

Mauritius Budget 2010

On the road to recovery



A budget with priorities for
shaping the recovery,
consolidating social progress
and sustaining Green Mauritius

Fiscal Measures

Maintaining the Additional Stimulus Measures until December 2010 and restructuring Funds established in 2008 to shape the recovery of our economy

Individuals

- As announced in last year's budget, our fiscal year will be changed to a calendar year basis as from 2010. As a transitional measure, individual taxpayers will be required to submit a tax return covering the six months ending 31 December 2009. The tax filing and payment deadline will be 5 April 2010.

Category	Applicable To	Current (RS)	Proposed (RS)
A	Individual with no dependent	240,000	255,000
B	Individual with one dependent	350,000	365,000
C	Individual with two dependents	410,000	425,000
D	Individual with three dependents	450,000	465,000
E	Retired Individual with no dependent	285,000	305,000
F	Retired Individual with one dependent	395,000	415,000

Income threshold for individuals liable to NRPT raised by Rs 15,000 to Rs 400,000.

Companies

- Tax Deducted at Source (TDS) on payment of royalties to non-residents increased from 10% to 15%.
- Companies with a 31 December tax compliance deadline will be required to file their annual tax and APS returns at least 2 working days prior to the end of the calendar year.
- Betting tax on foreign football matches goes up from 2% to 8% to bring it in line with the rate applicable to horse racing.
- Under the Additional Stimulus Package, provision is made for the exemption of land transfer tax and registration duty on land acquired for construction projects exceeding Rs 50 million. It is confirmed that this measure will apply until 31 December 2010.
- Suspension of solidarity levy applicable to operators in the tourism sector extended to 31 December 2010.

Customs duties

- Duties abolished on rice milk, oats milk and almond milk, fluorescent kit and LED fixtures including street lighting lamps.
- Duties removed on TV sets of up to 32 inches and halved to 15% on sets above 32 inches.

Miscellaneous

- Listed companies with minority foreign shareholding to be allowed to acquire immovable property, without prior approval.



Budget Summary

Dr. The Honourable Minister of Finance, Rama Sithanen, presented his fifth budget for the fiscal and calendar year 2010. He reviewed the tough challenges faced over the past four and a half years before going on to outline measures and policies to:

- Shape the recovery;
- Consolidate social progress; and
- Sustain Green Mauritius.

Measures announced under the first theme of shaping the recovery are targeted at significant infrastructure projects including Rs13.5 billion for the modernisation and expansion of the airport, Rs15 billion for the improvement of the road network and Rs5 billion for the Bus Rapid Transit system. Measures targeted for stimulating the traditional and emerging pillars of the economy include the setting up of a Cane Democratisation Fund, maintaining the Additional Stimulus Package together with the continuation of the tax suspensions in the tourism, construction and real estate sectors until December 2010.

Initiatives to sustain Green Mauritius are built around the following themes: energy efficiency, green buildings, solar energy, green procurement, enhancing the environment, and improvement to the water supply. Customs duty will be abolished on fluorescent kit and LED fixtures. Furthermore, the concepts of green buildings and procurement will be actively promoted. The solar water heater programme will be run for a second time. Some Rs10 billion will be dedicated to enhance the water resources and supply over the next 5 years.

On the social front, various instruments have been identified to consolidate social progress: Empowerment Programme, Integrated Housing Program, Eradication of Absolute Poverty, CSR, Trust Fund for Integration of Vulnerable Groups, Development Cooperation Programme and Poverty Observatory. Another recurrent theme was the promotion of arts, culture, sports and leisure. Funds will also be devoted to housing and health for the welfare of the needy.

In his review of the budget outturn, the Minister noted an overall budgetary deficit for the six months to December 2009 at 4.5% of GDP. This deficit is expected to fall to about 3% in 2012. Despite the negative impact of the economic crisis, total public debt now stands at 60% of GDP compared to 70% for the preceding five years.

As with the previous budget, there are few fiscal measures of any consequence.

Stimulating the traditional and emerging pillars to harness the opportunities of a global recovery

Shaping the recovery

- Maintaining the Additional Stimulus Measures until December 2010.
- Providing ongoing support to small and large organisations temporarily affected by the financial crisis so as to save jobs and enterprises.
- Prolonging the work and training programme for retrenched workers and the unemployed.



- Sustaining public infrastructure improvement in education, health, the environment and sports.
- Promoting private sector investment.
- Maintaining the various tax suspensions until December 2010 to the tourism, construction and real estate sectors to fuel growth and preserve jobs.

Restructuring the Funds to Shape Recovery

- Reallocating the resources in the Special Funds to cater for changing priorities.
- Earmarking Rs2 billion to the Land Transport Authority (LTA) for the Road Decongestion Programme.

- Consolidating the Food Security and Social Housing Funds programmes with budgetary allocations of Rs 2.9 billion till 2012.
- Providing over Rs1.1 billion to local authorities through the Local Infrastructure Fund to finance projects such as market fairs, crematorium, lighting and improvement of sports facilities and multi-purpose complexes amongst others.
- Increasing public sector investment to Rs 24 billion.
- Investing on the modernisation and extension of the airport as follows:
 - Rs 10.6 billion in the new passenger terminal;
 - Rs 2 billion in a new runway; and
 - Rs 900 million for a new taxiway.
- Allocating Rs3.5 billion towards the modernisation and expansion of the Mauritius Container Terminal berth and deepening of the seabed.
- Increasing eligibility for financing by the Development Bank of Mauritius (DBM) of SMEs with turnover up to Rs 5 million and its existing clients with turnover up to Rs 15 million.
- Setting up of factoring for SMEs to raise the required working capital.
- Launching an SME portal under the Mauritius Business Growth Scheme to keep informed service providers.
- Increasing the ceiling on booster loans at the DBM from Rs 100,000 to Rs 150,000.

Stimulating the Traditional and Emerging Pillars

- Setting up an agricultural production and marketing information system by Agricultural Research & Extension Unit (AREU).
- Setting up of a Cane Democratisation Fund.

Boosting Our Export and Domestic Oriented Industries

- Expansion of the Leasing Equipment Modernisation Scheme (LEMS) to include large enterprises engaged in Export and Domestic Oriented Manufacturing.
- Developing an Export Credit Scheme which will be operational by 2010.
- Granting Rs 40 million to make the Competition Commission fully operative in 2010.

Financial Services

- Development of an innovative and competitive law on Private Foundation and promotion Mauritius as a platform for wealth management.

Unrelenting quest for a World Class Doing Business Environment

- Provision of technical support by the African Development Bank (ADB) and the World Bank to the Ministry of ICT to

Shoring up the SME sector, the main source of employment creation during the financial crisis

Shoring up the SME sector

- Collaborating with the International Financial Co-orporation (IFC) and l'Agence Francaise de Development (AFD) to re-engineer the operations of the SME Partnership Fund.
- Launching the Mauritius Business Growth Scheme (MBGS) to promote the set-up of High Potential Start Up companies (HPSU) that use technological innovation.
- Providing 100 percent financing for leased equipment to SMEs with turnover below Rs 3 million which are not VAT registered.
- Broadening the scheme for assisting small hotels and restaurants with turnover of less than Rs 10 million to hire consultancy services on renovation and energy efficiency.



implement the Mauritius National Identity Card Project.

Education for all and for Development

- Introduction of a new grant formula for private-aided primary schools.
- Earmarking of Rs 2.5 billion for upgrading school infrastructure.
- Provision of Rs 95 million for the creation of an Open University of Mauritius (OUM) for centralising all open and distance learning.

Breaking New Ground for our Entrepreneurs

- Setting up of a 'Work from Home' BPO scheme by the National Empowerment Foundation (NEF) and the Board of Investment (BOI).
- Development of a creative arts industry.
- Allocation of funds from the proceeds of the national lottery to set up a Mauritius Symphony Orchestra.
- Upgrading of Stade Anjalay Coopen for concerts that can accommodate more than 20,000 people.

Building eco-friendly infrastructure to promote a Green Mauritius

Sustaining Green Mauritius

- Provision of Euro 129 million by Agence Française de Développement (AFD), European Union (EU) and UNDP to support the Maurice Ile Durable (MID) agenda.
- Planned replacement of 600 buses by more energy efficient buses over a period of three years.
- Proposed announcement of new prices for sale of electricity by Small Independent Power Producers (SIPP) to the CEB.

- Launching of Public Private Partnership project for composting of waste on an industrial scale.
- Extension of the public sewerage system to connect around 32,000 households at an estimated cost of Rs 6.6 billion.
- Provision of Euro 65 million by AFD for extending the waste water network in the North.
- Abolition of customs duty on fluorescent kit and LED fixtures, including street lighting lamps.
- Provision of a subsidy of Rs 32 million to provide energy saving lamps to households.
- Setting up of an Energy Efficiency Management Office to develop policies, undertake sensitisation and facilitate the implementation of the use of ethanol.
- Facilitation by the Energy Efficiency Management Office to promote the construction and transformation of buildings into green buildings.
- Provision of a solar water heater programme at a cost of Rs 250 million to serve 50,000 additional households.
- Implementation of the new concept of Eco-Village, at a cost of Rs 250 million for the first phase.
- Mobilisation of Rs 240 million for upliftment and embellishment of public recreation spaces.
- Earmarking of Rs 38 million for the rehabilitation and upgrading of public beaches.
- Provision of Rs 30 million for the management of the South East Marine Protected Area (SEMPA) in Rodrigues.
- Setting up of a Climate Change Unit to develop a Climate Change Adaptation and Mitigation Plan.
- Installation of an incinerator in the Port Area to dispose of waste from ships to limit the risks of importing diseases like swine fever.



- Mobilisation of Rs 10 billion to be invested in the water sector over the next five years.

Remaining focused on our core social responsibilities, while delivering on economic growth, wealth creation and sustainable development

Consolidating Social Progress

- Government will build on a diversified and strong platform to combat poverty, fight exclusion, promote inclusive growth and secure social progress through:
 - Empowerment Programme with an initial endowment of Rs 5 billion;
 - Integrated Housing Programme; and
 - Eradication of Absolute Poverty Programme.
- Development by the National Empowerment Foundation (NEF) of National Programmes in partnership with NGOs and Ministries, including an integrated social housing programme for some 5,000 families with modest income, improving skills for women and provision of vocational education for children in deprived areas.

Arts & Culture

- Promotion of Arts & Culture by supporting national artists, development of music in the country and upgrading of Plaza to serve as an Opera House.

Education

- Provision of motorised wheelchairs to disabled students who have secured a university seat for use at the University of Mauritius and the University of Technology of Mauritius.
- Increase of the income ceiling from Rs 7,500 to Rs 8,500 for SC/HSC Examination fees.
- Introduction of a special e-learning classroom in 12 secondary schools.

Housing

- Construction of 600 core houses of 38 square metres at a cost of Rs 400 million.
- Increase of the income threshold from Rs 8,500 to Rs 10,000 for Government sponsored loans at the Mauritius Housing Company (MHC).

Health

- Construction of the new Dr A G Jeetoo Hospital at a cost of Rs 2 billion.
- Investment of Rs 1,581 million on healthcare infrastructure and medical supplies.

Ageing Population

- Construction of a new recreational centre for elderly costing Rs 120 million at Belle Mare.

Salary Compensation

- Alignment of salary compensation to calendar fiscal year.
- Compensation award on 1 January 2010 as follows:
 - Monthly salary up to the threshold of Rs 4,000: 3.5 per cent;
 - Monthly salary between Rs 4,000 and Rs 12,000: 3.5 per cent; and
 - Monthly salary above Rs 12,000: Rs 420.



Economic Review

Table 1 - Main Economic Indicators

	2006	2007	2008 ¹	2009 ²	2010 ²
GDP at market prices (Rs bn)	206	236	265	277	305*
GDP growth rate (%)	5.1	5.5	5.0	2.7	4.2*
Per capita GDP at market prices (Rs'000)	165	187	209	217	233*
Unemployment Rate (%)	9.1	8.5	7.2	8.1	8.1*
Inflation Rate (%)	8.9	8.8	9.7	2.6*	<5.0*
Savings Rate (% of GDP)	15.3	16.6	12.5	12.8 ^α	11.7*
Investment Rate (% of GDP)	24.3	25.1	24.6	25.6 ^α	25.7*
Balance of Visible Trade (Rs bn)*	(41.5)	(51.3)	(64.2)	(56.4)	(58.7)
Overall Balance of Payments (Rs bn)	(4.6)	13.9	4.6	4.9*	5.1*
Budget Deficit (% of GDP) - FY	5.3	4.3	2.7	4.5 ^α	4.5 ^α

Sources: CSO and MCB Estimates 1: revised estimates 2: forecasts *MCB estimates ^α: Budget Speech
FY: Financial year

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