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2018-2019 BUDGET BRIEF: FROM "RISING TO THE CHALLENGE OF OUR AMBITIONS" TO "PURSUING OUR TRANSFORMATIVE JOURNEY"!

The 2018-2019 Budget Speech having for theme "Pursuing our Transformative Journey'' was presented by The Honourable Pravind Kumar Jugnauth, Prime Minister, Minister of Finance and Economic Development yesterday Thursday 15 June 2018.

The key budgetary measures having an impact on the legal, tax and regulatory framework of Mauritius are as follows:

TAXATION

- An individual having an annual net income of up to Rs 650,000 shall be taxed at the rate of 10% instead of 15%.

- Lump sum received as severance allowance, pension or retiring allowance will now benefit from an exemption threshold of Rs 2.5 million (previously Rs 2 million).

- In order to address concerns raised by the international community, including the OECD and the EU, there will be a new harmonised fiscal regime for domestic and Global Business Companies and a specific fiscal regime for banks.

- The Deemed Foreign Tax Credit regime (which was available to companies holding a GBC1 licence) will be abolished as from 31st December 2018. By way of background, the ring-fenced tax treatment of global business companies had been flagged as potentially harmful by the OECD.

- The tax treatment of captive insurance companies and freeport companies will also be amended to address OECD's concerns.

- Henceforth, an exemption will be granted to **all** companies in Mauritius except for banks. 80% of specified income, which will refer to foreign source dividends and profits attributable to a foreign permanent establishment; interest and royalties and income from provision of specified financial services, will be exempted from income tax.

- Global trading activities carried out by companies will benefit from the corporate tax rate of 3% (which is already applicable to profits derived by any company from export of goods).

- The Deemed Foreign Tax Credit regime available to banks will be abolished as from 1st July 2019. Instead, banks will be subject to a new regime which will treat Segment A and Segment B income in the same manner. Under the new regime, banks having a chargeable income up to Rs 1.5 billion will be taxed at 5% and chargeable income above Rs 1.5 billion will be taxed at 15%, with an incentive system for banks having a chargeable income above Rs 1.5bn if certain pre-defined conditions are met.

- The taxpayer who is not satisfied with a determination at objection and who wishes to appeal before the Assessment Review committee will now have to pay 15% of the assessment amount instead of 10% previously to able to proceed with such an appeal. This measure is expected to be unpopular with taxpayers and perceived as restricting their access to justice.

- Gaming houses and bookmakers will be required to submit detailed information on wins exceeding Rs 100,000 to the MRA.

- Penalties will be imposed on a person who fails to furnish information needed for automatic exchange of information with other countries.

- Tax Deduction at Source (TDS) will be extended to "commission payment" at the rate of 3%. The TDS rate applied on rent paid to a non-resident will be increased from 5% to 10%. TDS will not apply to director fees.

GLOBAL BUSINESS

- The GBC 2 licences will not be issued as from 1st January 2019. There will be a grand-fathering provision for GBC2 companies whose licences have been issued prior to 16 October 2017. Those companies will continue to benefit from the current regime until 30th June 2021.

- GBC1 licences will be renamed Global Business Licences.

- The Financial Services Act will remove all restrictions applicable to dealings in Mauritius.

- Enhanced substance requirements will be required for entities holding a Global Business Licence.

- All resident companies and partnerships incorporated/registered under the laws of Mauritius whose majority shareholdings/parts are held by non-resident and which conduct business mostly outside Mauritius will be required to seek a Global Business Licence or an authorisation from the Financial Services Commission ("FSC") through a management company which will be responsible inter alia for the AML and legal compliance of those companies/partnerships.

INNOVATION & TECHNOLOGIES

- **Single Licensing Authority**

  The Economic Development Board will be the single licensing agency will be set up to establish a one-window system for investors to apply for business permits and licenses.

- **National Regulatory Sandbox License Committee**

  A National Regulatory Sandbox License (RSL) Committee will be set up, which will consider all issues relating to the issue of Sandbox licensing for Fintech activities and provide guidance to stakeholders on the functioning of the RSL framework. These guidelines will cover the investment and development of blockchain technologies and cryptocurrencies as digital assets.

- **Financial Services Commission**

  The FSC will be issuing new licences including: Custodian of Digital Assets and Digital Assets Marketplace

BANKING AND NON-BANK FINANCIAL SERVICES

- **Bank of Mauritius Act, Banking Act and Financial Intelligence and Anti-Money Laundering Act (“FIAMLA”)**

The Bank of Mauritius Act, the Banking Act and the FIAMLA will be amended with a view to further bolster the fight against money laundering and for the prevention of financing of terrorism. Measures will include the increase of fines and dealing with AML concerns for multinationals.

- **Insurance Act**

The Insurance Act will be amended to allow an insurance manager to manage domestic insurance business.

- **Securities Act**

The Securities Act will be amended to allow the FSC to make Rules to cater for any new market participants for Derivatives and Commodities Market.

WORK PERMITS & IMMIGRATION

- **Economic Development Board Act**

The EDB will also manage two schemes to attract High Net Worth individuals.

a. Scheme 1 will offer will offer foreigners the opportunity to obtain Mauritian citizenship provided they make a non-refundable contribution of USD 1 million to a Mauritius Sovereign Fund. With regards to their spouse and dependents, an additional contribution of USD 100,000 per member of family.

b. Scheme 2 will offer the opportunity to obtain a Mauritian passport provided they make a contribution of USD 500,000 to the Mauritius Sovereign Fund. With regards to spouse and dependents, an additional contribution of USD 50,000 per passport will have to be made to obtain same. The Passport Act will be amended to allow for a fee to be charged for issuing passports to high net-worth individuals.

- **Immigration Act**

The Immigration Act to be amended to provide for applicant of an occupational permit to pay the prescribed fees at time the application for the occupation permit is approved instead of the date of application. Other amendment such as empowering the Minister for the subject of immigration to amend the Schedule to the Immigration Act, by way of regulations will also be made.

THE JUDICIARY

- **The District and Intermediate Courts (Civil Jurisdiction Act)**

The District and Intermediate Courts (Civil Jurisdiction) Act will also be amended to allow:

  - Small Claims Tribunal to henceforth hear cases of up to Rs 100,000 instead of up to Rs 25,000;
  - District Courts to hear cases of up to Rs 250,000 instead of up to Rs 50,000; and
  - Intermediate Courts to hear cases of up to Rs 2 million.

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