

Budget 2011 Highlights

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INTERNATIONAL TAX, CORPORATE AND TRUST SOLUTIONS

FOREWORD

The first budget of Honorable Pravind Jugnauth, Vice Prime Minister and Minister of Finance & Economic Development is an extension of the ERCP document produced in August 2010.

The three objectives set in this budget are:

1. Rebalancing Growth
2. Enhancing Productivity
3. Social Integration

PLEASE NOTE THAT THE BUDGET PROPOSALS MAY BE SUBJECT TO AMENDMENTS DURING DEBATES IN PARLIAMENT. WE RECOMMEND THAT YOU SEEK PROFESSIONAL ADVICE BEFORE TAKING DECISIONS BASED ON THESE MEASURES.

BANKING AND THE FINANCIAL SERVICES INDUSTRY

- Encouraging regional headquarters incorporation and activities in Mauritius by allowing corporations holding Category 1 Global Business Licence to extend their operations to the domestic economy. The local operations will be subject to the same rate of tax as domestic companies and will still benefit from foreign tax credit on income from foreign sources.

We welcome this measure. Mauritius, as a financial centre, has often been criticized as being a tax haven and has over the years faced tough challenges from foreign authorities such as India. The ring fencing of onshore activities and activities has not helped our case. This change will help to enhance the substance element which is critical issue for all tax planners. More activities can be undertaken in Mauritius.

- The Trust Act will be amended to apply the rule of perpetuity to allow unlimited duration of non-charitable purpose trusts.
- New economic diplomacy initiative will be used to position Mauritius as the preferred gateway into Africa.
- The potential merger of the Bank of Mauritius (BOM) and the Financial Services Commission into one single institution.
- Statutory amendments will be made to allow the BOM to:
 1. Further enhancement of the Islamic related banking business by contributing USD 5m to the Islamic Liquidity Management Board.
 2. Amendments to the Banking Act to empower the Bank of Mauritius (“BOM”) regarding monetary policy and operational matters.

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3. Issue a larger variety of instruments for the management of liquidity.
4. Allow the BOM to lengthen the maximum period for which the BOM can grant advances from 3 months to 6 months.
5. Broaden the list of collateral which the Bank may accept.
6. Give wider powers to the BOM to develop the forex and derivatives market.
7. Bring the legal framework for the banking sector in line with insolvency legislation.

TAXATION

Freeport Sector

- Application of normal tax rate of 15% which was scheduled for 1 July 2011 has been extended by a further two years.

Gains on sale of land and immovable property

- Gains on sales on land and immovable property, including morcellements, will be taxed at the rate of 15%. Accordingly, the surcharge of 5% on land transfer tax will be removed.
- A reduced rate of 10% from gains on sale of land and immovable property will apply to individuals and they will also benefit from an exemption on the first MUR 2 million of the gains. No tax will apply to land and immovable properties when received by way of inheritance

Interest Income

- Interest income is being reinstated as exempt income with effect from 1 January 2010.
- Tax withheld at source during 2010 will be refunded in the form of tax credit on the 2012 and 2013 tax return.

Sociétés involved in real estate business

- To be taxed in their own name instead of in the name of individual partners at the rate of 15%.

Agro Industry

- Reintroduction of the tax exemption on the first 60 tonnes of sugar for small planters with less than 15 hectares of land and who rely solely on sugar income. They will not be required to submit a tax return
- Abolishment of the 15% income tax on the surplus generated from sugar operations by Cooperative Credit Societies.

Individual Taxation

- Income tax exemption for lump-sum on retirement and severance has been increased from MUR 1 million to MUR 1.5 million.

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- Solidarity Income Tax of 10% on exempt income introduced for taxpayers with total income of more than MUR 2 million.
- Taxpayers with total annual income of less than MUR 2 million and investing in a home for the first time will be provided for a deduction of up to MUR 120,000 on interests paid on mortgage loans taken as from 1 January 2011. This facility will be extended to the original mortgage taken since 1st July 2006 by first time home owners.
- Taxpayers with total annual income less than MUR 2 million and whose children, up to a maximum of 3 children, are following a non-sponsored full-time undergraduate at a recognized tertiary education institution will be provided with the following additional exemption:
 1. MUR 80,000 for 3 consecutive years of study per child following courses in Mauritius
 2. MUR 125,000 for 3 consecutive years of study per child following courses overseas
- National Residency Property Tax is being abolished

VAT

- VAT will be applied on cosmetic surgery provided by Private Health Institutions
- VAT will be charged on goods and services supplied by the Mauritius Turf Club and horse stables, and on the management services to tote operators.

Excise duties

- The rate of excise duty on cigarettes and tobacco will be raised by 25%.
- Excise duty on rum and liquor will be increased by MUR 100 per litre. For all other alcoholic products a 20% increase in excise duty will apply.
- Excise duty on PET bottles, plastic bags and cans increased from MUR 1 to MUR 2.
- MID levy on each litre of petroleum products and each kg of coal and LPG will be increased to 30 cents.
- The specific rates of excise duty on petroleum products will be increased by 10%.

Others

- The license fees for casinos and Gaming House 'A' increases from MUR 500,000 to MUR 3.5 million. Other increases in license fees are as follows:
- License fees for Gaming slot machines will be raised to MUR 125,000.
- For Gaming House 'B', the license fees will be raised to MUR 50,000.
- For horse-racing, all bookmakers will have to pay an increase of 67% of their license fees.
- License fees of all other betting outlets, including totalisators, football betting outlets and bookmakers operating through remote control communications, will be increased by 100%.
- For sweepstake organizers, local pool promoters, agents of foreign pool and operators of dart games, the license fees will be increased by 50%.
- Pool betting duty on foreign football matches will be increased from 10% to 12%.
- The rate of tax on fixed odds betting football matches and horse racing will be raised from 8% to 10%.

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Tax administration

- Capital allowances that can be claimed on motor cars has been limited to MUR 3 million per motor car.
- The due date for submission of returns and payment of taxes electronically by individuals have been extended by 15 days.

IMPROVING THE DOING BUSINESS ENVIRONMENT

- The threshold for the Board of Investment to issue Occupation Permits for professionals will be lowered to MUR 45,000 per month.
- An on-line submission and e-payment of notary deeds will be implemented
- Mauritius to be developed as an international arbitration centre.
- Commercial disputes, where applicable, will be settled within a time frame of 100 days.
- A digital recording system will be installed in the hearing rooms of the Employment Relations Tribunal to ensure timely delivery of awards, orders and rulings.

MAURITIUS DUTY FREE SHOPPING PARADISE.

- Due to the euro-zone crisis, the Government is providing domestic oriented enterprises with a further breathing space before removing protection. Moreover, a sub-fund will be created out of the Private Equity Fund to promote their exports.
- The Board of Investment will set up a dedicated desk for promoting the duty-free shopping as a new sector of the economy

MAURITIUS AS A KNOWLEDGE HUB

- Focus on attracting more foreign students.
- Accreditation and mutual recognition of qualifications in SADC, COMESA and India will be given priority.
- A new Student Visa Scheme will be introduced.
- Foreign students will be allowed to work on a part-time basis.

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- The Ministry of Tertiary Education will set up a specialized unit for processing
- applications of foreign students, scholarships and visas.
- Every educational institution will be required to set up a facility for assisting its foreign.
- students to find an accommodation.
- For the academic staff in institutions registered by TEC, BOI will handle their Occupation.
- Permits regardless of their income level.

MEDICAL HUB

- An Assisted Human Reproductive Technologies legislation will be introduced to facilitate the development of in-vitro donor egg and donor sperm treatment.
- A framework to facilitate investment in stem cells research and treatment in Mauritius will be developed.
- Removal of customs duty on cosmetic products and pharmaceuticals imported as samples for testing purposes in Mauritius.
- Finalization of the draft Bill on Human Tissue (Removal, Preservation and Transplant).

SALARY COMPENSATION

Salary (MUR)

Up to 5,000	3.2%
5,001 – 12,000	MUR 175
12,001 – 30,000	MUR 190
>30,000	Nil

If you have any queries about the Budget 2011, or if you would like to discuss its implications and planning opportunities please contact us:

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