

## **TO MEMBERS OF AMFCE – 08 JUNE 2017**

### **HIGHLIGHTS OF BUDGET 2017-2018**

Presented By The **Hon Pravind Kumar Jugnauth** Prime Minister, Minister Of Home Affairs, External Communications And National Development Unit, Minister Of Finance And Economic Development.

According to the Minister of Finance, the Budget will be focusing on five central elements:

- Fostering higher growth for more and better jobs.
- Investing massively in the infrastructure of the future.
- Improving the quality of life of our people.
- Piloting in a New Social Paradigm.
- Consolidating macro-economic fundamentals.

### **INTRODUCTION**

A new institution will see the day in the name of **The Economic Development Board (EDB)**. The EDB will have three main directorates:

- The first directorate will be responsible for national and sectorial economic development planning.
- The second directorate will be in charge of investment and export promotion. The various functions of the existing promotion organisations', namely, the BOI, Enterprise Mauritius, the Financial Services Promotion Agency and the Mauritius Africa Fund will be integrated in the Economic Development Board.
- And the third directorate will manage the e-licensing business platform. The EDB will thus be the main business licensing agency in Mauritius

### **GROWTH AND JOBS CREATION:**

The PM has also spoken of Africa offering great prospects for the export sector and cross-border investments, consolidating Mauritius' diplomatic footprint in Africa. Thus, a number of joint commissions will be held with countries such as Cote D'Ivoire, Ethiopia, Ghana, Kenya, Madagascar and Zambia.

The PM has also stated that in order to facilitate the implementation of joint projects by Mauritian enterprises in Africa; the Mauritius-Africa Fund will establish a Business and Investment Platform for Africa (BIPA). **The AMFCE needs to watch out for this space**

The Govt will also pursue negotiations on Free Trade Agreements (FTA) with China and the European Free Trade Association and will step up efforts to finalise the

Comprehensive Economic Cooperation and Partnership Agreement (CECPA) with India.

## **INVESTMENT IN SKILLS DEVELOPMENT**

The Govt will be investing Rs 310 million for upgrading educational hardware and infrastructure in the training institutions, namely, the MITD training centres, the École Hôtelière Sir Gaetan Duval, the Sir Ramparsad Neerunjun Training Centre and Le Chou Training Centre in Rodrigues.

## **BUSINESSES**

The **Business Facilitation Act** has been amended to include the following:  
Decrease the cost for businesses to connect to the electricity network:

- The cost of extension of high tension networks for commercial projects will **be reduced by 50%**.
- **The elimination of the processing fee** for new applications in respect of all categories of customers, including domestic customers, but excluding parceling of land and Property Development Schemes projects.

Plan approvals from CEB, CWA or the WMA will not be required anymore when applying for a Building and Land Use Permit in zones which are well networked and serviced, as well as in "morcellements".

To further attract foreign investment, high tech machines and equipment brought by an investor from abroad will now be considered as part of the **minimum investment of USD 100,000** required to obtain an Occupation Permit.

[\*\*\*This will be subject to complying with set criteria]

## **SUSTAIN GROWTH AND EMPLOYMENT (Main Points)**

In order to address growth, a major tax reform is taking place to encourage the domestic enterprises to expand their export capacity and seek new markets, especially the SMEs.

- Their profits from exports of goods will be taxed at the **lower rate of 3 %**, instead of 15 %.
- **An 8-year income tax holiday** for new companies engaged in the manufacturing of pharmaceutical products, medical devices and high tech products.
- **To address the threats from Brexit**, the Govt has established since last year a Speed to Market Scheme for the textile and apparel exports on the European markets. **This scheme is now extended to the export of jewellery, medical devices, fruits, flowers, vegetables and chilled fish.**

- **An Innovative Box Regime** is being set for Intellectual Property assets which are developed in Mauritius. New companies involved in innovation-driven activities will benefit from **a tax holiday of 8 years** on the income derived from the totality of Intellectual Property Assets.
- The **8-year work permit policy** for expatriate workers in the export oriented enterprises is now **extended to all manufacturing activities**.
- The **elimination of Registration Duty and Land Transfer Tax** on any transfer of immovable property for the setting up of a business for high-tech manufacturing.

The PM has also spoken about the **Agro industry**, regarding steps taken, its adaptation and modernization for **sugar cane cultivation**.

Regarding non-sugar cane cultivation:

- The provision of funds for importation of Macadamia seeds, setting up of nursery facilities and for foreign consultancy to advise and assist FAREI in the **propagation of Macadamia trees whilst creating employment**.
- The implementation of **a Food Processing Development Certificate** to promote the importation of products such as maize, vanilla, cocoa, coconut and medicinal plants to be used as raw materials for processing and re-exports, including the refining of raw sugar.
- The final price for **green tea** leaves supplied to tea manufacturers will be **increased by 6%** as from the current crop 2016/17.
- **Planters** of food crops will be able to benefit from the **SME scheme** provided by MauBank and other commercial banks, the DBM will provide loans to assist planters whose crops are damaged by climatic conditions, pests and diseases and a subsidy on the cost of purchase of CCTV cameras with video surveillance system will be provided to planters.

### **Additional Schemes:**

Several fund and schemes have been put out for Expanding livestock production, lowering cost of production of livestock, Finance (esp Pig Sector), boosting Bio-Farming and promoting and protecting Fishermen.

### **TOURISM PROMOTION**

- ❖ The upcoming of KLM in Mauritius
- ❖ Govt will give a voucher that will entitle a tourist to **a-Rs 200 discount** on a **minimum purchase of Rs 1,000 of Mauritian handicraft products.**
- ❖ Hotels will be **allowed to host gaming machines** within their premises, subject to access being restricted to non-residents and foreigners only and against payment of the appropriate license fee and betting tax.
- ❖ A noncitizen acquiring a residential property for **an amount below USD 500,000 will be entitled to a Multi-Entry Visa for a maximum of 180 days per year** for a consecutive period of 5 years and renewable every 5 years depending on the status of ownership.

## FINANCIAL SECTOR

### Finance:

- ❖ Currently, a **GBC1 company** must fulfill at least **one of six criteria** established by the FSC to demonstrate substance. They will henceforth be required to fulfill at least two of the criteria.
- ❖ **The Mauritian Companies Act 2001** is being amended to allow for Islamic Financial Institutions and Islamic Banks to **adopt accounting standards** issued by the Accounting and Auditing Organisation for Islamic Financial institution.
- ❖ The minimum capital requirement of banks will be raised from Rs 200 million to **Rs 400 million**. Existing banks will be given two years to adjust their capital to the new level. **The Banking Act will be amended accordingly.**
- ❖ The rates of excise duty will increase by 5% for beer and other alcoholic products
- ❖ The rates of excise duty will increase by 10% for tobacco products

### Digital Economy:

- ❖ The prices of International Private Leased Circuits (IPLC) and Global Multiprotocol Label Switching (MPLS) services will be lowered by at least 15% as from **1st of July 2017.**
- ❖ The Data Protection Act will be amended to comply with the new EU data protection regulation which will come in force **in May 2018.**

- ❖ The PM announced that as scarcity of skill remains a severe constraint on investment and growth in the ICT sector, a new policy will be made to encourage firms to **allow their employees to work at home**. The Employment legislation will be amended accordingly. **This policy meant to attract more women into the labour force, reduce cost for the enterprises and raise productivity nationally.**

The PM has also stated in his budget his firm intention of protecting the creative industry and local artists.

### **Local Artists:**

**Rs 50M** is earmarked to go to the **National Arts Fund**, an annual national award ceremony will be held to award national artists, performances on MCB Television will be remunerated as well as the promotion of local TV serials and incentive on such courses.

**Rs 300M** is earmarked for the refurbishment of **Plaza Theatre Building** and **Rs 100M** for the refurbishment of the **Town Hall of Curepipe**.

### **SMEs**

The PM has largely emphasised on Supporting Micro, Small and Medium Enterprises and Cooperatives.

- **"SME Mauritius"** will be set up to replace SMEDA. **[AMFCE to keep an eye]**
- **SMEs** and cooperative societies will be given dedicated space in **four new market fairs** that will be built at Goodlands, Bel Air, Chemin Grenier and Mahebourg to market their products.
- Govt will contribute **Rs 5,000** towards the costs of membership in the **'Made in Moris'** label.
- The **DBM** will provide finance to SMEs at the interest rate of 6%. In addition, the interest rate on its **loans to micro-enterprises** is being brought down from 6% to **3%**.
- An amendment will be made to the Code Civil Mauricien and the Code de Commerce to allow **the use of all movable assets as loan collaterals**.
- CEB will implement a new scheme for **solar PV** for small commercial businesses. Under this scheme, the initial investment cost for the installation

of a 2 kw solar PV will be **financed by CEB**. 50% of the investment will be paid back by the small enterprises over a period of 24 months through a net metering scheme

## **INFRASTRUCTURE:**

- **Metro Express Project** will begin September 2017.
- Construction of both the **Jumbo-Phoenix round-about** and the **A1M1 Bridge** will start in October 2017.
- New road will be built that will **connect La Vigie and La Brasserie** so as to relieve traffic congestion in the Curepipe region
- A second fly-over to **connect directly the M1 to the Terre Rouge Verdun** motorway (Ebene Region)
- A **state-of-the-art sports complex** that will also host the Jeux des Îles de L'Océan Indien 2019
- The construction of **two administrative towers for government offices**
- Expansion and investment in MPA
- Expanding the capacity at Airport
- Various investments by the CEB in energy saving

## **QUALITY OF LIFE:**

- Steps taken by Govt related to water shortages and improving water distributions
- Water reservoirs and water retention methods
- Awareness of wastage of water and rainwater harvesting in schools
- Investing in Waste Management of **RS 3.8 Billion over three yrs**
- Investment of **Rs 25Million** in Sports & youth

- The setting up of a **Hall of Fame and an allowance scheme for retired athletes** who have recorded performances at senior level at African and international games and championships. **The monthly allowances will range from Rs 3,000 to Rs 10,000.**
- **Rs 11.6 Billion** will be allocated to the **Ministry of Health and Quality of Life** to include mainly:
  - i. two linear accelerators for the treatment of cancer patients at Victoria hospital and the New Cancer Hospital and other high tech equipment;
  - ii. Three new Mediclinics at Quartier Militaire, Bel Air and Stanley;
  - iii. Two new Community Health Centres at St Francois Xavier and L'Espérance
- Improving basic infrastructure throughout the island – **construction of roads, drains and bridges.**
- **Traffic centres, rehabilitation centres, swimming pools and sports centres** also form part of the budget.
- **Rs 8.4 Billion** will be injected and invested in the Police Department to tackle law and order.
- **Rs 15 Million** will be invested in **modern computerized system** to better monitor payment of fines and other court fees and keep track of the progress of cases. **Fines and fees** will be paid at any district court and even online.
- **Rs 590 Million** for construction, extension and upgrading of infrastructure in **public primary and secondary schools.**

#### **SOCIAL IMPACT:**

- Citizens will be able to use the **Citizen Portal** to submit their views and suggestions on how best to improve their daily lives.
- The retail price of **flour** will be **reduced from Rs 5.85 to Rs 4.85** per half kilogram, i.e by 17% as from 09 June 2017.
- The price of a 100 gram "**pain maison**" will go **down by 10 cents** per unit.
- To better protect the victims of **sale by levy**, the legislation is being amended to ensure that the "mise à prix" should be at least 50% of the value of the immovable property being put for sale.
- There will be **no VAT on sanitary pads.**
- **Scholarship schemes** and yearly allowance for laureates have been revised.

- **Rs 110 Million** is being invested in Special Education Needs Schools

## **INCOME TAX:**

**Negative Income Tax** - employees in full time employment and earning emoluments **less than Rs 10,000 per month**. This measure will **provide financial support of up to Rs 1,000** per month to low-income employees as tabled below:

**As from 1st January 2018**, Mauritians in full time employment with earnings of Rs 9,900 or less in a month will be granted financial support from Government, in the form of a negative income tax, as follows:

- (i) An employee earning Rs 5,000 in a month: Rs 1,000 (i.e., Rs 12,000 in a year);
- (ii) An employee earning above Rs 5,000 but not exceeding Rs 7,000 in a month: Rs 800 (i.e., Rs 9,600 in a year);
- (iii) An employee earning above Rs 7,000 but not exceeding Rs 9,000 in a month: Rs 500 (i.e., Rs 6,000 in a year);
- (iv) An employee earning above Rs 9,000 but not exceeding Rs 9,750 in a month: Rs 250 (i.e., Rs 3,000 in a year);
- (v) An employee earning above Rs 9,750 but not exceeding Rs 9,900 in a month: Rs 100 (i.e., Rs 1,200 in a year).

The Govt will ensure that Individuals having chargeable income plus dividends in excess of **Rs 3.5 Million** will be required to pay 5% of the excess as **Solidarity Levy**.

## **Increase in Income Exemption Threshold will be as follows:**

The existing income exemption thresholds are being increased by amounts ranging from Rs 5,000 to Rs 15,000.

In addition, a new income exemption threshold of **Rs 550,000** is being introduced to cater for taxpayers having **4 or more dependents**.

- (i) Individual with no dependent from Rs 295,000 to Rs 300,000 – Increase by Rs 5,000
- (ii) Individual with one dependent from Rs 405,000 to Rs 410,000 – Increase by Rs 5,000
- (iii) Individual with two dependents from Rs 465,000 to Rs 475,000 – Increase by Rs 10,000
- (iv) Individual with three dependents from Rs 505,000 to Rs 520,000 – Increase by Rs 15,000
- (v) Individual with four or more dependents (NEW) Rs 550,000 – Increase by Rs 45,000
- (vi) Retired/disabled person with no dependent from Rs 345,000 to Rs 350,000 – Increase by Rs 5,000
- (vii) Retired/disabled person with dependents from Rs 455,000 to Rs 460,000 – Increase by Rs 5,000

**These new thresholds will be effective as from income year starting on 1st July 2017, i.e. on income received by an individual as from 1st July 2017.**

#### **Medical Insurance:**

Relief on Medical insurance in Income Tax form has been **revised from Rs 12,000 to Rs 15,000**

#### **Deduction for Household Employees**

A person will be allowed to deduct the wages paid to household employees from his annual taxable income subject to a **maximum deduction of Rs 30,000.**

#### **CSR**

Companies are supposed to contribute 50% of their CSR contributions to the MRA in the first year and 75% in the second year.

To give more time to the companies to adapt to the new system, companies are **allowed to keep 50% of their CSR contributions to implement their own CSR projects** for another year. The remaining 50% will need to be remitted to the MRA for the National CSR Foundation.

#### **Betting**

There is a ban cash betting transactions **above Rs 2,000** and introduction of an account based betting together with a player card program/ system. This will increase audit trail on betting activities and facilitate the tracking of offences related to money laundering.