction of a Whistleblowing Act to combat corruption.
- Undertaking of a National Risk Assessment of money laundering and terrorism financing risks with the assistance of World Bank

TAXATION

- The partial exemption granted in respect of interest earned by a Collective Investment Scheme (CIS) or a Closed End Fund (CEF) established in Mauritius will be increased from 80% to 95%. Hence the effective tax rate shall be 0.75%.
- Interest income derived from bonds, debentures or sukuk issued by an overseas entity to finance renewable energy projects ("Green Bonds") approved by the MRA will be exempted
- The MRA will:
 - not recover tax owed by a cell of a protected cell company from other cells or non-cellular assets
 - treat each sub-fund of a variable capital company as a separate entity for the purpose of recovery of tax
- Tax Deduction at Source (TDS) will not apply on fees paid to
 - Management Company licensed by the FSC
 - Investment Adviser licenced by the FSC

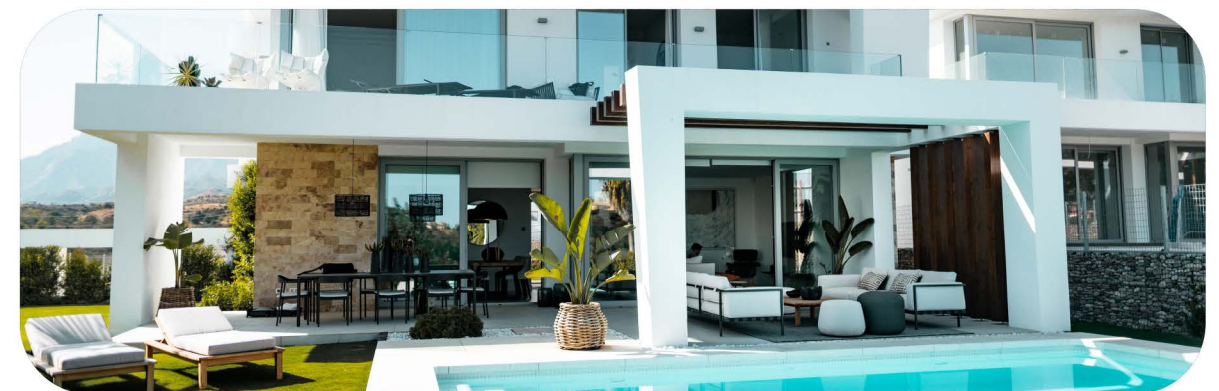
LIVE AND WORK IN MAURITIUS

- A reduction of the salary threshold for Occupational Permit as professionals to MUR 30,000 (less than USD1000).
- Young professional Occupation Permit opened to all fields of study.
- A person applying for an occupation permit as an investor or self-employed are granted up to 4 weeks from the date of issuance of the permit to show evidence of transfer of funds. Hence there is no need to produce evidence of availability of funds at the time of application.

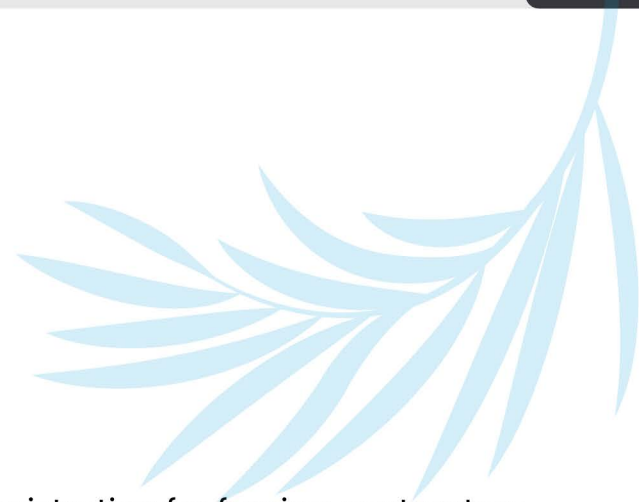


Mauritius was made first and then heaven; and heaven was copied after Mauritius
– Mark Twain

- No requirement of opening a bank account at the initial stage for retired non-citizens. A bank statement along with a written undertaking to open a bank account within 2 months will be accepted.
- For the recruitment of foreign labour under a work permit, a streamlined process will be put in place for companies with a good track record.
- Removal of the ratio of foreign to local employees for specific sectors
- Allowing non-citizens on a tourist or business visa to apply for a Work Permit
- Allowing foreign retirees to take up employment in specific sectors
- Allowing medical patient and retirees with up to 2 accompanying caretakers to apply for Premium Visa
- Giving retirees above 60 years old access to medical insurance
- Allowing the acquisition of a residential property of a minimum value of USD350k by a resident non-citizen outside of existing schemes, subject to the payment of an additional registration duty of 10%. Only one property may be acquired by the main holder of a resident permit and not his or her spouse or children
- Granting of residence permit to a retired non-citizen and his family on the acquisition of a property in a Property Development Scheme project relating to senior living provided that the acquisition price exceeds USD200k the non-citizen is aged above 50 years old. The validity of the Residency Permit will be applicable as long as the buyer holds the property
- Allowing a non-citizen and his family to be granted a residence permit on the acquisition of property of a minimum price of USD375k under the Sustainable City Scheme. The status of resident will remain valid as long as the buyer holds the property.
- Minimum threshold of residential property eligible to be acquired outside of existing schemes by resident non-citizens now increased from US\$350,000 to US\$500,000.



RENEWABLE ENERGY



- Introduction of a new category of registration for foreign contractors implementing utility scale RE projects
- Provide 50% waiver on the increase of electricity prices for the next two years for companies moving towards 100% renewable energy
- Provide 75% subsidy for the conduct of energy audits
- Provide incentives under the Premium Investor Certificate for investments linked to production of materials for renewable energy technologies
- Extend the exemption of interest income derived from bonds to finance renewable energy projects to all sustainable projects
- Introduce a Carbon Trading framework for both blue and green credits by the Bank of Mauritius
- Introduce renewable energy schemes for hotels, commercial centres, shopping malls and the agricultural sector

SUSTAINABLE ECONOMY ---

- Making Mauritius a carbon-neutral economy through the approval of 1,400 renewable energy projects totalling 136 megawatts.
- Introduction of renewable energy schemes for hotels, commercial centres, shopping malls, and the agricultural sector, and the extension of the carbon-neutral scheme for the ICT sector
- Installation of 72W Solar PV systems and solar-powered street lighting across parts of the country and investment in a 14-megawatt solar photovoltaics system in the airport area.

*Bridging The
Gap, Building
Wealth,
Securing
Futures.*



FINANCIAL SECTOR

COMPANIES ACT

- The service address of a company has to be in Mauritius.
- A time limit of one month shall be applicable from the date of resignation or death of the last remaining director to appoint new directors. Failure to do so will result in removal from the register of companies by the Registrar of Companies.
- Extend the timeline for a company to send its annual report to shareholders from 14 days to 21 days before the annual meeting.
- Enable the electronic distribution of annual reports and financial statements, with the possibility of shareholders requesting for a hard copy.

01

UNITED NATIONS (FINANCIAL PROHIBITIONS, ARMS EMBARGO AND TRAVEL BAN) SANCTIONS ACT

Amendments made to specify reporting obligations of specified entities to the National Sanctions Secretariat.

02

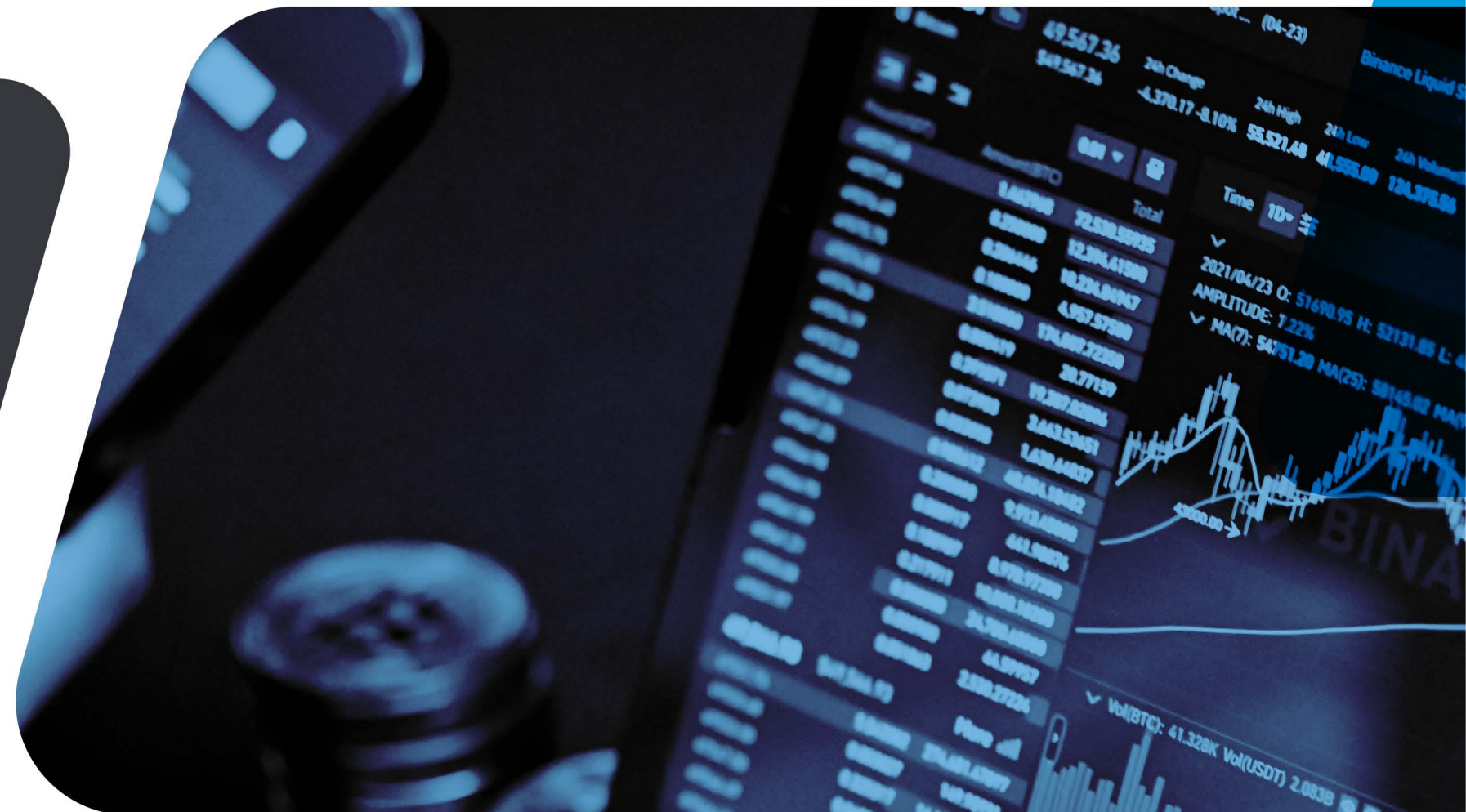
VIRTUAL ASSET AND INITIAL TOKEN OFFERING SERVICES

- A Virtual Asset Custodian will be allowed to hold custody of securities tokens.
- The FSC shall be empowered to make Rules for the setting up of a Virtual Asset Register on virtual asset service providers.

03

MANUFACTURING

- Investment tax credit to be extended to all manufacturing companies for the next three years.
- Renewal of Africa Warehousing Scheme for three years.
- Accelerate the decarbonisation of the manufacturing sector and transition to a carbon-neutral industry.
- Provision of a 75 percent subsidy for conducting energy audits. This will allow access to expertise to improve energy efficiency.



EASE OF DOING BUSINESS

- *Introduction of a unique identification number to a company, be it for company, business registration, VAT, tax or employee number to be used across government agencies.*
- *Premium investor scheme extended to cover investors acquiring government undertaking to benefit from incentives.*

- *Setting up of a B-ready coordination committee for implementing reforms around ease of doing business.*

INFORMATION, COMMUNICATION AND TECHNOLOGY (ICT)

- *New campuses and local training institutions partnering with African counterparts allowed a double deduction on their costs for developing the sector and local workforce.*

TAXATION

- *Abolishment of solidarity levy*
- *Introduction of a graduated progressive tax rate*
- *Tax rates will no longer be determined on annual net income but rather chargeable income*
- *The different income brackets will be subject to progressive tax rates*
- *Interest derived by CIS and CEF will be eligible to partial exemption of 95% instead of 80% (reduction in effective tax rate on interest income of CIS and CEF from 3% to 0.75%)*

- *Exemption of interest income from bonds, debentures or sukuku issued by overseas entities to finance renewable energy projects (green bonds)*
- *Profits derived from the sale of aviation fuel to an airline will be taxed at 3%*
- *Companies manufacturing medical devices will be taxed at 3%*
- *Investment tax credit of 15% over 3 years granted to manufacturing companies in respect of expenditure incurred on new plants and machinery (excluding motor cars)*
- *Re-introduction of the Tax Arrears Settlement Scheme (TASS) for waiver of penalties and interest*
- *TASS available to taxpayers having pending tax litigations provided the cases are withdrawn*
- *No recourse to assets of other cells or non-cellular cells of PCCs with respect to recovery of tax*
- *Sub Fund or Special Purpose Vehicle of a VCC treated as a separate entity with respect to recovery of tax*
- *Annual reporting to the MRA by Virtual Asset Service Provider and an issuer of initial token offerings of transaction over MUR250k made by individuals, sociétés or succession, and of MUR500k made by a corporate*
- *Double deduction is now available on the following:*
 - *Expenditure incurred by local companies involved in financing, sponsorship, marketing, and distribution of approved film projects with at least 90 percent of the production of the film in Mauritius*
 - *Set up cost of a childcare centre*
 - *Costs incurred by new campuses or local training institutions partnering with their African counterparts*
- *Double deduction on expenditure incurred on market research and product development are no longer restricted to the African market. However, this facility is restricted to companies with a maximum annual turnover of MUR 500Mn.*
- *Tax deduction to companies allowed on employment costs for disabled individuals increased from 200 to 300 percent.*

REGISTRAR-GENERAL'S DEPARTMENT

Transfer of Shares

- Taxes/duty will be levied on the value of share transferred exceeding MUR200k declared in either the deed of transfer or in the certificate, whichever is the higher
- A person acquiring more than 20% of the share capital of a company holding an immovable property should provide a description of the immovable property held and a site plan at the time of registration of the deed of transfer
- Any process of objection on the value of shares transferred will apply to both the transferee and transferor if they are both subject to land transfer tax on the transaction

Please note that the budget proposals have not been enacted into law yet and certain proposals may be amended or even deleted before enactment. The contents of this summary are intended to provide a general guide to the subject matter and should not be construed as tax or legal advice.

STAY CONNECTED

P : +230 260 2644

E : administrator@accuviseltd.com

w : www.accuviseltd.com

7A Mayer Street,
Port-louis , mauritius