



*Your insightful, trusted advisors*

***Giving you comfort over your business***

*June 2020*

***Extracts of the Budget  
Speech 2020/21***



*Your insightful, trusted advisors*



**Neellen Karuppanan**

Partner

T: +230 460 3000

M: +230 5942 1645

neellen@businessalliance.mu

**Business Alliance**

Office 103B

Moka Business Centre

Mount Ory Road, Moka 80813

Republic of Mauritius

Tel: +230 460 3000

[www.businessalliance.mu](http://www.businessalliance.mu)

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Dear Clients/Partners

We trust that you and your family are well and have emerged from lockdown unscathed by the pandemic.

We are sharing with you some extracts of the Budget Speech 2020/2021 read during the COVID-19 pandemic against the backdrop of tight economic times and the immediate sanitary challenges. No one has a crystal ball to predict how the situation will evolve. The only certainty is that this pandemic poses existential threats to businesses, from SMEs to large conglomerates, operating essentially in sector like tourism, transport, retail and entertainment. Financial players like banks, insurers and funds would be indirect victims of the destruction of economic capital.

No doubt, this pandemic has created uncertainties that cast significant doubt on numerous entities' ability to continue as a going concern. In response, innumerable conventional and non-conventional measures with far reaching consequences are being taken to mitigate the downturn in economic activities.

Our presentation is made in a simple and short format to reflect the effects of the measures announced on fiscal and investment provisions of the Budget. The changes are illustrated with hypothetical tax computations.

Have a good reading, and take care of yourself!

**Business Alliance Team**

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# *Effects of Tax Changes*



# Personal Tax

## Income Exemption Thresholds (IET)

- (i) Increase by Rs. 15k for Category A, B, C, F & G
- (ii) Increase by Rs. 50k for Category D
- (iii) Increase by Rs. 80k for Category E

## Deduction for bed ridden dependent

An additional deduction between Rs. 80k and Rs. 110k for a bedridden next of kin in a taxpayer's care as dependent provided the number of dependents does not exceed four.

## Hypothetical tax computations

*Individual having annual net income < Rs. 650k (Gross income less all allowable deductions)*

| Income year                                | 2020/21          | 2019/20   |
|--|------------------|-----------|
| Net income before IET                      | <b>1,060,000</b> | 1,060,000 |
| Less: IET Category B (Increase of Rs. 15k) | <b>435,000</b>   | 420,000   |
| Net income                                 | <b>625,000</b>   | 640,000   |
| <b>Tax @ 10%</b>                           | <b>62,500</b>    | 64,000    |

*Individual having annual net income > Rs. 650k (Gross income less all allowable deductions)*

| Income year                                | 2020/21          | 2019/20   |
|--|------------------|-----------|
| Net income before IET                      | <b>1,620,000</b> | 1,620,000 |
| Less: IET Category B (Increase of Rs. 15k) | <b>435,000</b>   | 420,000   |
| Net income                                 | <b>1,185,000</b> | 1,200,000 |
| <b>Tax @ 15%</b>                           | <b>177,750</b>   | 180,000   |

# Personal Tax

## Solidarity levy

*Increase from 5% to 25% on leviable income (chargeable income + dividends from resident companies) in excess of Rs. 3m (2019/20 : Rs. 3.5m)*

## Hypothetical tax computations

*Individual having annual leviable income in excess of Rs. 3m (2019/20 : Rs. 3.5m)*

| Income year                           | 2020/21        | 2019/20        |
|---------------------------------------|----------------|----------------|
| Net income before IET                 | 4,000,000      | 4,000,000      |
| Dividends from resident companies     | 1,000,000      | 1,000,000      |
| Total income before IET               | 5,000,000      | 5,000,000      |
| Less: Exempt income                   | (1,000,000)    | (1,000,000)    |
| IET Category C (increase of Rs. 15k)  | (515,000)      | (500,000)      |
| Chargeable income                     | 3,485,000      | 3,500,000      |
| Tax @ 15%                             | 522,750        | 525,000        |
| Solidarity levy (refer to next table) | 371,250        | 50,000         |
| <b>Total tax</b>                      | <b>894,000</b> | <b>575,000</b> |

| Income year            | 2020/21        | 2019/20       |
|------------------------|----------------|---------------|
| Leviable income        | 4,485,000      | 4,500,000     |
| Threshold              | 3,000,000      | 3,500,000     |
| Leviable amount        | 1,485,000      | 1,000,000     |
| Levy @                 | 25%            | 5%            |
| <b>Solidarity levy</b> | <b>371,250</b> | <b>50,000</b> |

## Contribution Sociale Generalisée (CSG)

❑ *Effective 1 September 2020, the National Pension Fund is being abolished and replaced by a new system, the CSG.*

❑ *Contribution will be as follows:*

| Monthly salary | Employee | Employer |
|----------------|----------|----------|
| ≤ Rs. 50,000   | 1.5%     | 3%       |
| > Rs. 50,000   | 3%       | 6%       |

The Budget proposals may be amended significantly before enactment. The views expressed on do not constitute professional advice. Users are encouraged to obtain their own professional advice.

# Value Added Tax

## Government contracts

- ❑ *Payment of VAT to MRA from receipt date instead of the date of invoice.*

## Digital and electronic services

- ❑ *VAT is applicable to services provided through internet by non-residents for consumption in Mauritius.*

### *Business Alliance's comments:*

*The provision adds to the existing provision on reverse charge on supply of services received abroad.*

## Exempt items (additional items)

- ❑ *Construction materials and specialised equipment purchased by medical R & D centres.*
- ❑ *Equipment purchased by persons under a new inland aquaculture scheme.*

## From exempt to zero-rated

- ❑ *Unprocessed agricultural and horticulture produce*
- ❑ *Live animals used as food for human consumption except live poultry*
- ❑ *Transport of passengers by public service vehicles excluding contract buses for the transport of tourists and contract cars*
- ❑ *Medical, hospital and dental services*

# Corporation Tax

## Levy on companies or group of companies with gross annual income > Rs. 500 m

- ❑ **0.3% for insurance companies, financial institutions, service providers and property holding companies**

| Income year         | 2020/21     | 2019/20 |
|---------------------|-------------|---------|
| Gross annual income | <b>600m</b> | 600m    |
| Levy @ 0.3%         | <b>1.8m</b> | -       |

- ❑ **0.1% for other companies**

| Income year         | 2020/21     | 2019/20 |
|---------------------|-------------|---------|
| Gross annual income | <b>600m</b> | 600m    |
| Levy @ 0.1%         | <b>0.6m</b> | 0       |

- ❑ **No levy applicable to companies holding a Global Business Licence and companies in the tourism sector.**

## Solidarity levy on Telephony Service Providers made permanent

- ❑ **Profitable company: 5% of accounting profit and 1.5% of turnover**

| Income year       |              | 2020/21        | 2019/20 |
|-------------------|--------------|----------------|---------|
| Turnover          |              | <b>200k</b>    | 200k    |
| Levy @ 5%         | (A)          | <b>10k</b>     | 10k     |
| Accounting profit |              | <b>50k</b>     | 50k     |
| Levy @ 1.5%       | (B)          | <b>0.75k</b>   | 0.75k   |
| <b>Total levy</b> | <b>(A+B)</b> | <b>10.750k</b> | 10.750k |

- ❑ **Loss making company: 1.5% of turnover (previously no levy if the operator incurred a loss in the immediate preceding year)**

| Income year                 | 2020/21     | 2019/20 |
|-----------------------------|-------------|---------|
| Turnover                    | <b>200k</b> | 200k    |
| Loss (Year 2018/2019 loss ) | <b>20k</b>  | -       |
| Levy @1.5% of turnover      | <b>3k</b>   | Nil     |

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# Corporation Tax

## **Added to the existing list of the Income Tax Act:**

- ❑ *Emoluments in respect of a disabled person*
- ❑ *Emoluments and training costs in respect of an employee employed in any business set up in Rodrigues*
- ❑ *Expenditure incurred in deep sea ocean water air conditioning*
- ❑ *Expenditure incurred on water desalination plant*
- ❑ *Investment in creches*

## **the following double tax deductions:**

- ❑ *Manufacturing companies on the acquisition cost of patents and franchises, including costs incurred to comply with international quality standards and norms*
- ❑ *Medical R&D centres on R&D expenditures*

## **Partial exemption on interest income**

- ❑ *80% of interest income was exempt from income tax from 1 January 2019. The exemption is now not available to:*
  - *Non-bank deposit taking institutions*
  - *Money changers*
  - *Foreign exchange dealers*
  - *Insurance companies*
  - *Leasing companies*
  - *Companies providing factoring, hire purchase facilities or credit sales facilities*

## **Tax holidays of 8 years**

- ❑ *To the existing list of entities which can benefit the 8 years tax holidays, the following are added:*
  - *the manufacture of nutraceutical products starting operations on or after 4 June 2020*
  - *the manufacturing of pharmaceutical products, medical devices or high digital products having started operations on or after 8 June 2020*
  - *the blue economy operating under the newly introduced inland aquaculture scheme*
  - *worldwide institutions that set up a branch campus in Mauritius*

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# *Work and live in Mauritius*



# Permits

## Occupation permits (OP)

- ❑ *Eligibility for certain specific sectors with a minimum salary of Rs. 30k.*
- ❑ *Validity lengthened to 10 years renewable. Applicable also to retirees holding a Residence Permit.*
- ❑ *Minimum required investment reduced from USD 100k to USD 50k.*
- ❑ *Spouse of OP holder will not need a permit to invest or work in Mauritius. Parents of OP holder will be allowed to live in Mauritius.*
- ❑ *Professionals with an OP will be able to invest in other ventures without any shareholding restriction. Applicable also to retirees holding a Residence Permit.*

## Residence permits (RP)

- ❑ *No requirement for an OP or work permit to invest and work in Mauritius for holders of a RP under the various real estate schemes.*
- ❑ *OP and RP holders eligible to apply for Permanent Residence Permit after 3 years.*

## Permanent Residence permits

- ❑ *Extension from 10 to 20 years for Permanent Residence Permit.*
- ❑ *Minimum investment to obtain Permanent Residence, or for a holder of an immovable property under an existing scheme to obtain the status of Resident, is reduced from USD 500k to USD 375k.*

## Holders of permits

- ❑ *Holders of any of the above permits are allowed to acquire serviced land of less than 2,100 m<sup>2</sup> for residential purposes within smart cities subject to certain conditions.*

### Business Alliance's comments:

*The above permits have no relationship with 'Tax Residency' which is an issue dealt with under the Income Tax Act. A person can be tax resident without holding any of the above permits.*

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# Property taxes

## Exemption

- ❑ *From registration duty on acquisition of newly built dwellings for Mauritians extended to 30 June 2022 and for a threshold value of Rs. 7 million.*
- ❑ *From land transfer tax to a promoter undertaking construction of projects under the house estate scheme extended to exempt residential units of up to Rs. 7 million.*
- ❑ *To first time buyer registration duty extended to cover inherited land area of less than 20 perches.*
- ❑ *From registration duty and land transfer tax for the purchase of immovable property for companies engaged in certification, testing and accreditation of local laboratories.*
- ❑ *From registration duty on acquisition of immovable property in the sciences sector.*

***“A budget is telling your money where to go instead of wondering where it went.”***

***Dave Ramsey***

***American radio show host, author and businessman***

# *Our Team*



## *Management structure*

***Neellen Karuppattan***  
*Head of Risk Assurance Service*



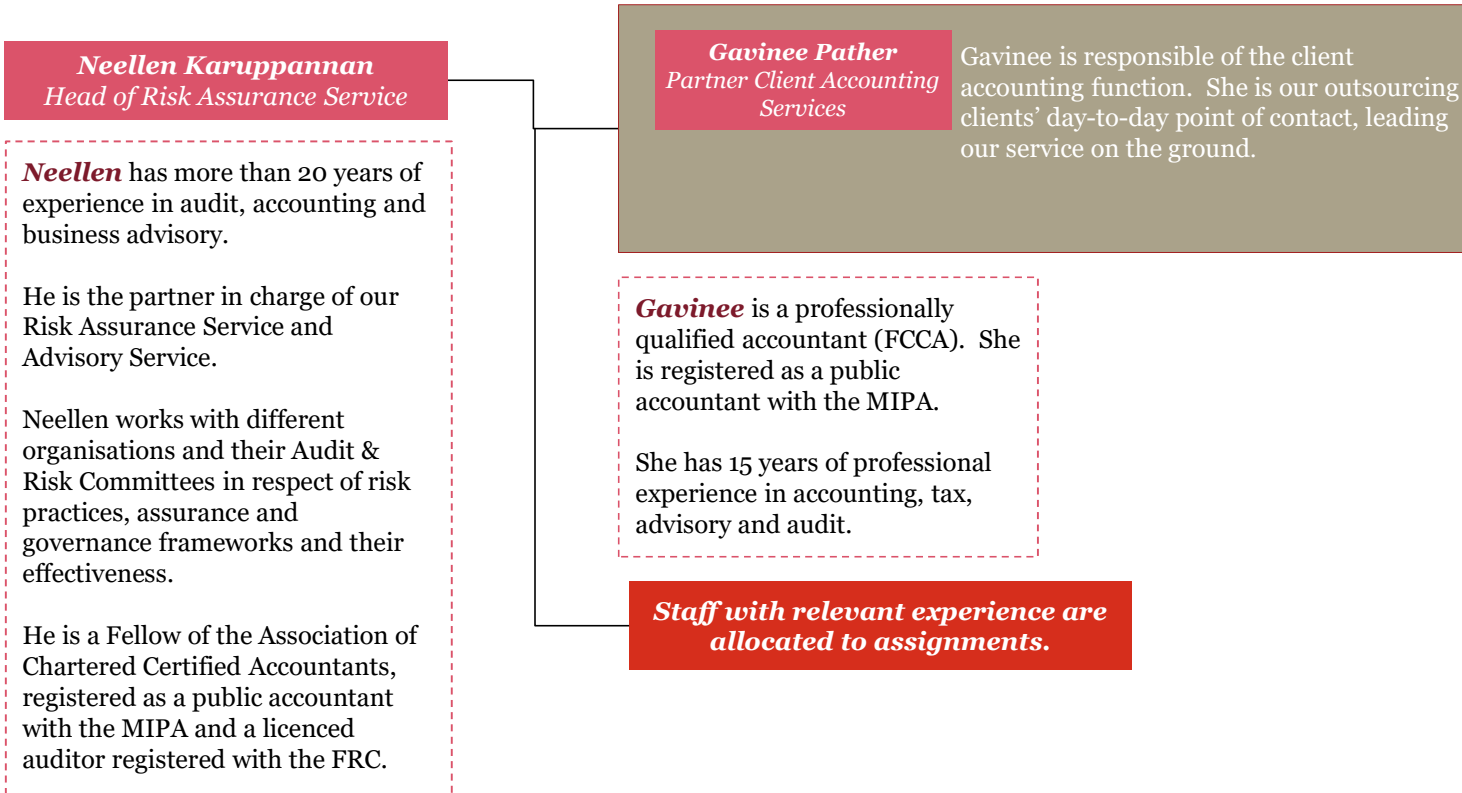
***Gavinee Pather***  
*Partner Client Accounting Services*



### ***Key personnel continuity***

We commit that our management team will service you throughout our tenure of office. Neellen and Gavinee will be your contact persons.

## Management structure



# BOKS INTERNATIONAL

**Business Alliance is an independent member of BOKS International.**



**55**  
**Members**

**42**  
**Countries**



Contact details:

***Neellen Karuppattan***

**Partner**

**Risk Assurance Service**

T: +230 460 3000

M: +230 5942 1645

E: [neellen@businessalliance.mu](mailto:neellen@businessalliance.mu)

***Gavinee Pather***

**Partner**

**Client Accounting Services**

T: +230 460 3000

M: +230 5422 2999

E: [gavinee@businessalliance.mu](mailto:gavinee@businessalliance.mu)

**Business Alliance**

103B

Moka Business Centre

Mount Ory Road, Moka 80813

Republic of Mauritius

Tel: +230 460 3000

[www.businessalliance.mu](http://www.businessalliance.mu)



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