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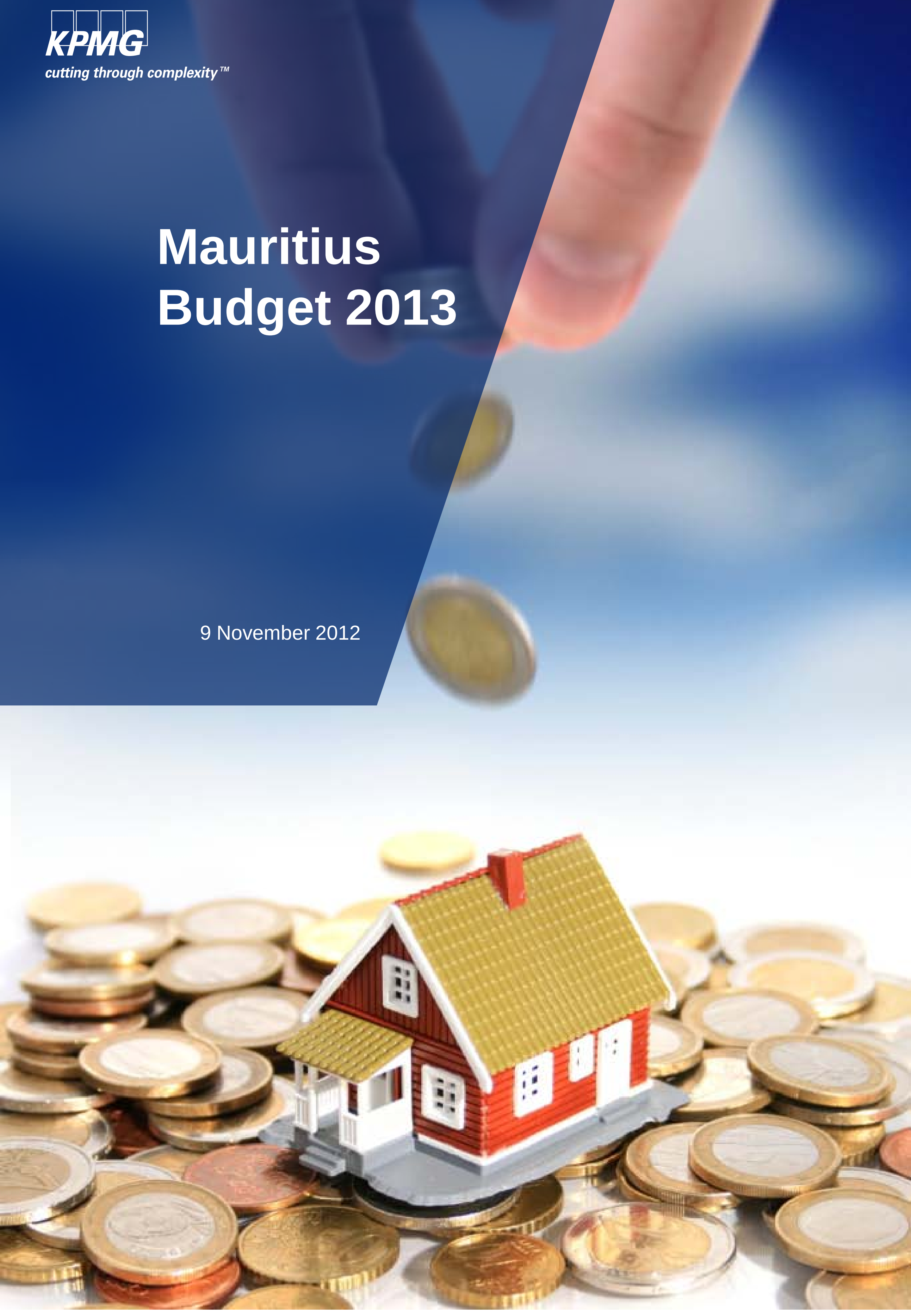
Mauritius Budget 2013

9 November 2012



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Foreword

On 09 November 2012 the Vice Prime Minister and Minister of Finance, Hon. Xavier Luc Duval, delivered his second budget aptly titled " Rising to the challenges of a world in transition"

Containing few measures in the way of providing short term solutions, it instead concentrated on laying the building blocks for the future positioning of Mauritius and its fiscal space management.

Taken in totality, this year's budget has completed the shift in the Government's attitudes and policy mindset. Besides key measures targeted at businesses, the other five main areas of focus are: promoting adoption of technology; enabling the Africa strategy, support growth through quantitative easing; modernising access to innovative public services and protecting the vulnerable.

As part of the Government's plans to steer the economy through the prolonged Global Crisis, the macroeconomic indicators suggest that the stimulus package and austerity measures were rightly managed to achieve a growth rate of 3.4% in 2012 with a budget deficit reported at 2.5% while Debt to GDP ratio is on the decrease. 2013 Forecast growth of 4% and a lower forecast budget deficit for the year ahead indicate that rigorous management of the fiscal space will be maintained.

The Minister has introduced foreign skills and talent mobility into the country's strategy for Africa by removing Visa requirements, more scholarships for African students, and the opening up of Freeport benefits to manufacturing export into Africa.

The establishment of the Regional Treasury centres, Regional Headquarter structures coupled with Non-treaty based funds and enactment of Limited Liability Partnership Bill will position Mauritius as more robust IFC.

We hope that you will find our Budget commentary publication this year of assistance in putting into perspective the new initiatives unveiled in Budget 2013.

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Taxation

Tax highlights

Corporate Tax

- Investments made during years 2013 and 2014 in manufacturing and in "green" technology equipment will benefit from increased accelerated capital allowances
- Alternative Minimum Tax (AMT) will not be applicable to manufacturing and hotel companies during fiscal years 2013 and 2014
- Advance Payment System (APS) will not be applicable to companies having turnover below MUR 4 Million
- Tax Deduction at Source (TDS) on interest payable to non-resident is increased from 10% to 15%
- Current rate of special levy on banks is maintained for years of assessment 2013 and 2014
- Solidarity levy on telephony service providers is extended to year of assessment 2014
- Companies will be allowed to carry forward excess CSR funds instead of making payment to MRA subject to certain conditions

International Tax

- 5 additional Double Taxation Agreements (DTAs) with African countries will be signed next year
- Tax Residency Certificate (TRC) will be issued only upon compliance with improved commercial substance requirements
- Tax Information Exchange Agreement will be signed with India by June 2013
- Global Funds not requiring benefits of our tax treaty network will be allowed to be set up as a corporate body enjoying tax free status

Tax highlights (cont'd)

Personal Taxation

- An individual will be entitled to claim income tax relief for premiums paid in respect of medical or health insurance policy contracted for himself and his dependents
- The turnover threshold for operation of the CPS is increased from MUR 2 Million to MUR 4 Million
- Interest received by an individual in respect of debentures quoted on the stock exchange will be exempted from income tax
- Value of benefit-in-kind of a company or official car used for official or business and private purposes will be increased by 50%
- Value of benefit-in-kind of accommodation benefits provided by hotels will increase in the range of 5% to 10%

Value Added Tax (VAT)

- The annual turnover threshold for compulsory VAT Registration will be raised from MUR2 Million to MUR4 Million
- The VAT Refund Scheme for agro-industrial and fisheries sector is extended for one additional year, i.e. 2013. This facility is also extended to producer cooperatives in the same sector and over a wider range of equipment
- Infant cereals not containing milk, colostomy bags and urine bags, entrance fees to cinemas, concerts and shows and royalties on importation of film are being exempted from VAT

Excise Duty

- Excise duty on motorcycles of cylinder capacity from 126 to 200 c.c. is abolished with immediate effect
- Duty on electric cars is reduced to a flat rate of 25%

Registration Duty

- Registration duty exemption scheme for first-time buyers of residential unit and bare residential land will be increased to MUR 4 Million and MUR 1.5 Million respectively

Tax administration

- Tax Amnesty Schemes introduced last year will be reinstated for another nine months.
- MRA will implement mobile payment service by December 2012

Corporate Tax

Capital Allowance

The Budget proposes an increase in the capital allowance (CA) scheme for certain investment made during 2013 and 2014 in manufacturing sector and on certain "green" technology equipment. This measure is in line with the concept of the Maurice Ile Durable (MID) concept by promoting the use of "green" technology equipment and to give a boost to the manufacturing sector.

"Green" equipment eligible for 50% annual allowance on a straight line basis includes the following:

- Renewable energy including solar-electric (photovoltaics) and solar thermal, wind and biomass, except for companies whose main business is the production of electricity
- Energy-efficient equipment or noise control device
- Water-efficient plant and machinery and rainwater harvesting equipment and system
- Pollution control equipment or device, including wastewater recycling equipment
- Effective chemical hazard control device
- Desalination plant
- Composting equipment
- Equipment for shredding, sorting and compacting plastic and paper for recycling
- Landscaping and other earthworks for embellishment purposes undertaken in 2013 and 2014,which previously was not entitled to capital allowance.

The 50% straight line capital allowance will result in taxpayer recouping his expenditure over 2 years. Unused capital allowance may be carried forward indefinitely. The above measure does not extend to passenger cars.

The changes to the capital allowances on manufacturing equipment are set out in Capital Allowance table below.

Corporate Tax (cont'd)

Capital Allowance Table

Capital Expenditure	From	To
Industrial premises dedicated to manufacturing	5% (straight-line)	30% (reducing balance)
Plant and Machinery fully expensed (100% allowance)	< MUR30,000	< MUR50,000
Electronic and high-precision machinery (incl. computer hardware and software)	50% (reducing balance)	50% (straight line)
Plant and machinery of a manufacturing company	35% (reducing balance)	50% (straight line)
"Green" technology equipment	35% (reducing balance)	50% (straight line)
Scientific research	25% (reducing balance)	50% (straight line)
Renovation works incurred by hotels, restaurants and retail outlets	20% (reducing balance)	33% (straight line)

Though the aforementioned changes proposed in the Budget are a welcome move in view of promoting the MID concept, we still believe there is still room for improvement in that the actual threshold of 100% relief in respect of capital expenditure of MUR30,000 could have further been increased to, say, MUR100,000.

Alternative Minimum Tax (AMT)

AMT which is applicable in cases where dividend is declared is being suspended for the hotel industry and the manufacturing sector during the fiscal years 2013 and 2014. This is a welcome measure in the current difficult economic climate faced by the tourism and manufacturing industries.

Advance Payment System (APS)

Under the current regime companies are required to file quarterly APS Statements and to pay tax, if any, in accordance thereof except where the company's gross income did not exceed MUR2 Million or did not have chargeable income. The MUR2 Million threshold is now being increased to MUR4 Million. This measure will reduce the compliance burden on small and medium enterprises and also the administrative burden of the tax authority.

Corporate Tax (cont'd)

Tax Deduction at Source (TDS)

The system of TDS shall now include some important changes. The key measures include the extension of applicability of TDS on payments made for services provided by laboratory technicians. This change is a clear statement of MRA's continued effort to enlarge its tax base, especially for services provided by individuals. Last year, the Budget 2012 extended the scope of TDS to include payments made in respect of services provided by doctors, dentists, attorneys, solicitors, barristers and legal consultants. At this stage, it is not clear what rate of TDS shall apply and whether individuals shall also be required to apply TDS where they require services of a laboratory technician.

TDS on payment of interest to non residents is being increased from 10% to 15%. This TDS is not applicable to individuals and banks and non-bank deposit taking institutions. The rate of TDS can be reduced if the recipient is resident in a country that has a tax treaty with Mauritius and such treaty provides for a lower withholding rate on interest.

Existing TDS provisions applicable to public sector agencies include payments in respect of project contracts in addition to procurement of goods and services. However, the aforementioned provisions shall now include a de-minimis clause of MUR500 per payment and shall not apply where there is continuity of service (e.g. telephone and postal services) and for air travel services. Further, such TDS will be applicable on payment of royalties. However at this stage it is not clear what rate of TDS shall apply with respect to royalties.

Special and Solidarity Levies

The Minister has extended the application of special levy on banks for an additional 2 years of assessment 2013 and 2014. Consequently, the decrease in special levy rates expected in year of assessment 2013 shall not take place until at least year of assessment 2015.

Further, solidarity levy on telephony service providers have been extended to year of assessment 2014. Such measures will increase the effective tax rates of telephony service providers.

Corporate Tax (cont'd)

Corporate Social Responsibility (CSR)

The Minister announced that companies will be allowed to spend up to 20% more than their statutory CSR obligation in any given year but not for more than 2 consecutive years. The excess CSR spending may be carried forward to offset in 5 equal consecutive annual instalments against future CSR liability. However, no offsetting will be allowed against income tax and special levies.

The CSR programme has been extended to include financing for construction and upgrading of Child Day Care Centres.

The above measures are expected to encourage companies to contribute to the CSR programme.

Other Amendments

A 'Société Commerciale' and any other resident société deriving income will be required to file a return of income with the MRA.

There will be a new basis of income taxation for companies engaged in long term insurance business as from year of assessment 2014. It has been announced that the taxable income for such companies will be reviewed to make it more commensurate with their income per their financial statements after consultation with stakeholders.

The 4 year tax holiday granted to a small enterprise is being removed.

As from 1st January 2013, taxpayers have the option to choose irrevocably to be taxed on surplus arising from foreign exchange differences, on a realisation basis. Details thereof will be set out in a Statement of Practice by MRA.

International Tax

Double Taxation Agreements (DTAs)

The Budget 2013 clearly outlines the Government's Africa strategy. The Government is aiming to sign 5 more DTAs with African countries in 2013. This will bring the number of DTAs signed with African States to 22 and hence strengthening Mauritius' position as the ideal gateway for investment into Africa.

Tax Exempt Global Funds

The Minister proposes to create a regime to affect non treaty based funds. Such Global Funds not requiring benefits of our tax treaty network will be allowed to be set up as a corporate body enjoying tax free status.

Tax Residency Certificate (TRC)

The Budget contains fundamental change that shall operate as prerequisite for obtention of TRC. TRC will be issued only upon compliance with improved commercial substance requirements. Further, a service fee shall now be charged upon issuance of TRC. The above measure is in line with Government's effort to encourage Global Business companies to have more substantive presence in Mauritius.

Tax Information Exchange Agreement

The Minister announced that a Tax Information Exchange Agreement is expected to be signed with India by June 2013.

Income Tax - Personal

Relief for medical/health insurance premium

A taxpayer will be entitled to claim a deduction in respect of premium paid for medical or health insurance policy contracted for himself and his dependents. However, this provision does not extend to combined medical and life assurance schemes.

The table below illustrates the maximum allowable deduction per annum for each category of tax payer:

Deduction	
Category of income taxpayer	**Up to MUR**
A (no dependent)	12,000
B (one dependent)	12,000 for self + 12,000 for dependent
C (2 dependents)	12,000 for self + 12,000 for first dependent + 6,000 for second dependent
D (3 dependents)	12,000 for self + 12,000 for first dependent + 6,000 for second dependent + 6,000 third dependent
E (retired person with no dependent)	12,000
F (retired person having one dependent)	12,000 for self + 12,000 for dependent

With this proposed change in deductions, a typical household family of 2 dependents will be able to benefit from a tax saving of MUR4,500 (15% of MUR30,000). In addition, this incentive will also boost up the medical insurance business.

Car Benefit

The value of benefit in kind with respect to car is being increased by 50%. The table below illustrates the new benefit compared to the existing one:

Car Benefit		
	(Monthly Taxable amount)	
Cylinder Capacity	**From MUR**	**To MUR**
Up to 1600 cc	6,000	9,000
1601 to 2000 cc	6,750	10,125
Above 2000 cc	7,500	11,250

Income Tax – Personal (cont'd)

Accommodation Benefit provided by hotels

The value of the accommodation benefit provided by hotels, for income tax purposes is increased, as follows:

Accommodation Benefit provided by hotels		
	(Monthly Taxable amount)	
Full Board and lodging	**From MUR**	**To MUR**
Single	10,000	11,000
Married	14,000	15,000
Managing and supervisory staff	4,000	4,200
Other Staff	2,000	2,100

Current Payment System (CPS)

The turnover threshold for the filing of the CPS returns will be increased from MUR 2 Million to MUR 4 million, implying that a self-employed taxpayer with a turnover not exceeding MUR 4 Million will not be required to submit quarterly income tax returns , hence minimizing compliance and administrative costs. However it is not clear whether the second condition for submitting CPS return based on prior year results is still applicable.

Exemption of interest received in respect of debentures

The Minister announced that interest received by an individual in relation to debentures quoted on the stock exchange will be exempted from income tax. We expect that this measure will boost investment in debenture loan stock. However, it is not clear from the Budget speech whether this exemption will only be applicable to debentures quoted on the local stock exchange or whether it is also applicable to debentures quoted overseas.

Income exemption threshold for disabled person

The two special income exemption thresholds granted to a retired person (i.e. Category E and Category F) are being extended to cover a disabled person.

Severance allowance

The tax exemption with regard to "Severance Allowance" will also include a negotiated compensation under section 42 of the Employment Rights Act but will be limited to the amount of severance allowance payable through the findings of a Court, backdated to 01 February 2009 when this Act became effective.

Pension and retiring allowance

Income tax exemption on "lump sum received as commutation of pension" and "retiring allowance" will aggregated, instead of being mutually exclusive, subject to the overall limit of MUR1.5 Million.

Value Added Tax (VAT)

VAT registration threshold

The annual turnover threshold for compulsory VAT registration is currently MUR2 Million. The Minister proposes to raise the threshold to MUR4Million. He announced that this measure will remove some 1,300 small traders and business from the VAT register. We therefore assume that SMEs that are currently registered for VAT will be allowed to deregister if their annual turnover is below MUR4Million threshold.

Exemption

The following products which were subject to VAT will become exempt:

- Infant cereals not containing milk
- Colostomy bags and urine bags
- Entrance fees to cinemas, concerts and shows
- Royalties on importation of film

As a result, the price of those products is expected to reduce by 15%. However, this measure will imply that input tax incurred on overheads by registered persons will no longer be recoverable and they can pass the irrecoverable VAT to their customers.

Refund

The VAT refund scheme for agro-industry and fisheries sector became operational in 2012. Under the scheme VAT paid on equipment is refunded to registered producers. The Minister announced that the scheme will be extended for one additional year, i.e. 2013. The scheme will also be extended to producer cooperatives in agro-industry and fisheries and the list of equipment covered will also be extended.

The Minister announced that VAT will be refunded on expenditure incurred on fittings, equipment and furniture in high street retail shops and restaurants within a period of 7 days.

Duties

Registration duty

The limit for the registration duty exemption scheme for the first time buyers of residential property has been increased as follows:

Threshold for exemption		
	From	**To**
Bare residential land (Value of the property)	MUR750,000	MUR1 Million
Built-up residential property (Value of the property)	MUR1.5 Million	MUR4 Million

Where the value of the property exceeds MUR1 Million for bare residential land and MUR4 Million for built-up residential property, the duty exemption shall not apply.

A person will also be considered to be a first-time buyer where:

- he or his spouse is or was the co-owner of a property acquired by inheritance provided their share in the property is less than 10 perches.
- his/her spouse is or was the co-owner of an immovable property prior to 9 November 2012 and their share in that property was less than 5 perches.

This budgetary measure will increase the relief to first time buyers and also increase the number of first time buyers.

Land duties and taxes

Registration duty and land transfer tax were already applicable in respect of indirect transfer of immovable property via a change in control of a company through issue of new shares together with a reduction in its share capital. However, the legislation will also provide for coverage, where there is a change in control through issue of shares alone. Other amendments will also be brought to address other loopholes in the Land (Duties and Taxes) Act.

These measures will mitigate tax avoidance of registration duties and land transfer taxes.

Duties (cont'd)

Customs duty

Customs duty on several imported products are being abolished with immediate effect as follows:

Customs Duty		
	From	**To**
Sinks, wash basins, baths and bidets	15%	0%
Toilets, flushing cisterns and mechanism	15%	0%
Sanitary towels (pads) and tampons	30%	0%
Steel Electric poles	15%	0%
Jute bags	30%	0%
Television sets of diagonal width of over 82 cm (i.e. 32")	15%	0%

Moreover, the normal cap of MUR1,000 , on the import value of goods which are entitled to customs duty and VAT exemption, has been doubled to MUR2,000 with immediate effect

Retail shops and restaurants will benefit from a 50% reduction in customs duty on purchase of fittings, equipment and furniture of more than MUR10 Million.

Land Conversion Tax

Subject to certain conditions, no land conversion tax will payable on the conversion of land from agricultural use for the purpose of:

- Constructing an 18-hole golf course
- Setting up a manufacturing company as certified by Board Of Investment (BOI)
- Setting up a power station for generation of energy using "green"/renewable sources
- Construction of a building to be used for provision of Technical & Vocational Education and Training (TVET)

Duties (cont'd)

Excise duty

Electric cars are currently taxed at the rate of 27.5% if the power rating is less than 57.5 kw and at 50% for those above 57.5 kw. The Minister announced that the rate will henceforth be reduced to a flat rate of 25%. Additionally, the duty on motorcycles of cylinder capacity from 126 to 200 c.c. is being abolished with immediate effect.

A 15% concessionary rate of duty currently granted to a returning resident on a motor vehicle has been restricted to the first MUR1.5 Million of its import value. Any value on the motor vehicle in excess of MUR1.5 Million will be subject to the normal rate of excise duty.

The rate of Excise duty on tobacco products is being increased by 12% with immediate effect as follows:

Excise Duty on Tobacco Products		
	From	**To**
Cigars (MUR per kg)	10,925	12,236
Cigarettes (MUR per thousand)	3,160	3,540

The Minister proposed that all soft drinks, whether imported or produced locally, will be subject to excise duty whereby a tax of 2 cents will be leviable for each gram of sugar it contains.

Furthermore, the present levy of MUR1.50 charged by CWA on each litre for locally produced soft drink, bottled water and fruit drink will be abolished.

The rate of excise duty on cigarettes and cigars is being increased by 12% with immediate effect. Excise duty rates on alcoholic products are being increased with immediate effect by 15%, except for fruit wine, island wine and whisky in respect of which the increase is 5%.

Modulated excise duty will be introduced on electrical appliances on the basis of energy consumption to discourage the purchase of energy inefficient appliances. Energy inefficiency appliances will be subject to a modulated penalty levy of up to 25%.

Duties (cont'd)

Excise duty (Cont'd)

The rates of excise duty on alcoholic products are being increased by 15% with immediate effect as follows:

Excise duty on alcoholic products		
	From	**To**
Beer (MUR per litre)	29.75	34.20
Fruit wine (MUR per litre)	25.20	26.50
Made wine (MUR per litre)	54.00	56.70
Wine of grapes (MUR per litre)		
▪ *In bulk for bottling purposes*	79.20	91.10
▪ *In bottle*	139.00	160.00
Champagne (per litre)	660.00	760.00
Spirit cooler (per litre)	37.00	42.55
Rum (per litre of absolute alcohol)	390.00	448.50
Cane spirits (MUR per litre of absolute alcohol)	390.00	448.50
Whisky (MUR per litre of absolute alcohol)		
▪ *In bulk for bottling purposes*	825.00	866.00
▪ *In bottle*	1,320.00	1386.00
Liqueur (MUR per litre of absolute alcohol)	264.00	304.00

Tariffs

In accordance with the SADC Trade Protocol, the tariffs on the following goods are being reduced as follows:

Tariff		
	From	**To**
Black tea	24%	16%
Flour	9%	6%
Salt	9%	6%
Edible oil	9%	6%
Margarine	9%	6%
Electric filament and discharge lamps	30%	22%
Safety glass	15%	12%
Toilet paper in rolls	24%	16%
Trays, dishes, plates, cups of paper	24%	16%
Dog and cat food	9%	6%
Tubes, pipes of iron and steel	15%	12%
Napkins and Napkins liners for babies	12%	8%

Other Taxes

Taxation of Integrated Resort Scheme (IRS) and Real Estate Scheme (RES) will be amended to rationalize with other real estate for Mauritians and residents.

A system of self-assessment of the municipal rate payable is proposed to be introduced as from 1st January 2013.

A 'Société Commerciale' and any other resident société receiving income will be required to file a statement of income with the MRA.

AGOA levy, which is a tax on exports, will be abolished.

The entertainment tax charged by the local authorities will be abolished and compensation will be provided to them for revenue loss.

The Gambling Regulatory Authority will transfer the responsibility of setting up and maintenance of the Central Electronic Monitoring System (CEMS) for the online recording and control of lottery games, gaming and betting transactions to the MRA.

Tax Administration

Tax Amnesty Schemes

The Voluntary Disclosure of Income Arrangement (VDIA), the Voluntary VAT Registration Incentive Scheme (VRIS) and the Expeditious Dispute Resolution of Tax Cases (EDRTS) schemes which were closed on 30 June 2012 will be reinstated for an additional nine months from January to September 2013 with some improvements. The Minister announced that a special scheme will also be devised for dealing with long outstanding tax arrears remaining in the books of the MRA. Through these schemes, Government is again giving an opportunity to all taxpayers to regularise their tax affairs and be in compliance with their tax obligations.

Increased power of MRA

MRA will be able to effectively seize a motor vehicle on which duty exemption has been granted in case of non-compliance with the conditions of the duty concession by the beneficiary.

Customs Administration Penalty (Compounding of offences) System

Customs administration will be made simpler, fairer and more transparent.

The Customs Act will also provide for Advance Ruling customs tariff classification and origin of goods.

Others

MRA will be the first governmental department to implement the mobile payment service by December 2012.

The relevant section of the tax return forms for individuals will be simplified in respect of house workers by January 2013.

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Sector Highlights

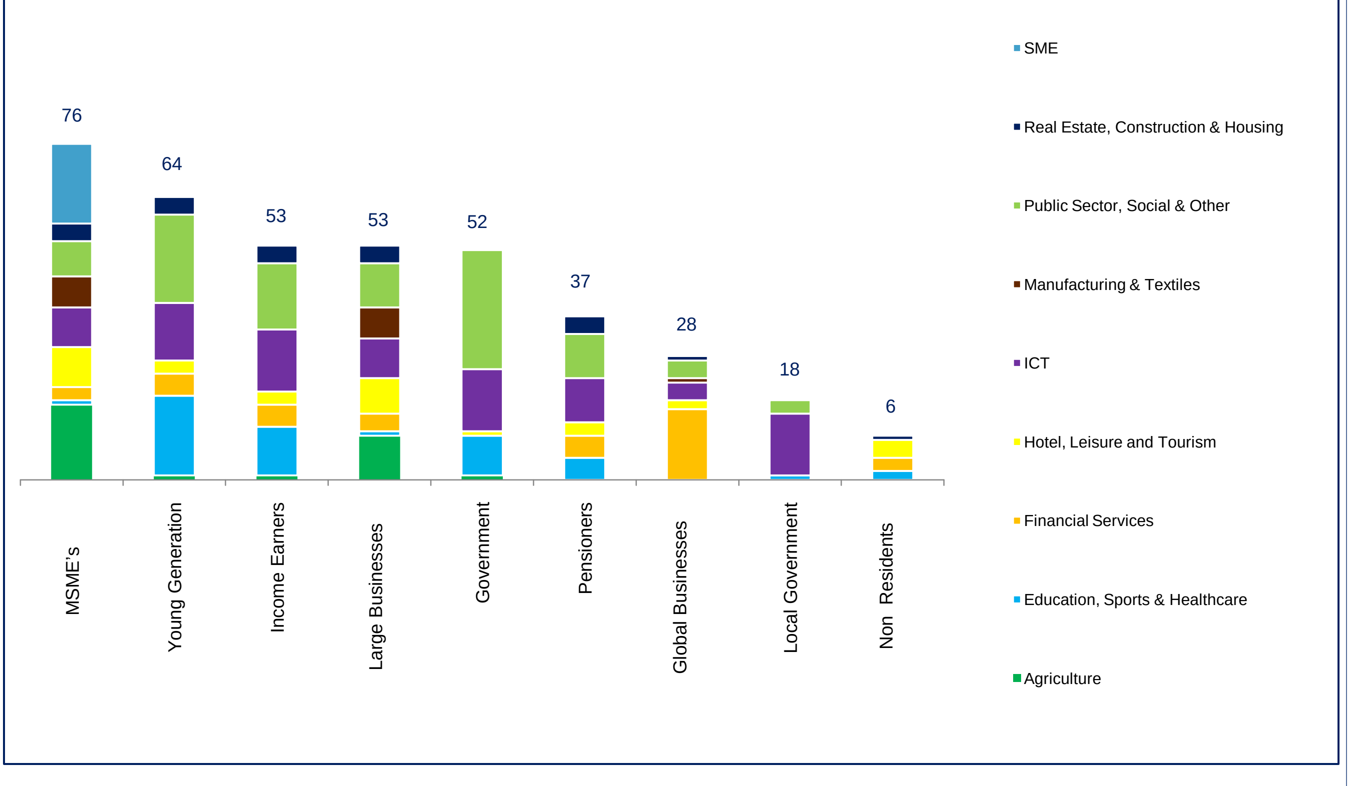
Analysis of the Measures

204 measures were announced in the 2013 budget. For the purpose of presenting analysis of the measures KPMG has identified the direct stakeholder(groups) who are expected to be the primary recipients affected by the measures. The category of stakeholders used for the allocation of measures were: Global Businesses, Large Businesses, MSME's, Young Generation, Income Earners, Pensioners, Government, Local Government and Non Residents

It is to be noted that the total number of allocated measures will be more than 204 as one measure may affect more than one stakeholder/group.

'MSMEs' and the 'Younger Generation' emerge as the main beneficiaries of the 2013 budget as can be seen in the table below

Number of measures by stakeholder group

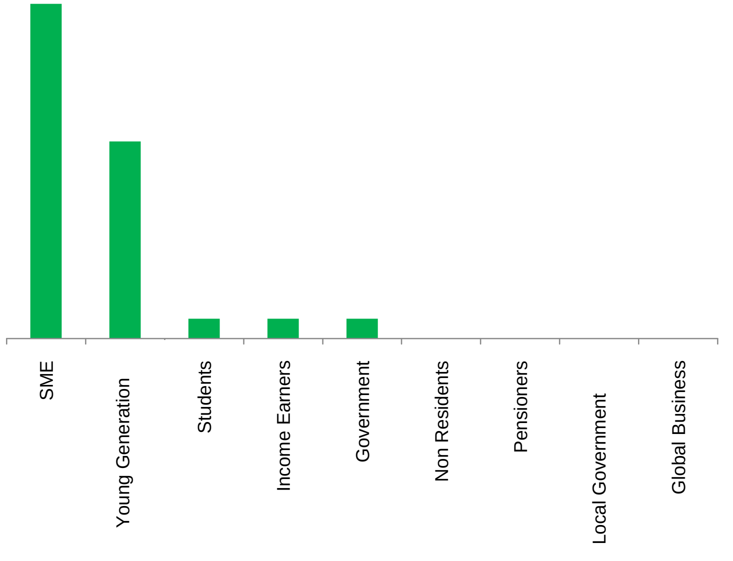


Analysis of the Measures (cont'd)

Stakeholder	Measures allocated	Summary
MSME	76	The government has adopted an approach of trade facilitation by adopting measures to amend legislation, to plan Freeport zones and to improve access to funding and incubation of new ideas.
Young Generation	64	The Government will provide a platform to help students to pursue their studies from primary to tertiary level. At primary level, a monthly allowance and a daily hot meal will be provided for needy children. At the secondary level, the IT infrastructure will be improved upon; Form IV students will be entitled to one tablet computer each; a digital learning programme will be launched for students as from Form IV and every secondary school will benefit from the extension of the extension of high fiber optic cables. At the tertiary level, a number of sandwich courses and additional scholarships will be introduced. Further, additional financial support will be provided to high level athletes.
Income Earners	53	The Government has taken measures to improve the working conditions and sharpen the skills of the working group to increase their productivity by providing quality training and child day care centers. Further, a number of actions will be initiated to enhance the IT infrastructure to boost efficiency in the economy or create an efficient interfacing between employees/ professionals and government. Employment will be boosted by the recruitment of additional qualified workforce.
Large Businesses	53	The budget 2013 has catered for the manufacturing sector by allocating a budget of MUR130M for the development of overseas market while for the hotel industry, there has been a 50% reduction in lease rental for hotels undergoing renovation. The AGOA levy has also been abolished.
Government	52	Inflows for government will be through excise duties levied on cigarettes and alcoholic drinks and a new tax levied on sugar content of soft drinks. Also, with the centralization of the Informatics Bureau, the IS Division and the IT Security Unit, the government plans to enhance the impact of IT. The launch of the online payments and e-government initiatives will also translate in time and with cost savings.
Pensioners	37	The key measures that build up to the total impact on pensioners are, the governments stance to increase security measures by recruiting 600 additional police officers and the expansion of CCTV street surveillance system making the streets safer. Also there is a reduction in the minimum broadband expenditure and government institutions are developing the facility for online payment which will elevate the age group with less mobility.
Global Businesses	28	The key measures that build up to the total impact on Global Business is that license fees are based on turnover, there is a bilateral investment treaty with the USA and the government are intensifying the promotion of investment into Mauritius from China and the rest of Asia.
Local Government	28	The sector impacting the most on local government is that of ICT. The budget 2013 has brought up various measures to equip each ministry with up to date IT equipments, IT professionals and IT training. Other measures include online payment systems and promotion of a green environment.
Non Residents	6	The key measures that build up to the total impact on Non Residents are, the opening up of visa requirements for 75 nationals. Appointment of honorary counsels in every major city on the African continent.

Agriculture

In measures announced pertaining to the Agriculture sector, SME & Large Businesses emerge as the main potential beneficiaries.

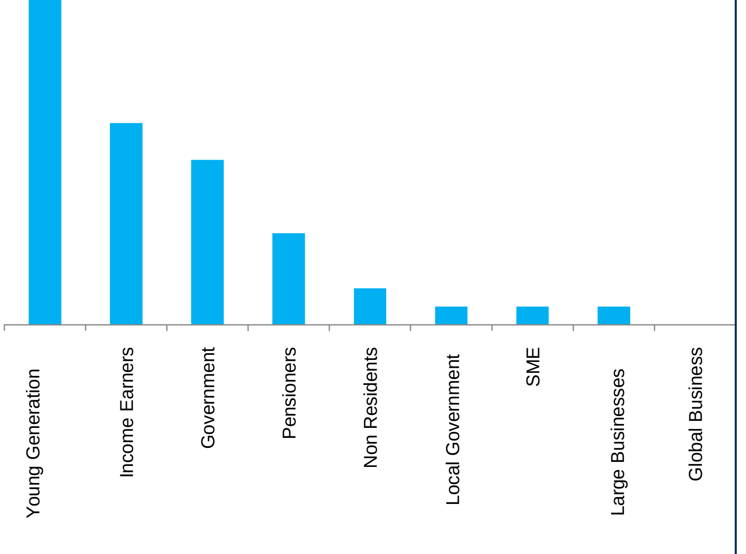


Key highlights

- Incentives to leave land for cultivation
- VAT Refund for small farmers
- Off Shore wind farms in Rodrigues planned

Education, Sports & Healthcare

In measures announced pertaining to the Education, Sports & Healthcare sector, Young Generation & Income Earners emerge as the main potential beneficiaries.

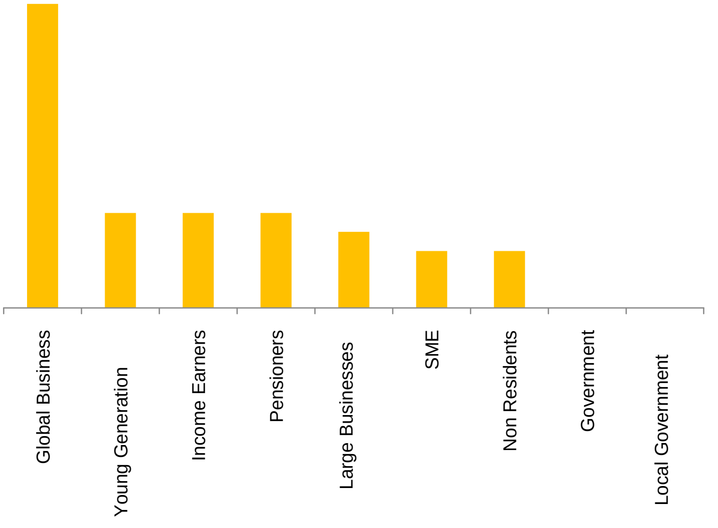


Key highlights

- Government stance on non-communicable diseases by way of a new tax on the sugar content of soft drinks
- Increased duty on cigarettes and alcoholics drinks
- Extention of summer and winter school programmes

Financial Services

In measures announced pertaining to the Financial Services sector, Global Business emerge as the main potential beneficiaries.

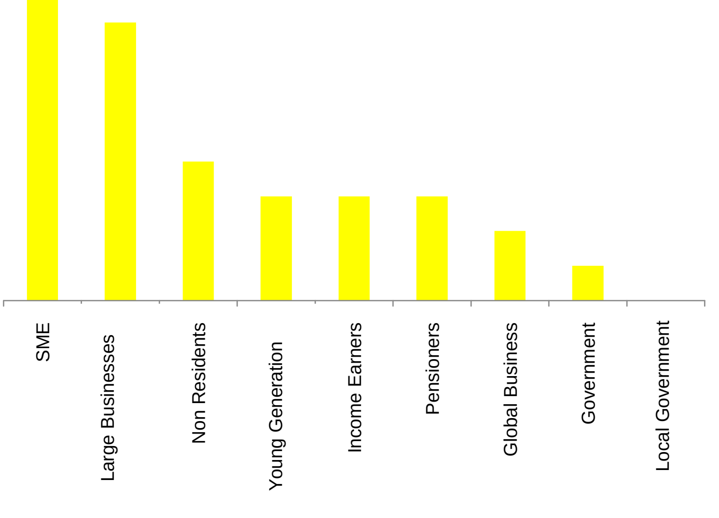


Key highlights

- Licence fees to be based on turnover for Management Companies
- Bilateral Investment treaty with USA
- Intensifying of Investment promotion for Africa

Hotel, Leisure & Tourism

In measures announced pertaining to the Hotel, Leisure & Tourism sector, SME & Large Business emerge as the main potential beneficiaries.

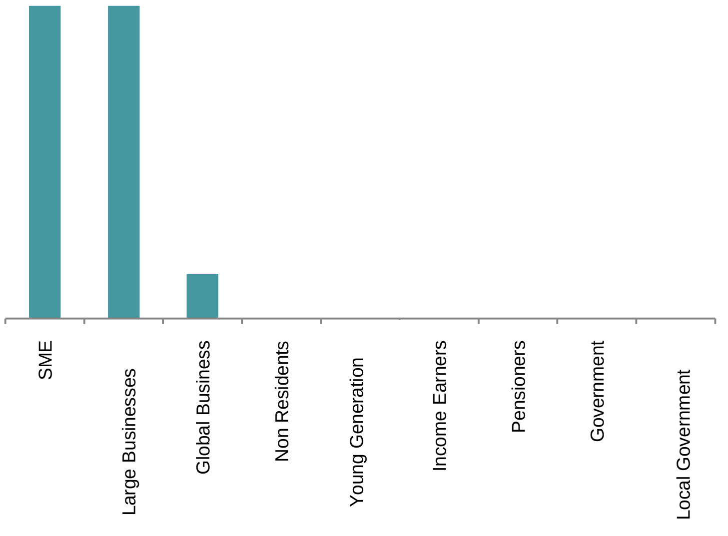


Key highlights

- Direct flights to China and Russia weekly
- Incentives for hotel reconstruction
- Rehabilitation of Kite Surfing site in Le Morne
- Abolishment of VAT on cinema and concert tickets

Manufacturing & Textiles

In measures announced pertaining to the Manufacturing & Textiles sector, SME & Large Businesses emerge as the main potential beneficiaries.

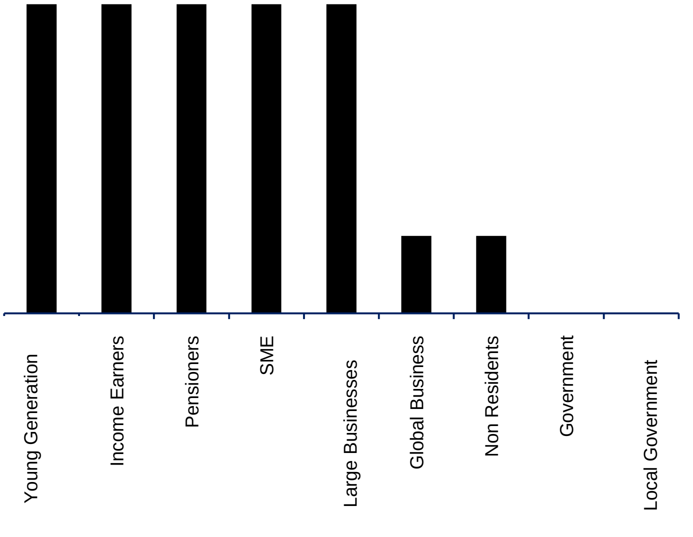


Key highlights

- Development of overseas markets budgeted
- AGOA levy on reports abolished
- Loans waived at DBM.for small loans
- Bank guarantee replaced by fixed fee of MUR500 for expatriate work permits

Real Estate, Construction & Housing

In measures announced pertaining to the Real Estate, Construction & Housing sector, Young Generation, Income Earners, pensioners, SME & Large Businesses all emerge as the main potential beneficiaries.

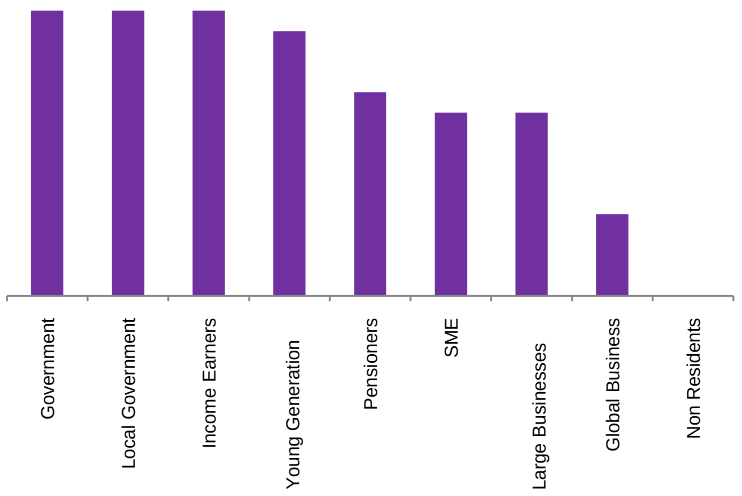


Key highlights

- Ministry of Housing to launch new tender for construction of houses
- Construction of houses in poverty stricken areas (Karo Kalyptis)

Information Communication Technology

In measures announced pertaining to the Information Communication Technology sector, Government & Local Government emerge as the main potential beneficiaries.

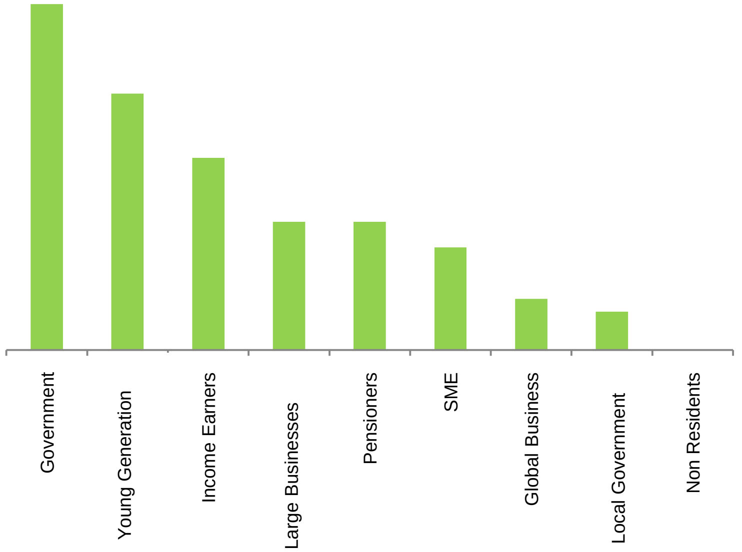


Key highlights

- Affordable broadband across the board
- Form IV students to receive tablet computers
- Fibre Optics in every school
- E-government and public sector IT modernisation
- 4G across the country

Public Sector, Social & Other

In measures announced pertaining to the Public Sector, Social & Other sector, Government & Young Generation emerge as the main potential beneficiaries.



Key highlights

- Doubling budget for Equal Opportunities Commission
- Creation of Family Court
- 600 addition policemen in 2013
- Opening of new prison at Melrose
- Public Procurement Act to be reviewed

Financial Services

State of the Financial Services Sector in Mauritius

Over the years, Financial Services has emerged as one of the most important contributors to the Mauritian economy with a GDP share of 13%. The sector employs over 30,000 people and has seen a sustained growth of about 7.8% per annum over the last few years. The sector comprises of major local and international players in banking, insurance, capital markets, fund administration and management, international legal services and investment advisory amongst others.

Our banking sector has shown resilience to recent global external shocks and remain a key player in our capital markets. On the other hand, the recent growth of Global Business and other non-banking financial institutions in Mauritius exposes the financial services sector to more regional and international challenges such as international compliance, dependence on treaty networks and competition from other IFCs.

Possible Impact of Budgetary Measures on the Financial Services Sector

The measures announced in the budget such as the enactment of a Limited Liability Partnership bill, creation of a regime for non treaty based funds, creation of a framework to allow setting up of Regional Treasury Centres and Regional Headquarters administration will reinforce the country's product proposition in financial services.

By extending the present network of Double Taxation Avoidance Agreements ("DTAAs") and Investment Promotion and Protection Agreements (IPPAs) with African countries, the Government is rightly steering our economy away from our dependency on the Indian DTA's.

The Government has also indicated its commitment towards transparency by announcing the signature of a Tax Information Exchange Agreement with India by June 2013. The setting up of an Ombudsperson for Financial Services Bill, implementation of "Treat Your Customers Fairly" program by commercial banks, cap on bank charges and reinforcement of Borrowers Protection will critically enhance the credibility of the financial services sector.
Furthermore, the proposed amendment of the Banking Act to impose rotation of auditors every 5 years will certainly align our local banking audit governance to internationally established standards.

Moreover, measures encouraging the travelling of African businessmen to Mauritius through the opening up of visa requirements for nationals of 75 countries and the improvement of its freeport services will facilitate the Africa penetration strategy of Mauritius.

General Comments

The government recognises the importance of creating a trusted framework for financial services. While the immediate cash benefits of these measures to our financial institutions are not tangibly quantifiable, the measures announced are certainly a valuable move.

Tourism

State of the Tourism Industry in Mauritius

The tourism sector has contributed 8.4% to the GDP in 2011 and currently employs over 27,000 people. Tourism statistics indicate a stagnation in arrivals for 2012 with a forecast of about 960 000 visitors by the end of the year (2011:964 642). The resulting drop in hotel occupancy rates is also explained by an increase in room capacity whilst air seat capacity from some of the major tourist-generating markets has not increased proportionately. A deeper insight of tourist arrival figures for the period January to September 2012, shows that the traditional markets of Europe have declined (-7.7%) whereas tourist traffic from some of the emerging economies has been increasing at a very satisfactory rate. Among those emerging markets which are showing signs of growth for Mauritius are: China (38.3%), Russia (91.2%) and Africa (13.2%). India has also been increasing at a steady rate over the years.

Possible Impact of Budgetary Measures on the Tourism Sector

The Budget for 2013 contains a series of measures which may impact directly and indirectly on the tourism sector. The proposals for the introduction of 2 direct flights per week to China as from January 2013 and a possible direct flight per week to Russia are most likely to boost traffic from those 2 markets which have been showing signs of healthy growth over the past years.

The visa facilitation being granted to 29 additional African countries may also increase visitor arrivals from Africa in addition to measures proposed to attract African students in the context of Mauritius emerging as a tertiary education hub in the region.

With the creation of high class shopping malls on the island, individual retail and restaurant outlets are finding it more difficult to cope with the reduction in foot-fall resulting in high risk of closure. Incentives for product improvement through fit outs will be granted to shops and restaurants with a view to boosting their standards and attractiveness whilst warding off their risk of crowding out by large shopping malls.

The proposal for the creation of a Kite Surf Training Centre aims at adding value to the local tourism product by attracting kite surf enthusiasts to our shores for training and practices.

Tourism (cont'd)

Additionally, a series of measures are also given to facilitate payment of lease and the Environment Protection Fee by hotels which are in difficulties in terms of profitability and cash flow. The Tourism SMEs are being encouraged to invest more in marketing with the refund of MUR200 000 for their participation in international fairs.

General Comments

The Mauritius tourism sector is confronted with multiple challenges amidst growing competition for a shrinking market base especially Europe. The measures contained in the Budget are an indirect invitation to the private sector to take more risks and embark on more audacious market diversification programs with valuable support from Government. The tourism industry in Mauritius has remained euro-centric over the past 60 years. The prolonged crisis in Europe has been impacting heavily on the performance of the hotel sector whose product mix needs to adapt to new market realities and trends. An increase in air seat capacity will alleviate the industry only if a freeze on further hotel development is applied. The hotel classification project by the MTPA has not been made as per the industry expectations and the restructuring of the MTPA as announced in the previous budget did not materialize. Other areas of focus to stimulate tourism growth are: innovation in destination marketing, micro-targeting initiatives, human resource development for quality services, safety and security, environmental protection.

Manufacturing & Textiles Sector

State of the Manufacturing and Textiles Sector in Mauritius

The manufacturing sector contributed an estimated 17.7% to GDP. The main manufactured products of the sector are sugar, food and textile. The sector employs around 77,000 employees representing 26% of the mauritian workforce. The manufacturing sector has been exposed to the economic crisis and the dwindling customers' purchasing power in its eurocentric export markets.

Possible Impact of Budgetary Measures on the Manufacturing and Textiles Sector

The Budget for 2013 contains a series of measures which may impact directly and indirectly on the manufacturing sector. The government has taken measures to improve its freeport services to allow freeport companies to carry out specific manufacturing activities.

The Mauritian government has allocated a budget of MUR130 Million to Enterprise Mauritius for the development of overseas market for manufacturing companies. This will make the Mauritian market visible in international trade fairs.

The budget also caters for measures at the firm level. Enterprises will be able to apply a 50% accelerated depreciation of plant, machinery and equipment thereby reducing the liability for corporate taxes.
In addition, a firm will be required to pay an annual fixed fee of MUR500 per employee for expatriate work permits instead of providing a bank guarantee. This will reduce significantly the costs incurred by the firm for expatriate workers. The budget has also provided for the abolishment of the AGOA levy on exports and the manufacturers will be authorised to obtain credit insurance from foreign companies to offer added security to exporters.

General Comments

The Manufacturing sector is faced with multiple challenges amidst fierce competition from emerging competitors. The measures contained in the Budget will encourage manufacturing enterprises to gain access to cheap labour and therefore export more goods.

Micro, Small and Medium Enterprise (MSME)

State of the MSME sector in Mauritius

MSMEs in Mauritius contribute 37% to our GDP and provide employment and a living to 250,000 people. The Micro, Small and Medium Enterprise ("MSME") sector in Mauritius faces challenges in terms of access to finance among other business facilitation support services. As an important contributor to the Mauritian entrepreneurial base they also seed new entrepreneurs which are crucial for economic growth.

Historically , to address problems being faced by MSMEs in terms of access to finance from commercial banks and banking related business development services, the GOM has taken a number of measures such as SME financing scheme, the Equity Fund, the provision of more low cost industrial spaces for SME's, more government contracts to SME's and the establishment of working groups across the GOM's existing network agencies or ministries to focus on MSME needs.

In view of the importance of the SME sector to the Mauritian economy, the Government of Mauritius has identified the need for more uniformity, consistency and sustainability in the provision of facilitation support to MSMEs.

Possible Impact of Budgetary Measures on the MSMEs

The first and foremost measure for MSME's is the extension of the existing SME financing scheme. Commercial banks will be directed to provide additional finance of MUR250 Million to SMEs with turnover under MUR10 million at a capped interest rate of repo rate plus 3%. Government will guarantee 50% of any losses incurred by banks following finance extended to SMEs to de-risk this financing effort by Banks.

The interest rate under the Leasing Equipment Modernisation Scheme (LEMS) will be brought down from 8.5% to 7.25% for new leasing facilities. In addition, the new VAT registration threshold from will be set at MUR4 Million for the SMEs. All loans made by the DBM for which capital outstanding does not exceed MUR20,000 and which has remained unpaid for 3 years will be waived with regard to these type of entities.

As regards government contracts to SMEs, the requirement to submit performance bonds when making a bid of an amount up to MUR5 Million will be given up, Advance payment guarantees will be over hauled when bidding for Government contract and outcomes of tender exercises will be displayed on the procurement portal for values of MUR5 Million and above instead of MUR15 Million and above as it is presently. These SMEs will be much relieved and will be on a level playing field to do business.

Micro, Small and Medium Enterprise (cont'd)

MBGS unit will ensure coordination on technical assistance, start-ups and monitoring for the sector. MBGS will provide such assistance to improve productivity in the shoe sector, along with the creation of a special grant of MUR10 Million to Enterprise Mauritius to support marketing for exports of shoes. The development of the 'Made with Care' label by SMEDA and the amendment of the National Heritage Trust Fund Act will enable protection and control of importation of the related products. Besides, imports of handicrafts depicting the national heritage of Mauritius will be controlled.

Turnover threshold for operation of the CPS will be raised to MUR4 Million. Likewise, companies with turnover below MUR4 million will benefit from the same facility under the Advance Payment System. Indeed, this provide great incentive effects at the micro-level to impact positively on the macro variables.

The Government has gone further by providing a grant for freight expenses up to MUR20,000 to SMEs.

General Comments

The measures announced above certainly will provide more choices for MSME's to step up against economic challenges but it remains critical that deployment of the benefits be seamlessly facilitated.

Agriculture

State of the Agriculture sector in Mauritius

Agriculture is one of the main economic activities of Mauritius, contributing around 3.6% of GDP and employing around   people.

The sector comprises of mainly of local players in sugar cane, tea, tobacco, food crops, livestock, poultry and fish amongst others.

Although Mauritian agriculture is still playing an important role in the socio-economic set-up of the country, its contribution to the economy has been declining over the years. This is due to the growing diversification of the Mauritian economy with the secondary and tertiary sectors registering relatively higher growth rates over the last past years, arising as a result of technology input and capital investment in other sectors, with agriculture lagging behind.

Possible Impact of Budgetary Measures on the Agriculture Sector

The Government has announced a number of measures to ease the financial burden of small lease holders. This includes waiving housing and agricultural land leases and replacing it with a nominal fees of MUR 1 per annum. A Land Conversion Committee will be set up to elaborate the criteria for land conversion and an appropriate legal framework will be developed to encourage owners of land to lease their lands for cultivation.

Financial support will be provided to local farmers to promote the agriculture sector and help the farmers. The major measures include; the provision of subsidy of MUR40 Million on locally produced compost; an increase in the financing of the Field Operations Re-grouping and Irrigation Project (FORIP), land preparation and other related schemes; a provision of MUR15 Million for a modern Culling Room for pig breeders; the maintenance of 80% advance payment to sugar cane planters as soon as their crops are sent to mill; the implementation of a framework for Government to bear full costs for pre-market test and certification fees for small agricultural enterprises with turnover not exceeding MUR10 Million; the maintenance of the freight rebate scheme for planters and fruit exporters at a further cost of MUR10 Million; and an increase in the provision by MUR2 Million for the activities of the Small Farmers Welfare Fund which now covers both small planters and breeders

General Comments

Government’s support remain needed for agriculture in Mauritius. This is crucial in the light of the plans of the government to improve food security and sufficiency.

ICT

State of the ICT Industry in Mauritius

The IT/BPO global sourcing market size is currently estimated between USD89 Billion and USD93 Billion with IT and BPO market shares averaging 40% and 60% respectively. The contribution of the IT/BPO sector to the Mauritian economy is expected to grow to some 8% by 2015 with direct employment in the sector amounting to 25,000.

Mauritius is a leading global outsourcing destination ranked 25th on the A.T. Kearney Global Services Location index 2009 and 2nd in Africa as per the Commonwealth Business Council report 2009. The country is also among the highest in Africa in the Digital Opportunity Index ranking (DOI).
During the past five years, the IT-BPO industry has sustained an annual growth rate of 40% and the sector has contributed to 6.7% of GDP in 2011. There are about 15,000 professionals directly servicing customers worldwide across the whole spectrum of the ICT value chain.

Possible Impact of Budgetary Measures on the ICT Sector

The Budget for 2013 contains a series of measures which may impact directly and indirectly on the ICT sector. The further reduction of the cost of International Private Leased Circuits (IPLC) by 15 % will improve competitiveness in the ICT/BPO sector and secure sustainable growth. The strengthening of privacy laws will also provide a sound legal framework into which ICT/BPO companies can operate.

The implementation of mobile payments facilities in government bodies will improve efficiency in government administration. The introduction of additional measures like the digital signatures, use of IT devices in parliament and centralised IT system is expected to bring substantial cost saving of about 25%.

The development of intense IT training programmes is expected to increase the competence of the Mauritian workforce. The various measures taken to improve internet connectivity in schools will add value to e-learning in schools.

The distribution of tablets to students of Form IV will give access to a world of data stored online and enable students to do research and to develop their skills on an equal footing with any child in Europe, America or Asia.

The reduction in internet packages to a minimum of MUR200 per month will further increase access to information to low income earners.

ICT (cont'd)

General Comments

The ICT sector in Mauritius is exposed to various challenges of the rapidly changing world, the government has at all times to come up with appropriate IT measures to keep pace with global IT evolution. Through a well developed and reliable infrastructure, excellent telecommunication facilities and access to a scalable and stable power grid, Mauritius is emerging as a regional hub for the provision of outsourcing and telecoms services. The Government of Mauritius has set the building blocks to position Mauritius as a global centre for data hosting, disaster recovery, shared services and other high value added services. By fully leveraging on its competitive advantages and through continuous enhancement of its IT/BPO ecosystem, Mauritius aims at taking an increasing share of the global IT/BPO sourcing market. In the medium term, it is expected that the IT-BPO space will be characterised by the delivery of complex services with higher value and higher margins.

Education, Sports and Health Sector

State of the Education, sports and health Industry in Mauritius

The education, sports and health sector has since long occupied a premium place in the Mauritian economy. This sector has changed drastically over years and has now become one of the most dominating sector of public interest. For the year 2012, total government expenditure has been estimated at MUR101,552 million, of which, MUR12,632 million (12%) has been allocated to education and training.

Possible Impact of Budgetary Measures

The measures proposed for this sector in the Budget 2013 are three fold.
- For the education sector, focus has been on the employability of young people. A study carried out by the MEF in August 2012 showed an unparalleled level of unemployment of 22,1% among 16-24 year olds. By adopting measures such as the recruitment of graduates under the Service to Mauritius (STC) programme and regular consultation between industry partners, Government and Education, the government wants to ensure that the young people are being adequately trained and are becoming more employable.

- For the sports sector, the aim has been to provide adequate financial boost, especially to high level athletes by an increase of 50% in their monthly allowance, to increase interest in sports and leisure activities.

- For the health sector, the budget has been set at MUR8.7 billion, out of which MUR721 million of funding has been allocated for new facilities at public hospitals, mediclinics in some large villages and for new hi-tech medical equipment. The government is aiming at raising the quality of medical care dispensed through a range of measures targeting professional development and adequate training of medical practitioners. It also plans to recruit 25 specialists, 75 general practitioners and another cohort of nurses to provide a better service to the general public.
  In order to reduce the effects of non-communicable diseases, the government is discouraging the consumption of sugar and cigarettes by levying a tax of 2 cents per gm of sugar content on soft drinks and by increasing excise duty by 12% on cigarettes.

General Comments

The Mauritian economy is experiencing an aftermath of the economic crisis and this has had a negative impact on the economy by raising unemployment and cost of living. A focus on training represent a starting point to address this issue. Another area of focus is to stimulate growth by creating a climate conducive to investment. The government should also inject money into sectors that create jobs for themselves and promote their employment. Young people must be part of a development strategy so that the unemployment problem is resolved.

For the health sector, the government should continue to invest in modern equipment and drug research activities in order to position the country as a well renowned medical site. Mauritius may then target the neighbour islands as prime customers thereby unlocking a sustainable source of income.

Real Estate, Construction and Housing

State of the Real Estate sector in Mauritius

The real estate market in Mauritius is booming. Foreigners may purchase real estate through the acquisition of IRSs to benefit from the peaceful and balanced lifestyle that Mauritius offers in a natural and beautiful setting.
The attractiveness of real estate in Mauritius also stems from the absence of capital gains tax, estate or inheritance tax. According to the National Housing Strategy plan of the National housing need for Mauritius over the next 20 years is an average of 8,800 units per year.

Possible Impact of Budgetary Measures on the Real Estate Sector

The Government has announced a number of measures to enable families with modest income to own a house. This includes the construction of additional houses for low-income families and the extension of the subsidy given to NHDC syndics for another year.

Fundamental changes will be brought to the system of permits and permanent residence to allow affordable property sale to foreigners as follows:

- Occupation permits will be given in two categories:

  (a) Category 1: Professionals earning more than 3,000 USD per month and persons having invested more than 100,000 USD;

  (b) Category 2: All other non-citizens under the current schemes.
  Category 1 permit holders will henceforth be authorised to acquire appartment in a ground +2 complex as from the date of issue of their permit.

- Their children up to the age of 24 will henceforth be allowed to reside in Mauritius. This measure will also apply to children and dependents of IRS and RES buyers issued with a residence permit.

- In addition, non-citizens investing a minimum of 500,000 USD in a qualifying business activity will be eligible for a permanent residence permit with the right to acquire an apartment in a ground +2 development.

General Comments

The real estate sector has a great potential both for local people and foreigners. The Government is providing strong support to needy families for the construction of their homes. Further, additional measures are being taken to facilitate the purchase of property by foreigners.

Public Sector, Social and Other

State of the Public Sector and Social security in Mauritius

Mauritius as a welfare state, plays a key role in promoting the economic and social well-being of its citizens. The public administration and the social security forms around 6% of the GDP. One of the major challenges for the government is to reduce the wealth gap between the rich and the poor thereby making a wider range of people accessing the same opportunities.

Possible Impact of Budgetary Measures on the Public Sector, Social Security and Other

A number of child support schemes have been provided such as a daily hot meal for each child in every ZEP school and monthly child benefits of MUR750 will be provided to low income families. These measures will encourage the children to improve their level of literacy and will contribute to an educated society.

The Government will improve the transparency and efficiency of the allocation of the CSR funds by setting up an Advisory Technical CSR sub-committee to oversee the use of CSR funds and by publishing an annual statement of the sector-wise distribution of the CSR funds online. Enhanced flexibility will also be provided to companies who will have the option to carry forward excess funds.

A Public Sector Taskforce will be set up to oversee the efficient and effective allocation of public funds. The Defined Contribution Pension Scheme for public servants and the Public Procurement Act will be reviewed. This will reduce bureaucracy and standardise the benefits provided to the public sector staff.

There have been a number of measures for the young graduates and non-graduates in order to make them more employable when they reach the job market. In addition, companies employing a majority of the local workforce will get preference on public work contracts. This will reduce unemployment in the economy.

Equal opportunities for visually impaired students will be created in order to reduce the inequality. The installation of more CCTV cameras will provide for a safer environment.

Major plans in respect of an eco-friendly Mauritius such as using recycled paper for the public sector thereby reducing the stationery costs. Additional incentives for firms to use eco-friendly equipments will be implemented.

General Comments

The government with the collaboration of the private sector aims to alleviate poverty. The challenge that the CSR committee may face is to prioritise the allocation of the funds to the needy segment as there are many areas which require attention. The government has in plan to allocate its funds more efficiently by a reduction in its expenditure in order to achieve its targeted social measures.

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Appendices

Tax Card 2013

The following information is based on proposals set out as per Budget 2013 but it is subject to amendment in the Finance Act.

Personal Income Tax Rate

Year of Assessment	2014	2013
Income Year Ended	31.12.13	31.12.12
Flat rate on income	15%	15%

Income Exemption Threshold

Year of Assessment	2014	2013
Income Year Ended	31.12.13	31.12.12
	MUR	MUR
Category A (1)	270,000	270,000
Category B (2)	380,000	380,000
Category C (3)	440,000	440,000
Category D (4)	480,000	480,000
Category E (5)	320,000	320,000
Category F (6)	430,000	430,000

Note:

1. An individual with no dependent
2. An individual with one dependent only
3. An individual with 2 dependents only
4. An individual with 3 or more dependents
5. A retired/disabled person with no dependent
6. A retired/disabled person with one dependent only

CPS Threshold

Year of Assessment	2014	2013
Income Year Ended	31.12.13	31.12.12
	MUR	MUR
Gross income of preceeding income year (1)	4,000,000	2,000,000

Note:

1. An individual deriving gross income from cultivation of sugar cane or growing of tobacco remains outside scope of CPS

Exemptions/ Deductions/Reliefs – Personal

Year of Assessment	2014	2013
Income Year Ended	31.12.13	31.12.12
Interest on mortgage loans taken on or after 1st July 2006 (1)	Deduction up to MUR120,000	Deduction up to MUR120,000
Tuition fee exemption (per dependent child) (2)	MUR80,000 (in Mauritius) or MUR125,000 (outside Mauritius)	MUR80,000 (in Mauritius) or MUR125,000 (outside Mauritius)
Lump sum received as commutation of pension and retiring allowance	MUR1.5 Million	MUR 1.5 Million
Relief for health/medical insurance premium (Category A & E)	MUR12,000	N/A
Relief for health/medical insurance premium (Category B & F)	MUR12,000 for self and 1st dependent	N/A
Relief for health/medical insurance premium (Category C & D)	MUR12,000 for self and 1st dependent + MUR6,000 per additional dependent	N/A

Note:

1. Relief allowed for 5 consecutive years starting from 1 January 2011 for first time home owners who are not subject to the Solidarity Income Tax or who are not benefiting from the new housing schemes

2. Taxpayers with total income exceeding MUR 2 Million not eligible or if annual tuition fees are less than Rs44,500 (excl. administration and student fees). Restricted to same dependent child for maximum of 3 consecutive years

Tax Card 2013

Tax Deduction at Source (TDS)

Year of Assessment	2014	2013	2012
Income Year Ended	31.12.13	31.12.12	31.12.11
Interest (1) -Resident	10%	10%	15%
-Non Resident	15%	10%	10%
Royalties: - Resident - Non-resident	 10% 15%	 10% 15%	 10% 15%
Rent	5%	5%	5%
Payments to contractors and sub-contractors	0.75%	0.75%	0.75%
Payments to providers of services (2)	3%	3%	3%
Payments to owner of immovable property or his agent (3)	5%	5%	N/A
Payments to non-resident for services rendered in Mauritius (4)	10%	10%	N/A
Payment for procurement (5)	1%/3%	1%/3%	N/A

Note:

1. As from 1 March 2012, TDS is applicable only on interest payable to non-resident, (other than interest paid by a GBC1 or banks or non bank deposit taking institution) and is subject to the provisions of a double taxation agreement in force
2. Applicable to architect, engineer, land surveyor, project manager in the construction industry, property valuer and quantity surveyor. Also applicable to attorney/solicitor, barrister, dentist, doctor, legal consultant.TDS will also be applicable to laboratory technicians
3. Applicable as from 1 March 2012
4. Applicable as from 1 March 2012, not applicable to payments to an exempt person/body of persons or under a double taxation agreement
5. Subject to de-minimis of MUR 500, Applicable as from 1 March 2012 on payments by Ministry, Government department, local authority, statutory body or the Rodrigues Regional Assembly on contracts for procurement of-
   - goods and services under a single contract (payment exceeding MUR 300,000) – 1%
   - goods under a contract (payment exceeding MUR100,000) – 1%
   - services under a contract (payment exceeding MUR 30,000) – 3%
   - Royalties (however, rate not specified in Budget)

Capital Allowances – Year of Assessments 2014

	Rate as a % of	
	Base Value	Cost
A. Industrial premises dedicated to manufacturing	30%	-
B. Commercial premises	-	5%
C. Hotels	30%	-
D. Plant or Machinery -		
1. Costing less or equal to Rs50,000		100%
2. Costing more than Rs50,000 –		
I Ships or aircrafts	20%	-
II Aircrafts leased by a company engaged in aircraft leasing	-	100%
III Motor vehicles (1)	25%	-
IV Computer and electronic equipment	-	50%
V Furniture and fittings	20%	-
VI Other	35%	-
Other Manufacturing equipment	-	50%
E. Improvement on agricultural land for agricultural purposes	25%	-
F. Scientific research	-	50%
G. Golf courses	15%	-
H. Other acquisition or improvement	-	5%
I. Green Technology equipment		50%
J. Renovation works-Hotels, Restaurants, Retail outlets		33%
K. Landscaping & other earth work for embellishment		50%

Tax Card 2013

Corporation Tax Rates

Year of Assessment	2014	2013	2012
Income Year Ended	31.12.13	31.12.12	31.12.11
Flat rate	15%	15%	15%
Call centres or BPO back office operations (1)	5%, 15%	5%, 15%	5%, 15%
Freeport operator, Freeport developer	0%,15%	0%,15%	0%,15%
Non-resident societes	15%	15%	15%
GBC1 (2)	3%, 15%	3%, 15%	3%

Note:

1. Effective rate 5% is in respect of companies having elected to have 2/3 of their net income exempted, applicable until income year ending 30 June 2012
2. GBC1 allowed to deal with residents, maximum effective rate of 3% applicable to foreign source income (includes income from another GBC), 15% applicable to local operations

VAT

Year of Assessment	2014	2013
Flat rate	15%	15%
Registration limit – annual turnover of taxable supplies above	MUR4 Million	MUR2 Million

Alternative Minimum Tax (AMT)

Year of Assessment	2014	2013
Rate (Note 1)	7.5%	7.5%

Note 1

Suspended for manufacturing and hotel companies during income year 2013 and 2014

Special levy

Special levy rate applicable to every bank payable on its book profit and operating income derived in the preceding year shall be based upon the following table:

Year of assessment commencing: (i) 1 January 2012 to 2014	3.4% on book profit; and 1% on operating income
(ii) 1 January 2015 and in respect of every subsequent year of assessment	1.7% on book profit; and 0.5% on operating income

Levy on messages

Levy of MUR0.10 is applicable on each message sent through MMS or SMS

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Disclaimer

The above information has been extracted from the budget speech delivered by the Vice-Prime Minister and Minister of Finance and Economic Development, The Honourable Xavier Luc Duval to the National Assembly on 09 November 2012.

The Budget proposals may be amended significantly before enactment. The content of this summary is intended to provide a general guide to the subject matter and should not be regarded as a basis for ascertaining liability to tax or determining investment strategy in specific circumstances. In such cases specialist advice should be taken.