Rogers Capital
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2021-22

NATIONAL BUDGET INSIGHTS

OUR TEAM

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AGENDA

01 WORLD ECONOMY

02 MACROECONOMIC REVIEW

03 SECTORIAL MEASURES

04 TAX

05 ABOUT ROGERS CAPITAL

01. WORLD ECONOMY

ANTISH BISSESSUR
CHIEF INVESTMENT AND DEVELOPMENT OFFICER

Shifting gears

Rebound in global economic activity

After a difficult pandemic-dominated 12 months, the World Economy is recovering, albeit unevenly. Developed countries have an edge in terms of their faster vaccination programmes and have recovered/ are predicted to recover faster than emerging countries. The different recovery speed for countries is also on the account of the **ability of Governments** to provide **support** to **vulnerable social groups and businesses**, extent of reliance on certain specific sectors, as well as public health facilities and vaccine procurement capability.

Table 1 – Real GDP Growth	2019	2020	2021(F)
World	2.80%	(3.30%)	6.00%
US	2.20%	(3.50%)	6.40%
EU Area	1.30%	(6.60%)	4.40%
UK	1.40%	(9.90%)	5.30%
China	5.80%	(2.30%)	8.40%
India	4.00%	(8.00%)	12.50%
Sub-Saharan Africa	3.20%	(1.90%)	3.40%
Mauritius	***3.00%***	***(15.80%)***	*6.60%*

Source: IMF WEO - April 2021

Global GDP is following the **'V-shaped' recovery** - as predicted by several institutions. Among developed economies, sizeable support for 2021 were announced, with President Joe Biden's USD1.9t **stimulus package** notably expected to deliver a strong boost to the US economy and provide a positive spill-over to its trading partners.

01

Developed countries have an edge in terms of their faster vaccination programmes and have recovered/are predicted **to recover faster than emerging countries**

02

Different recovery speed for countries is also on the account of the **ability of governments** to provide **support** to **vulnerable social groups and businesses**

03

Global GDP is following the **'V-shaped' recovery**

Reflationary measures will add pressure on price levels

Several emerging and developing economies resorted to **Asset Purchase Programs** (‘APP’) to help counter market dysfunctions through the issuing of government bonds, with the likes of Brazil, Chile and Hungary also using APP to support government financing by targeting corporate and bank bonds.

Increasing the money supply also means that **inflationary concerns** and **debt** are likely to dominate the minds of economists and policy-makers in the coming years. Short term inflation is likely to be volatile on main grounds of rising food prices and ongoing global supply chain disruptions.

Table 2 – Inflation (at average prices)	2021(F)
World	3.5%
Emerging	4.9%
Sub-Saharan	9.8%

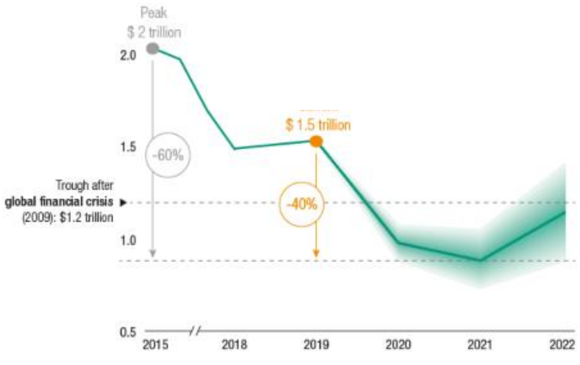
Source: IMF WEO - April 2021

Furthermore, the **inequality across income groups has deteriorated,** with women, the younger population and the relatively low-skilled workforce having been hit the hardest. The IMF notably estimates that an additional 80 million people are expected to be mal-nourished, and 95 million more people defined as living in extreme poverty.

Global Foreign Direct Investment (‘FDI’)

In 2020, both the number of FDI projects and capital investment in FDI plummeted by a third from 2019’s levels. The US remained the top destination for FDI while **renewable energy replaced coal, oil & gas as the top sector by capital investment,** accounting for USD87bn in 2020.

A global recovery in FDI is expected as from this year onwards and **green investments** are expected to be boosted by **favourable tailwinds.**



Source: UNCTAD, World Investment Report, 2020

02. MACROECONOMIC REVIEW

NITISH BENIMADHU

MANAGING DIRECTOR –
PRIVATE CLIENT & SPECIALIST SERVICES

GDP

01 GDP growth for the fiscal year 2021-22 has been estimated at 9% with measures to boost consumption and private sector investments

02 Debt, which is one of the major concerns of the economy, is expected to reach 95% of GDP for 2020-21. Our debt composition, which has normally been built around GDFCF and other capital investments, is now composed of recurrent expenses financed by long-term debt

03 As to private investment, it has been faring below its equilibria of 25% to GDP for a few years now and it is the challenge of the Government to bring this back to optimal levels

04 Given the uncertainties created by the pandemic and the elasticity of our recovery, it will be a tall order to generate the budgeted GDP growth rate of 9% in the coming fiscal year

GDP Growth

2021-22	2020
9%	(15%)

Budget deficit

2021-22	2020
5%	5.6%

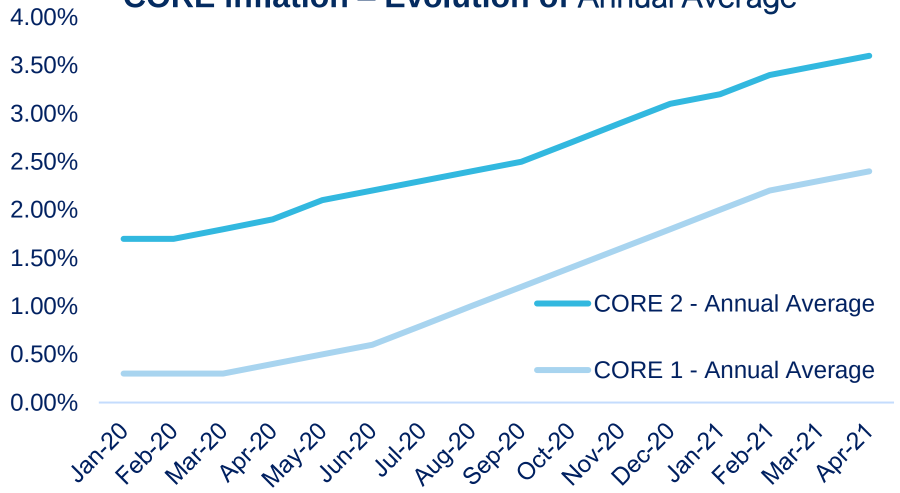
Gross Public Sector Debt

2021-22	2020
91%	95%

Inflation & Unemployment

Inflation

CORE inflation – Evolution of Annual Average



01 Inflationary pressures are explained mainly by disruptions in the global supply chain, rising food prices and the depreciation of the MUR vis-à-vis our main trading partners' currencies. Headline inflation rate as at December 2020 estimated to be around 2.5%

02 Inflation expectations for the months of June 2021 and December 2021 stand at 2.7% and 3.1% respectively

Unemployment

	2019	2020*
Estimated Total working population (above 16 years)	996,600	1,001,700
Activity rate	59.3%	56.9%
Unemployment rate	6.7%	9.2%
Youth unemployment rate	22.8%	26.1%

03 Unemployment rate peaked at 9.2% and the activity rate – defined as the proportion of the population employed and unemployed over the total working population – declined from 59.3% in 2019 to 56.9% in 2020

04 The youth again felt particularly worse off, as youth unemployment rate soared to 26.1%, up from 22.8% in 2019

** Forecast Source: Statistics Mauritius, Bank of Mauritius*

Balance of Payments & Trade

01 The current account deficit also significantly worsened from 2.1% of nominal GDP in 2019 to 4.3% in 2020, further putting pressure on the depreciation of the Mauritian Rupee and inflation

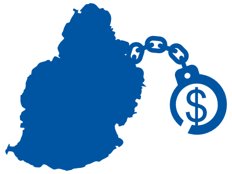
02 Refined sugar, fish and a variety of manufactured goods form the bulk of Mauritian exports. Fish exports has notably increased in importance over the years

03 Food & live animals, refined petroleum products and machinery and transport equipment accounted for more than half of Mauritian imports

As at December	2018	2019	2020*
Current account (deficit) / surplus (MUR m)	**(8,272)**	**(10,552)**	**(18,600)**
As % of nominal GDP	*(1.7%)*	*(2.1%)*	*(4.3%)*
Balance of trade (deficit) / surplus (MUR m)	**(20,305)**	**(22,249)**	**(27,692)**
As % of nominal GDP	*(4.2%)*	*(4.5%)*	*(6.4%)*

** Forecast Source: Statistics Mauritius*

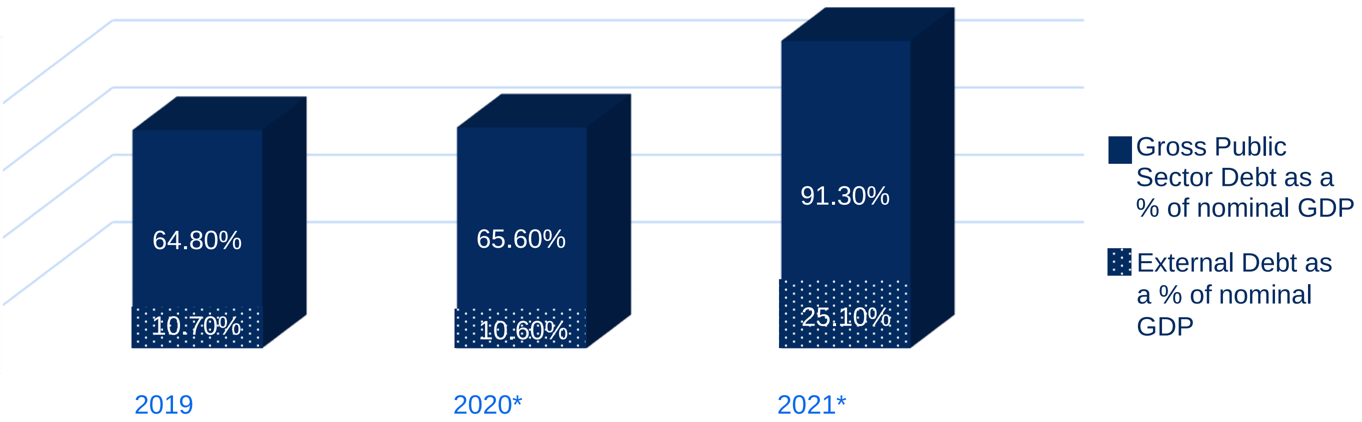
Public Sector Debt



01 Gross Public sector debt, as at March 2021, stood at 91% of nominal GDP. Transfer payments, which include Government expenditure on subsidies, social benefits and grants, ate up about 64% of government revenue. About 25% of total debt is now owed to foreign bodies. Proportion of government revenue dedicated to repaying the interests climbed to 14% as at March 2021.

02 The increase in non-productive debt is also a cause for concern, especially amidst low predicted Government revenue and increased Government expenditure.

03 Transfer payments in the form of pensions and social securities will likely become a major contention issue as the Mauritian population ages up and the demographic burden falls on a massively unemployed/under-employed youth population



** Forecast Source: Statistics Mauritius*

03. SECTORIAL MEASURES

GLOBAL BUSINESS

ROSHAN NATHOO

MANAGING DIRECTOR –
CORPORATE

Global Business

The writing is on the wall.

For the first time since probably the start of the Global Business sector in Mauritius three decades ago, latest statistics indicate a contraction of the sector in 2020.

How can we turn the table?

Pragmatism – There are many factors impacting the industry which are well outside its control. The recent decision by the G7 to champion a global minimum tax on companies is such an example. Pragmatism would dictate that we try to control what we can influence. Our image, the perception that the international community has of the Mauritius IFC, is one such critical area we can influence. Coordination, sharing and understanding between the industry and the government is key to achieve meaningful progress on this front.

Consolidation – The silver lining of the adverse FATF and EU listings is that they have accelerated changes in the industry's compliance framework and ways of doing business. All the effort put into raising compliance and governance standards would simply go to waste if there is no consolidation in the sector to allow only those with infrastructure and skill set of international standard to operate.

Innovation – How do we maintain the relevance of the Mauritius IFC to the international community? Innovation is key. New products such as the recent Special Purpose Funds or the Variable Capital Companies coming soon are steps in the right direction.

Enhancing the status of the Mauritius IFC as a jurisdiction of highest global standard is the strategy of the Minister of Finance as stated in his Budget speech. For that to happen, we will require both **Pragmatism** and **Consolidation**.

The Minister also announced a raft of digitalisation measures at the levels of the FSC and the BoM as well as new legislations on Special Purpose Acquisition Companies and Virtual Assets which should consolidate our **Innovation** drive and certainly contribute to improve and deepen the service offering of the Mauritius IFC.

Budget Measures – Global Business

01 The Financial Services Act will be amended to allow an issue of shares of less than 5% in a licensee without the approval of the FSC, unless such issue results in a change in control in the licensee

02 New legislations will be introduced namely the Securitisation Bill, Securities Bill and legislation on Virtual Assets

03 The Local Government Act will be amended so that trade fees payable with respect to classified trades do not apply to any Global Business Companies not having a physical office in Mauritius

04 The Stock Exchange will introduce rules for the setting up of Special Purpose Acquisition Companies

05 For the setting up of Family Offices, the need for a Global Business Licence will be eliminated

06 “FSC One” Platform will be launched as an online licensing portal as from 1 July 2021

Budget Measures – Ease of doing business

01 The Economic Development Board (“EDB”) will establish a dedicated commission for financial services to devise and monitor an effective and timely promotional and reputational management strategy for Mauritius as an International Financial Centre

02 The Protected Cell Companies Act will be amended to extend the use of the Protected Cell structure to domestic companies and to include such other activities as may be prescribed

03 The Business Registration Act will be amended to cater for an electronic Business Registration Card

04 Under the Non-Citizens (Property Restriction) Act, approval will no longer be required from the Prime Ministers’ Office (“PMO”) for disposal of property under the EDB Schemes (e.g. Property Development Scheme, Integrated Resort Scheme). A notification from EDB to the PMO will suffice. No authorisation of the PMO shall be required for the initial 20-year lease of an immovable property in Mauritius

05 The Companies Act shall be amended to provide that a public company having not more than 50 members may be converted into a private company

Budget Measures – Ease of doing business

07

Occupational Permit ("OP")

- The validity of the OP for professional will be extended from 3 to 10 years
- Non-citizens holding OP as a professional will be given the flexibility to switch jobs without having to submit a new application provided minimum criteria are met
- Non citizens holding an OP as self-employed will be allowed to incorporate a one-man company and employ administrative staff. Spouse of OP holders willing to invest or work in Mauritius will be exempted from applying for an OP or work permit
- The maximum age limit of 24 years for dependent children will be waived
- The monthly salary applicable for an OP for professionals in financial services will be brought down to MUR30k for those employed in fund accounting and compliance services by a company holding a licence from the FSC. The professional will need to have at least 3 years' relevant work experience
- A non-citizen will be eligible for an OP irrespective of his visa category when he arrived in Mauritius
- A non-citizen who purchases or otherwise acquires an apartment used, or available for use, as residence, in a building of at least 2 floors above ground floor, provided the purchase price is not less than USD375k, will be issued with a residence permit (including for his dependents) and exempted from the requirement of a work or occupation permit
- A 10-year Family Occupation permit will be granted to those contributing USD250k to the COVID-19 Projects Development Fund

08

Permanent Residence Permit

- 10-Year Permanent Residence Permit will be automatically extended to cover a 20-year period
- Holders of a Permanent Residence Permit will be able to renew their permits and they will be given the flexibility to switch category between investor, professional and retired

09

New incentives framework

The Premium Investor Certificate will allow companies investing at least MUR500m to benefit from negotiable incentives, upon recommendation of a Technical Committee and approval by the Minister

INFORMATION TECHNOLOGY

DEV HURKOO

MANAGING DIRECTOR –
TECHNOLOGY

Information Technology & Fintech

Over the past year, COVID-19 has caused significant disruptions at all levels of the economy, forcing many businesses to focus on business continuity, work-from-home and costs reduction.

As the country prepares for the post-pandemic recovery, it is clear that the crisis is leading to *tech-celeration* globally, where organisations are accelerating the adoption of emerging technologies to boost digital innovation, to re-think and re-invent their businesses.

In the National Budget 2021-22, the Government is taking key measures to accelerate economic recovery and build resilience. With regards to the digital agenda, the Minister has announced some interesting incentives to encourage businesses to embark on modernization and digital transformation projects by providing amongst others (i) a 200% deduction from taxable income for specialized software and systems; and (ii) a refund by HRDC for digital transformation initiatives and business advisory services.

The setting up of a Digital Industries Academy is a commendable measure. With the ICT/BPO sector reporting a growth rate of 5.9% in 2020, we believe that the rapid reskilling and upskilling of manpower resources through the academy will help sustain the growth in this sector.

We also believe that the various digital initiatives at the level of the BoM and the FSC, such as the digital currency pilot project, the Open-Lab for banking and payment systems and the Fintech Innovation Lab, amongst others will help to further boost the Fintech sector.

Budget Measures

01 Deduction of 200% from taxable income on the acquisition of specialised software and systems to incentivise adoption of new technologies

02 Introduction of mobile and contactless payment systems in key governmental institutions to embrace digital transformation

03 Development of a new Integrated System to speed up the registration process of new Companies and Businesses

04 Extension of the HRDC training fund to include digital transformation initiatives and business advisory services

05 Setting up of a FinTech Innovation Lab by the Bank of Mauritius and the FSC to encourage an entrepreneurship culture

06 Implementation of an e-learning management system to support online learning in the tertiary sector

07 Introduction of QR Codes at national level by the Bank of Mauritius to facilitate digital payments

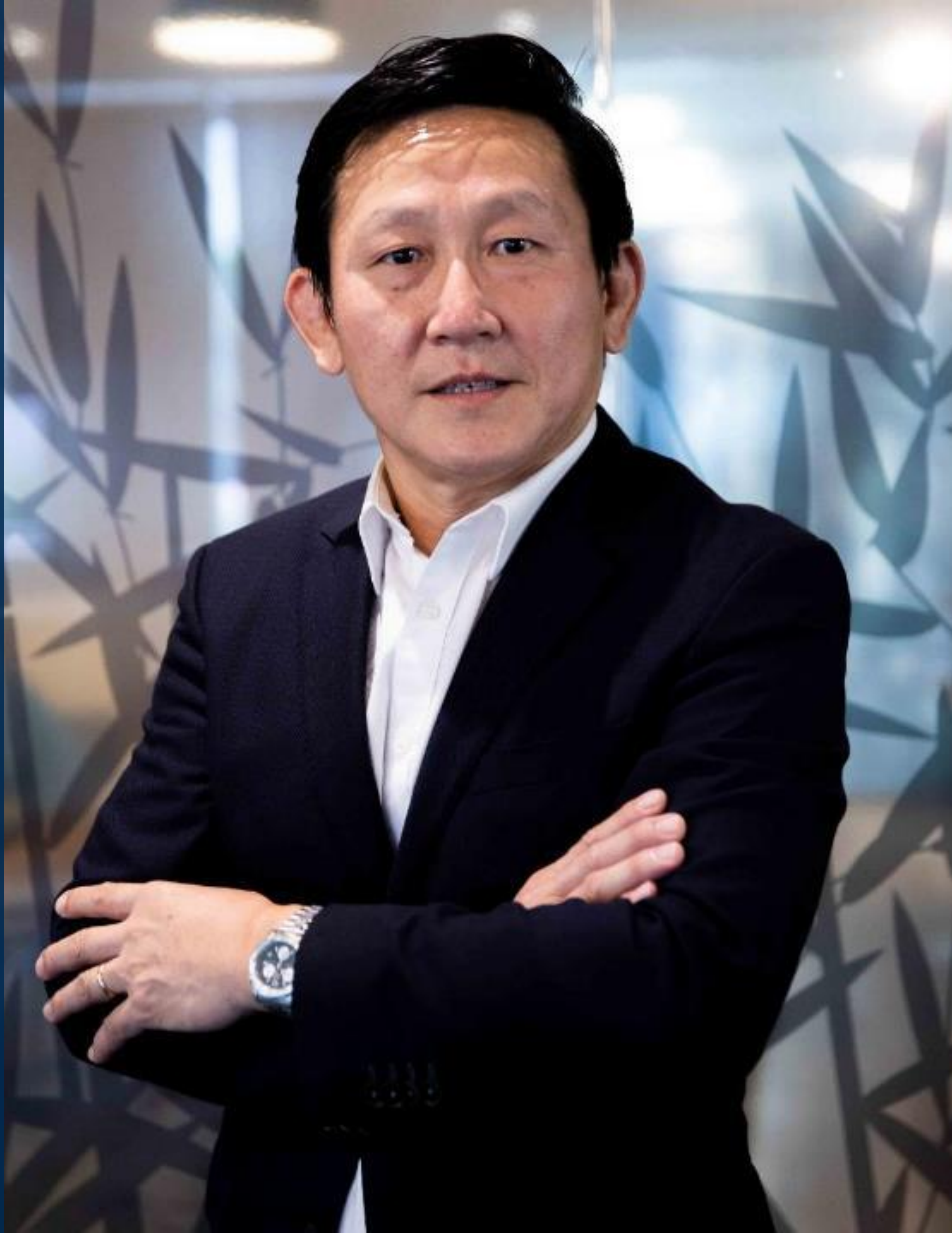
08 Digitalisation of the public utility services to fast-track the application cycle

09 Rolling out of the Digital Rupee on a pilot basis to further boost the FinTech sector

FINANCIAL

MARC AH CHING

MANAGING DIRECTOR –
FINANCIAL



Financing Resilience

The focus of the Government this year is on economic recovery and long-term resilience to overcome the prolonged COVID-19 pandemic. The aim is to protect livelihoods and curtail the impacts of the economic contraction by maintaining our production capacity and preventing business closures and defaults.

The Budget provides for financial support to businesses under the Development Bank of Mauritius (“DBM”), Industrial Financial Institution (“IFI”) initiatives and Leasing Equipment Modernising Scheme (“LEMs”). The Government’s efforts are towards normalising growth of the economy by focusing on selective sectors. The main beneficiaries of the support schemes are Small and Medium Enterprises (“SMEs”), Construction, Manufacturing, Agriculture, and Fishing industries, which will provide a boost in jobs creation and improve output.

The introduction of green and digitalisation initiatives will ensure new ways of boosting the economy and local workforce. The focus is also to shift towards a digital ecosystem within the public, judiciary and financial services sectors. Mauritius is promoting contactless payment methods with the use of QR code at national level, thus reducing cash payments at large.

A large portion of the population remain vulnerable to salary reductions, unemployment and job uncertainties. This budget is one that attempts support to consumers’ purchasing capacity which is starred by a depreciating Rupee and the increase in import costs. On account of the prevailing economic environment, the market will experience an increased need for credit to support consumption. Measures such as the extension of the rebate on excise duty on motor vehicles until 30 June 2022 will be beneficial to aggregate demand.

“Resilience is accepting our new reality”

Budget Measures

01 Industrial Financial Institution ("IFI") taking over the activities of ISP Ltd & SME Equity Fund to accelerate the modernisation of industries in the Manufacturing, Agriculture and Fisheries sectors with reduction in rates for leasing facilities under the LEMS

02 Leasing facilities for projects under the Modernisation and Transformation Fund at a preferential rate of 2.5% p.a. for up to 9 years; the acquisition of utility vehicles for planters, and semi-industrial fishing vessels for fishermen at 2.5% p.a.

03 Credit Guarantee Scheme ("CGS") under IFI has been extended to SMEs to cover 5% of their default amount on leases contracted from private leasing companies

04 Removal of 5% excise duty on electric vans of up to 180 kW, and facilitate access to photovoltaic charges not exceeding 10kW; DBM concessionary loan to households at 2% p.a. for up to MUR100k for purchase of solar kits

05 Subsidy on electric buses increased by MUR200k, and operators eligible to apply for leasing facilities via the Transformation Fund ("IFI")

06 DBM loan schemes to planters, fishermen, women entrepreneurs and SMEs to sustain their free cash flow up to MUR100k interest free and up to MUR1m at 0.5% under the Special COVID-19 Support Scheme; amnesty programme offered by the DBM for planters facing difficulties to repay their long-term loans

07 Excise duty rebate scheme on motor vehicles extended till 30th June 2022 – 40% rebate on vehicles up to 1,000cc and 30% rebate on vehicles above 1,000 cc including utility vehicles and vans

OTHER BUDGETARY MEASURES

Travel & Tourism

The outlook for the tourism industry remains highly uncertain and its recovery will only start taking shape when foreign visitors are allowed to travel to Mauritius anew. In this regard, Government has put in place a reopening strategy in two phases and announced a series of measures to give a boost to the sector.

01 Re-opening of borders for vaccinated visitors for resort tourism as from 15 July 2021. A tourist will have to undergo a PCR test on day 14 to have full territorial access. As from the 1 October 2021, there will be no restriction on the Mauritian territory for vaccinated tourists with a negative PCR test

02 Allocation of MUR420m to the MTPA to promote Mauritius in France, Reunion Island, the United Kingdom, Italy, South Africa and China and aiming at 650,000 tourists for the next 12 months. This will also cater for the organisation of cultural events locally and internationally, digital marketing strategies and collaboration with tour operators and airline companies

03 Setting up of a special desk and a dedicated portal by the EDB to attract at least 50,000 foreign retirees

04 Deferring the payment of lease on state lands to June 2022

Travel & Tourism (cont.)

05 Extending the Self Employed Assistance Scheme and the Wage Assistance Scheme to tourism related companies up to September 2021

06 Waiving off of the rental fee of counters by hotels and operators at the airport for the period April to September 2021

07 Reducing the registration tax on transfer of lease of state lands from 20% to 10% for hotels for a two-year period

08 Revamping of the Invest Hotel Scheme by allowing the sale of up to 80% of the units with the possibility of the owner of a room to stay for a maximum of 6 months annually and reducing the minimum selling price of a stand alone villa from USD500k to USD375k

Construction

01 MUR12b for the construction of 12,000 social housing units. Construction of an additional 2,025 social housing units will also begin in selected regions

02 MUR9.4b for the construction of Rivière des Anguilles Dam and its treatment plant

03 Construction and upgrading of some 1,500 drain projects across the island over the next three years, with priority being high-risk flood-prone areas

04 MUR2.8b in general infrastructure development, comprising mainly roads, sports amenities and water projects

05 MUR70m for the construction of the Civil Service College at Reduit

06 MUR500m for the construction of a complex at La Vigie to house the Forensic Science Laboratory

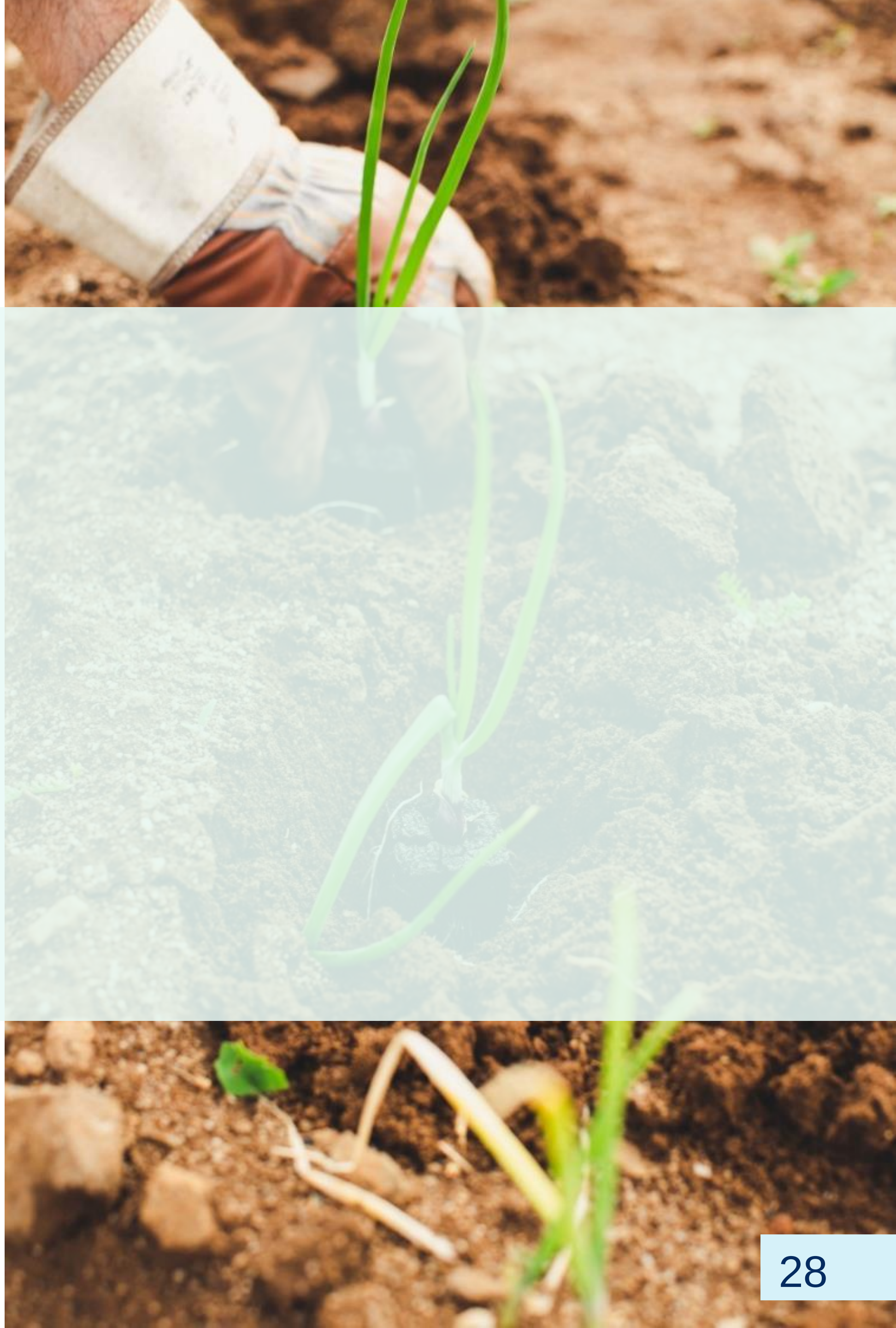
Agriculture

01 Establish a biomass framework where sugar cane planters will benefit from MUR3.50 per kWh of electricity produced, and remunerated at MUR3,300 per ton of sugar for bagasse

02 A guaranteed price of MUR25k per ton for planters producing up to 60 tons of sugar for Crop 2021

03 A modern sugar storage facility of 150,000 tons at Riche Terre will be built

04 Landscope, through the Centralised Digital Land Bank, will make available some 1,000 arpents of land to private growers



Pharmaceutical

01 The Government will encourage private companies to construct purpose-built factories to manufacture pharmaceutical products and medical devices as well as for clinical and pre-clinical trials

02 Developers will hence be able to benefit from various fiscal incentives, such as exemption on registration duty and land transfer tax

03 Biotechnology and pharmaceutical companies will be allowed a full tax credit on the costs of acquisition of patents, as well as benefit from a taxation rate of 3% instead of 15%

04 Government will inject MUR1b in the Mauritius Institute of Biotechnology for the setting up of a manufacturing plant for the local production of COVID-19 vaccines and other pharmaceutical products

Green Energy

01 By 2030, 60% of our country's energy needs should be coming from green sources, with coal as main source of fuel gradually phased out by then

02 CEB will invest some MUR5.3b over the next 3 years to increase their capacity and connectivity. A solar farm at Tamarin Falls will also be in the works

03 CEB will also launch a Request for Proposal to set up a 40 MW wind farm that will require some MUR2.4b of investment

04 The DBM will provide concessionary loans of 2% up to an amount of MUR100k to allow households purchase solar kits

Education

01 MUR17b in the budget for the education sector, an increase of MUR2b as compared to last year, with main focus to upgrade and embellish the existing school infrastructure. MUR850m is being provided for the construction of a new school at Rivière du Rempart and the extension of 15 schools over the next 3 years

02 Several key social benefits have been earmarked, notably:

- Allow some 20,000 to benefit from attending private pre-primary schools through an increase in the monthly per-capita grant to MUR400
- Grants to NGOs running SEN schools will be increased from MUR138m to MUR151m to cater for social aid and meal allowances

03 MUR490m earmarked for the construction of multipurpose halls and playfields in select secondary schools

04 MUR170m to deploy wireless local area network in 155 secondary schools in Mauritius and Rodrigues

05 MUR33m granted to tertiary education institutions to invest in an e-Learning Management System

06 Furthermore, in a bid to develop the education hub, international students enrolled in a recognised educational institution in Mauritius will benefit automatically from a 20 hours per week work permit and a10-Year renewable Young Professional Occupation Permit upon graduation

07 The construction, and expansion of student campuses will be exempted from land transfer tax and registration duty, and private companies also benefit from a concessional 3% corporate tax rate

Health

01

Public health budget increased to MUR14.5b, which includes an amount of MUR2.3b for the construction of:

(a) A Cancer Centre at Solferino
(b) A new hospital at Flacq
(c) An Eye Hospital at Reduit; 6 mediclinics at Quartier Militaire, Stanley, Coromandel, Bel Air, Grand Bois and Chemin Grenier
(d) 5 Community Health Centres at St Francois Xavier, Roche Bois, Grand Baie, Pointe aux Sables, and Trou d’Eau Douce
(e) 4 Area Health Centres at Henrietta, Cap Malheureux, New Grove, and Plaine Magnien
(f) A modern Cardiac Centre at Cote d’Or

02

The income eligibility criteria for households under the Overseas Treatment Scheme will be increased from MUR50k to MUR100k

03

A special zero-interest loan will also be provided to patients undergoing treatment in private hospitals

Circular and Sustainable Economy

01 Setting up of a National Biomass Framework to make use of biomass, which is of no doubt a major source of renewable energy and is readily available. It is already the largest source of green energy that will account for 11% of the country’s electricity

02 Levy of 5% excise duty on Electric Vans of up to 180 kW used for the transport of goods. To increase the demand for electric vehicles, owners of electrical will be allowed to install a Photo Voltaic system not exceeding 10 kW to charge their vehicles and export any surplus to the grid

03 Removal of subsidies and incentives for the importation of diesel buses and increase in the subsidies for the purchase of electric buses, from MUR1m to MUR1.2m for 9-meter buses and from MUR1.3m to MUR1.5m for buses above 9 meters. Operators acquiring electric buses will be eligible to a lease under the Transformation Fund

04 To encourage the purchase of electric buses, Government will purchase 25 electric buses for the National Transport Corporation

SME

01 Sustaining the payment of wages through the financing of the salary compensation of MUR375 monthly for fiscal year 2021-22

02 Extension of the exemption on trade fees not exceeding MUR5k for an additional 5 years and granting of an amnesty on trade fees and related penalties and interests that were due before 1 January 2020

03 Extension of the Tax Arrears Settlement Scheme for SMEs up to December 2021

04 Increase of the maximum grant across all schemes implemented by SME Mauritius Ltd from MUR150k to MUR200k

05 Allowance of 110% deduction for large manufacturer on taxable income for the direct expenditure incurred on the purchase of products manufactured locally by SMEs

06 The DBM will provide a rebate of up to 30% on the annual rental of industrial space to SMEs engaged in the manufacturing sector over the next 3 years

SME (cont.)

07 Construction of an SME Industrial Park of 5,000sqm at Solferino in addition to Plaine Magnien and Vuillemin and allocate 20 percent of spaces in these upcoming parks rent-free to start-ups for the first three years of operation

08 Interest free loan of MUR100k for cash flow issues and a 0.5% COVID-19 Special Support Scheme of up to MUR1m by the DBM to SMEs

09 The DBM will earmark an amount of MUR1b to support the SMEs and the mid-Market Enterprises by providing loan facilities of up to MUR5m to retailers with turnover of up to MUR250m at a concessional rate of 3.5% p.a.

10 Setting-up of a MUR5b Modernisation and Transformation Fund, which will be managed by a new Industrial Financial Institution (IFI). The IFI will take over the activities of the ISP Ltd and SME Equity Fund and cater for industries in manufacturing, agriculture and fisheries amongst others

11 Extending the Credit Guarantee Scheme (CGS) for SMEs to cover 5% of the default amount on leases contracted from private leasing companies

12 Training and re-skilling of 1,000 students through the SME Graduate Scheme which will also cover vocational training

04.
TAX

CATHIE HANNELAS
MANAGING DIRECTOR - TAX

Tax

Today's budget measures, particularly the tax related ones, were avidly expected given their inevitable impact in the current economic situation. The main objectives of a tax system are to finance public expenditure and promote a conducive fiscal environment to encourage savings, investment and competitiveness. These remain challenging when the country is striving to recover from the pandemic outstretched consequences.

Amongst the announced measures, to boost specific sectors, the concessionary tax rate of 3% will be extended to the medical, biotechnology and pharmaceutical sectors and private universities set-up in Mauritius. Moreover, as an incentive to purchase local products, large manufacturers will benefit from a 110% deduction for purchase from SMEs. In addition, special tax support has been provided to the green energy economy for the purchase of electric vehicles and the medical sector.

As part of the commitment of Mauritius to international tax standards, we witness several rectifying measures, such as the introduction of penalty for companies which do not respond to request for information from other tax treaty countries or substance requirements for Foundation and Trusts benefitting from preferential tax regime. The measure extending the Arm's Length Test to Global Business Companies is somehow surprising as it was understood that such measure was already applicable to those companies.

History has proved that increasing tax rates during crisis does not contribute to boost the economy but on the reverse, businesses slash down their investment and individuals are faced with decreasing spending power. As such, the status quo in corporate, income and VAT tax rate has been received with a sigh of relief. However, it is unfortunate that, given the chronic decrease in purchasing power, there was no attempt to increase the income exemption threshold deduction for individuals.

Corporate Tax

01 Double deduction from taxable income on the acquisition of specialised software and systems

02 Full tax credit for biotechnology and pharmaceutical companies on the costs of acquisition of patents

03 Companies engaged in the medical, biotechnology and pharmaceutical sectors will now be taxed at 3% instead of 15%

04 The tax holiday for Family Offices, Fund and Asset Managers will be extended to 10 years

05 Private universities set up in Mauritius will be taxed at 3%

06 110% allowable deduction on direct expenditure incurred on the purchase of products manufactured locally by Small and Medium Enterprises (“SMEs”)

07 The Advance Payment System (“APS”) will be amended to cater for companies subject to tax at a lower rate than 15%

08 Unrelieved investment tax credit for a manufacturing company may be carried forward for 10 years

Corporate Tax (cont.)

09 SME opting to pay 1% presumptive tax on its turnover, will not be required to declare its chargeable income and will be exempted from Corporate Social Responsibility (“CSR”)

10 The enactment of the decision to defer tax liability on Advanced Payment System which was due during the period November 2020 - May 2021 to June 2021

11 Levy paid by gambling operators will not be tax deductible

12 The partial exemption regime will be extended to licensed investment dealer and activities relating to the leasing of locomotives and train including rails leasing

13 8-year tax holiday for new companies registered with the Economic Development Board (“EDB”)

14 5% tax credit over 3 years to companies (manufacturing company only) registered with EDB on capital expenditure on plant and machinery until 30 June 2023

15 Income Tax Act will be amended:

- to provide that dividend paid by non-resident to another non-resident is not taxable in Mauritius
- to extend the Research and Development tax incentive (double deduction) to June 2027
- to exempt foreign limited partnership which is a non-tax resident from submission of return of dividend
- To ensure that Foundations and Trusts benefitting from a preferential tax regime comply with the OECD standards including substantial activity requirements

Personal Tax

01 Social payments to an individual will not be taken into consideration when determining his/her eligibility as a bedridden dependent

02 Contributions to COVID-19 Vaccination Programme Fund will be deductible from the chargeable income of an individual over a period of 3 years

03 Holders of a Premium Visa resident in Mauritius will be taxable on emoluments for work performed remotely on a remittance basis

04 Income brought by the holder of a Premium Visa to Mauritius will be exempt if it has already been taxed outside Mauritius

05 Asset and/or Fund Manager licensed after 01 September 2016 who manages an asset of at least USD100m will be eligible to a tax holiday of 5 years. New applicants will benefit from a tax holiday of 10 years

06 Advance payment of income tax by self-employed individuals under the Current Payment System (“CPS”) in the income year 2020-21 to be deferred up to October 2021

Personal Tax (cont.)

07 A self-employed individual should pay Contribution Sociale Généralisée (“CSG”) as from 1 July 2021 to benefit from Self-Employed Assistance Scheme

08 Increase of the additional income exemption threshold to MUR225k for a child pursuing tertiary education

09 Increase of allowable deduction for medical insurance premiums by MUR5k for an individual and his dependents

10 Relief for donations made to an approved charitable NGO or religious bodies up to MUR30k

11 Relief for contribution to an individual pension scheme up to MUR30k

Value Added Tax

01

Zero rated supplies:

- Dumplings: Preparation and supply of dumplings made up of meat, fish, squid, crab, chicken, vegetables or milk, whether cooked or uncooked, to final consumers now treated as zero rated

- Animal breeding and Livestock production

The breeding of animals for training, breeding and re-exporting purposes

02

Introduction of new exempt bodies and their corresponding exempt activity

New exempt bodies	Activities exempt
The National Empowerment Foundation and the New Social Living Development Ltd	The construction of social housing

03

Film Promotion Fund

Abolition of the 0.4% remittance of net VAT collection credited by Mauritius Revenue Authority ("MRA") on a quarterly basis into the Film Promotion Fund

04

VAT refund on residential construction/acquisition

- Construction or purchase costing up to MUR3m
- Maximum refund MUR300k
- Eligible household income maximum MUR1m p.a.
- Refund applicable on first acquisition/construction

Value Added Tax (cont.)

05

VAT Ruling
The 30-day limit for MRA to give VAT ruling counts as from the date **all** documents and information requested by MRA are submitted

Electronic submission of requested information now possible

06

Companies registered with EDB are entitled to the following VAT treatment on the specified items for research and development

Specified items	Plant, machinery, and equipment & Construction of purpose-built building and plant and equipment (excluding vehicles)
Zero rated supplies	Provision of healthcare, nursing and residential care services
Exempt supplies	Others services

07

Biotechnology and Pharmaceutical Industry
Developers to be exempt from VAT on construction

Property Tax

01 Transfer of Leasehold Rights on State Lands:

- A reduced rate of 10% (5% buyer and 5% seller) will be applicable on transfer by hotels up to 30 June 2023 (current rate: 20%)
- Sale of a residential unit in a project relating to senior under the Property Development Scheme will be exempt

02 Registration duty and land transfer tax will be calculated on value of immovables property exclusive of VAT with effect from 1 January 2021

03 Deferment of rental for tourist-related activities on state lands from 31 July 2021 to 30 June 2022

04 Registration duty on the sale of an IRS or RES residential property will be levied at the rate of 5% or USD70k, whichever is the lower

05 The construction and expansion of student campuses will be exempted from land transfer tax and registration duty

06 Construction of purpose-built factories for manufacturing of pharmaceutical products, medical devices and clinical and pre-clinical trials will be exempt from registration duty, land transfer tax, land conversion tax and VAT on construction

Excise Duty

01 10% Increase in excise duty for alcoholic and tobacco products as from 12 June 2021

02 **Sugar Sweetened Products:**

Increase of excise duty by 6 cents per gram as from 1 July 2022 on locally manufactured and imported non-staple sweetened products

The following will be exempted from excise duty:

(i) Sugar-sweetened products with total sugar content of up to 4 grams per 100 grams or 4 grams per 100 millilitres

(ii) Fruit purées for infants

03 **Motor Vehicles:**

(i) Extension of excise duty rebate on the following motor vehicles up to 30 June 2022

Motor Vehicles	Customs/Excise Duty Rebate
Motor car up to 1,000 cc	40% of the excise duty payable on the motor car
Motor car above 1,001, double/single space cabin vehicle and van	30% rebate on the excise duty payable on the motor vehicle

(ii) Abolition of the 5% excise duty on electric vans of up to 180 kW used solely for the transport of goods

(iii) Possibility to benefit from another duty exempted motor vehicle within 4 years from a previous exemption provided the amount previously exempted is reimbursed

Customs Duty

01 **Import of diesel buses**: Subsidies and incentives are being eliminated

02 **Increase in subsidiary for purchase of electric buses**:
- from MUR1m to MUR1.2m for 9-meter buses
- from MUR1.3m to MUR1.5m for buses above 9 meters

03 **Reduction of Customs duty on buses:** Extension of existing 30% customs duty rebate to 30 June 2022

04 **Amendment to aircraft/ship cargo manifest:** A fee of MUR300 now payable unless caused by natural calamities

05 **Inspection of aircrafts/ships:** To be carried on a risk management basis if master/owner of the aircraft//ship furnished all information

06 **Clearance to depating aircraft/ship:** Electronic issuance of clearance to any departing aircraft/ship in view to reducing cost and dwell time

07 **Consolidated bill of entry:** Possibility to submit a consolidated bill of entry for import of parcels of minimal value by air during a month to reduce administrative burden

08 **Electronic submission of bill of lading** and other documents now possible for clearance of goods

Customs Duty (cont.)

09 **Warehousing period:** Extension from 24 to 36 months for goods that have entered in a bonded warehouse during the period 2 November 2019 to 31 December 2020 (effective as from 23 March 2020)

10 **Records**: All documents to be kept for at least 5 years

11 An administrator, executor, receiver or liquidator should inform MRA Customs of his appointment within 15 days

12 **Penalty and interest**:

- Non-payment of duties and taxes by the due date will be added under the Deferred Payment Scheme.
- A non-compliance penalty of MUR500 per day up to a maximum of MUR5k is applicable for failure to account for discrepancy between the manifested cargo and landed cargo within 5 working days

13 To maintain competitiveness of exports the following measures are undertaken:

Measures	Extension
Freight Rebate Scheme	Until June 2022
Increase in refund from 0.2% to 0.5% under Export Credit Guarantee Scheme	Until June 2022
50% rebate in port dues and terminal handling charges for exports	For 2 more years

Corporate Tax Administration

01 Extension of Tax Arrears scheme up to 31 December 2021 for those having arrears as at 31 October 2020

02 Taxpayers having assessments currently in litigation can also benefit from the Tax Arrears Scheme

03 Reduction of threshold for the submission of statement of financial transaction to the MRA

04 Reduction of the threshold for submissions of statement of amount of winning

05 Arm’s length test shall apply to Global Business Companies as well

06 MRA will be able to request information electronically

07 Penalties will be applicable which fails to comply with MRA request relating to exchange of information

08 Tax ruling will be issued by the MRA within 30 days of receipt of requested information from the taxpayer

09 A regulation will be issued to clarify information that will be provided to the MRA in the course of a tax audit

Other Tax Administration

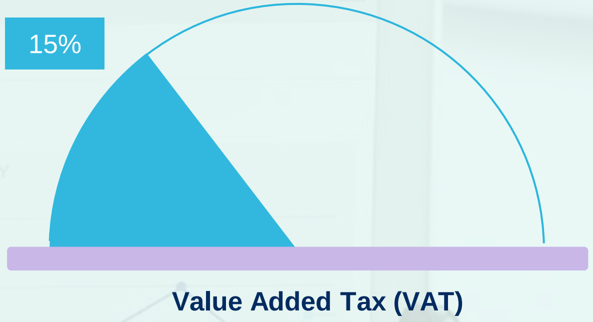
01 It is clarified that tax on transfer of shares in a company holding leasehold rights in State land will be calculated by reference to the percentage holding

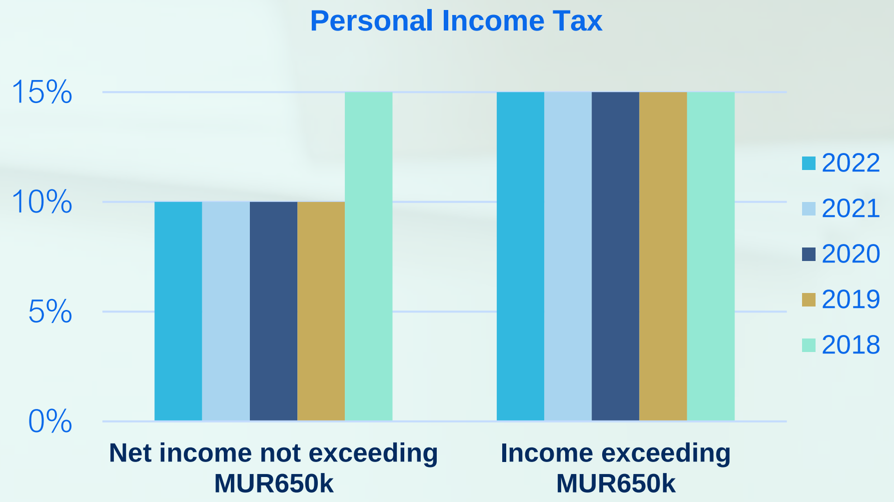
02 The Assessment Review Committee will be able to summon a retired Government valuer or any other person

03 Where the MRA lapses an objection, the taxpayer will be able to appeal to the ARC without making any payment

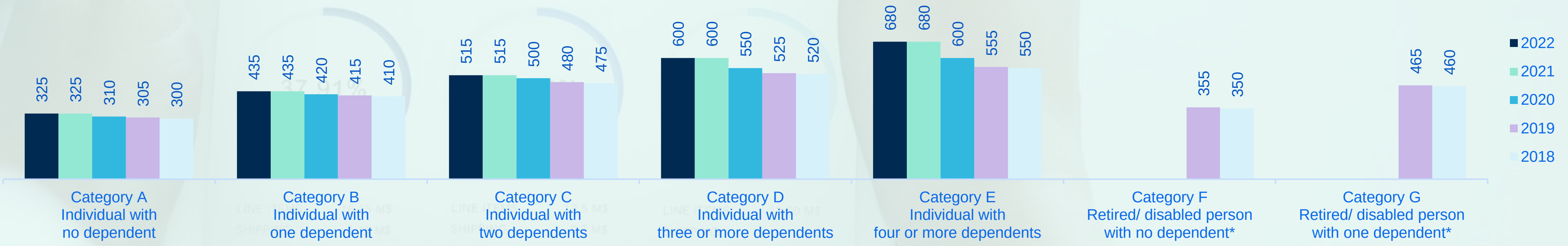
04 The Director General will be empowered to carry an audit beyond the normal time-barred limit in cases of fraud and non-filing of return without the need to seek authorisation from independent tax panel

Tax Rates: Income Year End 30 June





Income Exemption Threshold (MUR'000): Income Year End 30 June



With effect from the income year commencing on 1 July 2019:

- *Category A - Category E includes retired person.*
- *Where an individual is (a) a retired person who, in an income year, has gross income other than specified income; or (b) (b) a person having a physical or mental disability shall in an income year, the individual shall also be entitled to an additional deduction of MUR50k*

Tax Deduction at Source

Tax Deduction at Source (TDS)			
Payment subject to TDS / rate	**2022**	**2021**	**2020**
Interest - Non-Resident	15%	15%	15%
Royalties			
Resident	10%	10%	10%
Non-Resident	15%	15%	15%
Rent			
Resident	5%	5%	5%
Non-Resident	10%	10%	10%
Payments to contractors and sub-contractors	0.75%	0.75%	0.75%
Payments to providers of specified services*	3%	3%	3%
Payment on contracts by Ministries and Local Government:			
> MUR300k(goods & services)/MUR100k (goods only)	1%	1%	1%
> MUR30k (services only)	3%	3%	3%
Payments to the owner/agent of an immovable property	5%	5%	5%
Payment to a non-resident for any services rendered in Mauritius	10%	10%	10%
Payment of management fees to an individual who is:			
a resident	5%	5%	5%
a non-resident	10%	10%	10%
Payments to a non-resident entertainer or sportsperson	10%	10%	10%
Commission	3%	3%	3%

** Specified Services : Accountant/ Accounting firm, Architect, Attorney/Solicitor, Barrister, Engineer, Land surveyor, Legal consultant, Medical service provider, Project manager in the construction industry, Property valuer, Quantity surveyor, Tax adviser/his representative*

05.
ABOUT
ROGERS CAPITAL

Rogers Capital has three defined strategic poles of activities: Corporate Services, Technology Services and Financial Services. We believe we have a unique value proposition for our clients, as regards the complementarity of the various components that constitute Rogers Capital today.

The extensiveness of our offerings combined with depth of capabilities is a key differentiator especially when it comes to substance. Notwithstanding our traditional fiduciary offerings, we are one of the leading systems integration providers in Mauritius and in the Indian Ocean region with proven expertise and credentials into the fields of software engineering, cloud services, digital transformation, infrastructure management, connectivity and disaster recovery management.

We also provide high value services in the areas of corporate finance and outsourcing. The hosting of such capabilities under one roof maps very well with the requirements of an international customer base that is demanding on quality, breadth and depth.

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