

Budget Brief 2011



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MAURITIUS

Salient aspects of the 2011 budget

1. Taxation

(i) Individual

- Abolition of tax on interest income as from 1 January 2010
- Elimination of the National Residential Property Tax with effect from 1 January 2010
- Introduction of a Solidarity Income Tax (SIT) at the rate of 10% on exempt income derived by individuals earning more than Rs2m annually
- Tax relief of up to Rs 120,000 for interest paid in respect of mortgage loans provided certain conditions are met
- Tax relief for children following university courses allowed to persons, subject to certain conditions
- Gains arising from sale of land and other immovable property will be taxed at the rate of 10% subject to an exemption of Rs2m
- Imposition of a tax of 15% on sociétés engaged in real estate business
- Increase of the income-exemption threshold on lump-sum on retirement and severance to Rs1.5m
- Individuals filing returns and paying tax electronically will have an extension of 15 days

(ii) Corporate

- Exemption to companies holding a freeport license extended for another 2 years
- Capital allowances on motorcar will be capped at Rs 3 M
- Extension of the increase in the special levy rate of 3.4% of profits and 1% of turnover of profitable banks for the two next financial years
- Introduction of a supplementary charge on Segment A banking activities consisting of 1.25% of profits plus 0.5% of turnover. Banks contributing to the new Private Equity Fund will be able to offset the amount subscribed against the additional charge
- The special solidarity levy on the providers of fixed and mobile telephony services will be maintained for the next two financial years at the rates are 5% on book profit and 1.5% on turnover of the preceding year
- Companies holding a Category 1 Global Business Licence ('GBC 1') will henceforth be allowed to conduct business operations inside Mauritius. Tax on the local trading activities will be at 15%.

(iii) VAT

- Removal of exemption provided to Private Health Institutions relating to cosmetic surgery
- VAT will henceforth be payable on goods and services supplied by the Mauritius Turf Club and horse stables, and on the management services to tote operators
- Exemption on wheat, oils, milk products, live chickens and chicks, animal feed and fertilizers

2. Financial sector

- Companies holding Category 1 Global Business License will be allowed to conduct business both inside and outside Mauritius
- Proposed merger of the Bank of Mauritius (BoM) and the Financial Services Commission (FSC)
- Creation of a Sovereign Wealth Fund to ensure greater stability of the forex markets
- Review of the effectiveness of the Monetary Policy Committee (MPC) by an independent consultant
- Conversion of the DBM into a Development Finance Agency to encourage commercial banks to lend to SMEs
- Amendment of the Trust Act to allow unlimited duration of non-charitable purpose trusts
- The Registrar of Companies will act as a one stop shop for non regulated activities
- The Islamic Banking Sector will be strengthened by injecting USD 5M to the International Islamic Liquidity Management Board, which will facilitate the setting-up of Shari'ah compliant liquidity instruments

3. ICT

- Decrease in the cost of internet broadband by an average of 16% to 24% as from beginning of 2011
- Setting up of a Special Purpose Vehicle (SPV) to ensure a second undersea cable link
- Implementation of smartcard based National Identity Card
- Identification of skills vital for sustainable growth of the ICT sector
- Formulation of a training program for private sector investment, in collaboration with the Outsourcing and Telecommunications Association of Mauritius
- Increased the use of on-line submission and e-payment facilities across all government services
- Application of an industry-certification at the national level for training for all licenced and approved centres in ICT/BPO

4. Tourism sector

- Measures to promote duty free shopping as a new sector of the economy
- Promotion of non-euro zone markets for tourist arrivals
- The objective is to reach more than 50% of tourism from these zones by 2015
- An investment of Rs1bn over the next 5 years is expected with the government contributing Rs250m:
 - Rs100m to double tourist arrivals from India to 115,000 by 2015;
 - Rs75m to attract 100,000 visitors from China by 2015; and
 - Rs75m allocated to the Russian market.
- A further Rs340m allocated for the promotion of traditional markets and resulting in a total budget of Rs390m for the MTPA in 2011

5. Manufacturing and industry

- Creation of a dedicated sub-fund of the Private Equity Fund to support enterprises in investing in high tech ventures
- Promotion of duty free shopping as a new sector of the Mauritian economy
- Mobilisation of a further Rs600m through the Manufacturing and Services Development and Competitiveness (MSDC) program to enhance access to finance, strengthen institutional support, and improve access to quality business development services through the Mauritius Business Growth Scheme (MBGS)
- Additional funding of Rs700m for the Leasing Equipment Modernisation Scheme (LEMS) and an extension of the Scheme until December 2012
- The Board of Investment (BOI) will promote investment from and exports to BRIC countries and other emerging economies

6. Real Estate

- Introduction of tax on gains derived from property transactions, with a rate of 15% for companies and 10% for individuals (a Rs2m exemption threshold applying to the latter category)
- Abolishing of the surcharge of 5% on Land Transfer Tax introduced in 2008
- Introduction of the Land Productivity Enhancement Scheme (LPES) to facilitate land development and provision of a matching platform between the promoters and the market

- Review of the procedures in respect of land conversion, including:
 - Clarification of the requirements relating to permits
 - Possibility of an application for a transfer of conversion rights to another site to be accompanied by an application for a change in use
 - Transferability of conversion rights to unrelated parties and within a group of companies
- Removal of registration duty for first time buyers of a house or bare residential land subject to certain conditions being met

7. Marine resources

- Amendments to the Fisheries and Marine Resources Act 2007 and the Maritime Zone Act 2005 to cater for the production of a wider variety of species
- The Marine Zone Act will be amended. A 25% grant will be given on the purchase of semi-industrial fishing boats
- The implementation of the Land Based Oceanic Industry will be accelerated. This will allow pumping of water within 12 nautical miles from our coastline

8. Small and Medium Enterprises (SMEs)

- Setting up of a new Private Equity Fund in order to develop financing instruments for SMEs
- Re-introduction of 100% duty free facilities on all types of double cab vehicles for qualified SMEs
- Creation of a Development Finance Agency (DFA) to support SMEs by giving lending facilities of up to Rs5m
- Provision of technical support and partial risk guarantees to SMEs by the DFA
- The ERCP will:
 - provide guarantees to allow SMEs to raise working capital;
 - finance SMEs through factoring; and
 - provide guarantees on import loans of SMEs

9. Board of Investment (BOI) and Occupational Permits

- In order to further open up the country to foreign talents, the threshold for BOI to issue Occupation Permits for professionals will be lowered to Rs 45,000 per month
- For the academic staff in institutions registered by TEC, BOI will handle their Occupation Permits regardless of their income level