Mauritius Finance Act 2020 Tax Amendments

Factsheet

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Individual tax

Income exemption thresholds

Effective from 1 July 2020, the income exemption threshold for an individual has been increased by amounts ranging from Rs15,000 to Rs80,000 (MUR). The new thresholds are as follows:

- Individual with no dependent – Rs325,000
- Individual with one dependent – Rs435,000
- Individual with two dependents – Rs515,000
- Individual with three dependents – Rs600,000
- Individual with four or more dependents – Rs680,000
- Retired/disabled person with no dependent – Rs375,000
- Retired/disabled person with dependent – Rs485,000

Deduction for bedridden next of kin

'Dependent' now includes a bedridden next of kin, who can be a bedridden father, mother, grandfather, grandmother, brother or sister of that person or of his spouse provided that the bedridden next of kin is:

- Eligible for carer's allowance payable under the National Pensions Act, and
- Under the care of that person

Only one person is entitled to claim the bedridden next of kin as a dependent in an income year.

Solidarity Levy

The Solidarity Levy has been increased from 5% to 25% on leviable income in excess of Rs3 million (previously Rs3.5 million). The Solidarity Levy will henceforth be withheld on a monthly basis under the PAYE system on emoluments exceeding Rs230,769 per month provided it does not exceed 10% of the total emoluments.

Contribution Sociale Généralisée

The National Pension Fund (NPF) has been abolished and replaced by Contribution Sociale Généralisée (CSG), with effect from 1 September 2020. Every participant and every employer of a participant are liable to pay CSG to the Director-General.

The CSG is payable to the Mauritius Revenue Authority (MRA) for the month of September 2020 and every subsequent month. The amounts payable under the CSG system are as follows:

- Monthly basic salary up to Rs50,000 – 1.5% by employee and 3% by employer
- Monthly basic salary exceeding Rs50,000 – 3% by employee and 6% by employer

For the purpose of CSG, an 'employer' is defined as a person who employs a participant and is responsible for the payment of his remuneration. An employer can be an individual, a job contractor, a person who shares the profit or gross earnings of a share worker or a person who employs a participant in domestic service.

A 'participant' is a person who enters into or works under an agreement or a contract of apprenticeship, whether by way of casual work, manual labour, clerical work or otherwise and however remunerated, and includes a person employed full- or part-time on a permanent basis or on a contract of fixed duration.

The following are all considered to be a participant:
- A public sector employee
- A share worker as defined in the Workers' Rights Act 2019
- A non-citizen employee
- A person employed in domestic service
- A person aged 65 or above
- A person performing a typical work as defined in the Workers' Rights Act 2019
- An executive director of a company
- A self-employed person

The following are not considered to be a participant:
- The holder of a contract of apprenticeship regulated under the Mauritius Institute of Training and Development Act
- A non-citizen employee employed by an export manufacturing enterprise who has resided in Mauritius for a continuous period of less than two years, including any period of absence which does not exceed nine consecutive weeks or during which he maintains a residence in Mauritius
- A non-citizen holding a work permit and working for a foreign contractor engaged in the implementation of a project funded by a foreign state up to not less than 50% of the estimated project value, from grant or concessional financing, as the Minister may determine
- A person taking part in a training scheme set up by the Government or under a joint public–private initiative to facilitate the placement of jobseekers in gainful employment
- A non-executive director of a company

Comment: In line with the Government objective to provide the framework for the implementation of fiscal policies as announced in the 2020–2021 Budget, the CSG and solidarity levy, amongst others, will make our tax system fairer and more efficient. The CSG will meet the medium- to long-term limits of the National Pension Fund.

Corporate tax

Income tax holiday

An eight-year tax holiday on income is available to companies engaged in an activity that meets one of the following criteria:
- Manufacturing of nutraceutical products, provided it started its operations on or after 4 June 2020
- From inland aquaculture in Mauritius, having started operations on or after 4 June 2020
- An institution, approved by the Higher Education Commission as a branch campus of a top 500 tertiary worldwide institution, having started operations on or after 4 June 2020

Accelerated depreciation

There is a 100% annual allowance on electronic, high precision machinery or equipment and automated equipment acquired on or after 1 July 2020.

Additional investment allowance to companies affected by COVID-19

In addition to existing capital allowance, a 100% investment allowance is available to companies adversely impacted by COVID-19 for capital expenditure on new plants and machinery, excluding motor cars, acquired during 1 March 2020 to 30 June 2020.

Tax incentives

- Double deductions on the following items subject to no annual allowance claimed on such assets, effective from 1 July 2020:
  - Medical research and development carried out in Mauritius
  - Acquisition costs of patent and franchises including associated costs to comply with international quality standards and norms

- Full deduction on capital expenditure on electronic, high precision or automated machinery or equipment, made on or after 1 July 2020, in the year incurred, provided no annual allowance has been claimed

Comment: In view of the government policy to promote a knowledge-based and innovation-driven economy, and following the unprecedented COVID-19 crisis, several new tax incentives have been introduced to sustain companies in different sectors and encourage investments. Mauritius remains a competitive jurisdiction with a number of tax holiday and other incentives available to attract foreign investments to the island.

Value Added Tax

- A VAT registration application can now be done via the Companies and Businesses Registration Integrated System (CBRIS)
- An e-invoicing system has been introduced as part of the electronic system device in the VAT Act
- The MRA may require a VAT-registered person engaged in a project spanning over several years to apply for an alternative basis to apportion input tax
- The MRA will take the open market value of the supply as the taxable value for consideration not (wholly) involving cash or not at arm's length
- Foreign suppliers of digital and electronic services are required to charge VAT on any digital or electronic services being supplied to a person in Mauritius. 'Digital or electronic service' has been defined as such service supplied by a foreign supplier over the internet or an electronic network that is reliant on the internet or is supplied by a foreign supplier and the supply is dependent on information technology. 'Foreign supplier' has been defined to include a person having no permanent establishment in Mauritius/his place of abode outside Mauritius and who supplies (in the course of his business) digital or electronic services to a person in Mauritius
- A reverse VAT charge will apply when supply is made to VAT registered persons in Mauritius

Comment: Electronic commerce has reduced physical presence in countries and the accelerated growth of the digital economy has had a significantly adverse effect on VAT collections. The MRA's attempt to introduce VAT on digital services, though hailed, comes with many challenges especially in terms of how the transactions will be monitored and how the indirect tax will be collected.

Tax administration

Electronic submission and payment

Electronic return and payment (if any) for the following:

- Advance Payment System (APS)
- Current Payment System (CPS)
- Amended return
- Return in respect of a trust or a resident société
- Return in respect of the estate of a deceased person

Refund of excess income tax by the MRA

Effective from 1 September 2020, the time limit to effect income tax refunds shall be within 60 days from the date that the return was submitted or the date of receipt of the claim by the MRA, whichever is the later, or as from the date all requested information and documents pertaining to the application are received by the MRA.

Assessment Review Committee (ARC)

Where an aggrieved taxpayer or his representative is absent at two consecutive sittings upon convened, the ARC will strike out the case if such failure is not due to illness or other reasonable cause.

Know how Know you

Transmission of documents by the MRA

Effective from 1 December 2020, the MRA may give any correspondence, notice of assessment, determination or other notice or document electronically, by post or personal delivery to any person.

Electronic services and payment of taxes

Effective from 1 December 2020, systems for the secure electronic service of notices and documents and payment of taxes may be set or approved by the MRA.

E-tax account or tax representative e-tax account

Effective from 1 December 2020, every person who is required to submit a return or statement shall be allocated an e-tax account or tax representative e-tax account.

Comment: The MRA is continuing its digital transformation and the now legal obligation to submit tax returns electronically has been extended to trusts, *societés* and the estate of a deceased person, as well as tax returns under the current payment system. The time limit to process tax refunds within 60 days will ease business cash flow. The MRA e-service platform will improve efficiency and transparency in service delivery to taxpayers.

About us

We are IQ-EQ, a leading investor services group employing over 3,000 people across 23 jurisdictions worldwide. We bring together that rare combination of global expertise with a deep understanding of the needs of our clients. We have the know how and the know you to support fund managers, global companies, family offices and private clients.

Key contacts

If you'd like to speak to us about any information in this factsheet, please contact Vikash Chumun or Ashraf Ramtoola.

Vikash Chumun
Commercial Director -
Fund and Corporate

E vikash.chumun@iqeq.com
T +230 213 9942
M +230 52504498

Ashraf Ramtoola
Director - Tax & Insolvency
Practitioner

E ashraf.Ramtoola@iqeq.com
T +230 213 9935
M +230 57539693

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