

BUDGET 2014

Salient features
8 November, 2013



Building a better
working world

Table of contents

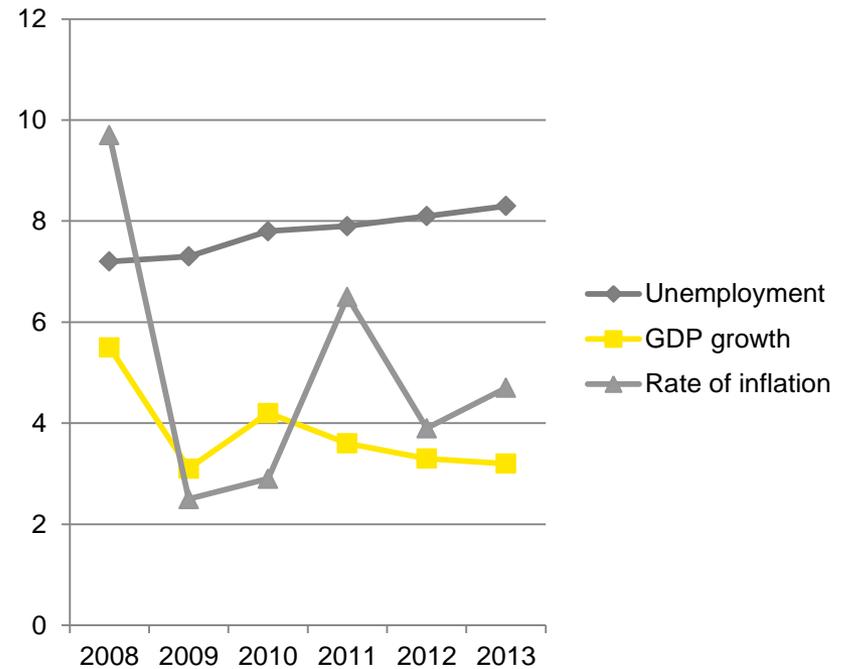
	Page number
Key economic indicators	3
Overall objective and proposed strategies	5
The “Build Mauritius” plan	9
The four new economic pillars	13
Building a world class investment climate	17
Measure to bolster growth in traditional sectors	19
Economic democratisation	26
Regulatory framework on employment	28
National home ownership programme	30
Citizen facilitation	32
Enhancing the social and economic well being of the citizens	34
Fiscal measures	38

Key economic indicators



Key economic indicators

- ▶ Overall unemployment rate stagnated at around 8% with people aged less than 30 years representing 51% of the total unemployed
- ▶ Increase in GDP growth at basic prices maintained at approximately 3%
- ▶ Inflation is expected to be limited to 5%



Source: Central Statistics office

Overall objective and proposed strategies



Objective and proposed strategies

- ▶ Overall objective is to “Build a Better Mauritius”
- ▶ Two main strategies have been proposed:
 - ▶ Invigorate investment and growth; and
 - ▶ Build a modern, inclusive and caring society

Policies on investment and growth

- ▶ Strengthen macroeconomic fundamentals
- ▶ Accelerate the “Build Mauritius” plan
- ▶ Development of four additional economic pillars
- ▶ Bolster growth in traditional sectors
- ▶ Economic democratisation
- ▶ Focus on our people
- ▶ Review of regulatory and related framework for labour
- ▶ Build on the strengths of our democratic institutions

Policies on building a modern, inclusive and caring society

- ▶ Modernise the health care system
- ▶ Build a safer Mauritius
- ▶ Strengthen the safety nets
- ▶ Celebrate sports and culture
- ▶ Development of a new Home Ownership Programme
- ▶ Citizen facilitation
- ▶ Enhance the social and economic well-being of consumers
- ▶ Optimise the development of Rodrigues and outer islands

The “Build Mauritius” plan



The “Build Mauritius” plan

- ▶ Connecting to the rest of the world
 - ▶ Promote the development of an aviation hub
 - ▶ Expand the Cargo and Freeport facilities
- ▶ Seaport
 - ▶ Extension of the quay
 - ▶ Deepening of the navigation channel
 - ▶ Construction of a cruise terminal
 - ▶ Upgrading of the Multi-Purpose Terminal
 - ▶ Construction of access roads and other works at Fort William

The “Build Mauritius” plan (cont’nd)

- ▶ Marine services hub
 - ▶ Growing bunkering facilities and other related activities such as ship chandling, repairs and maintenance of vessels, crew management and ship leasing
- ▶ Petroleum hub
 - ▶ A study will be conducted on the creation of a full-fledged Petroleum Terminal in Mauritius
- ▶ People centered land transport
 - ▶ Focus on the diverse needs of commuter convenience, safety and comfort
 - ▶ New projects are being considered to further alleviate congestion
 - ▶ Comprehensive bus replacement mechanism

The “Build Mauritius” plan (cont’nd)

- ▶ People centered land transport (cont’nd)
 - ▶ Mauritius Light Rail Transit project
 - ▶ An expression of interest has already been carried out
- ▶ Investment in public utilities
 - ▶ Capacity of the Saint Louis power generation will be increased
 - ▶ Investment in solar and wind projects
 - ▶ Enterprises will be allowed to sell electricity to their tenants
 - ▶ Feasibility study on the use of Liquefied Natural Gas
 - ▶ Encourage medium scale distributor generators
 - ▶ Launch of the energy efficiency campaign
- ▶ The water sector
 - ▶ Replacement of old pipes and introduction of state-of-the art technology

The four new economic pillars



The four new economic pillars

▶ The Ocean Economy

- ▶ The opportunities announced are in the following clusters:
 - ▶ Petroleum and mineral exploration
 - ▶ Seafood and aquaculture
 - ▶ Deep Ocean Water Applications
 - ▶ Marine Renewable Energies
- ▶ A road map on the Ocean Economy will be made public
- ▶ A new faculty on ocean studies will be established at the University of Mauritius

The four new economic pillars (cont'nd)

▶ The Green Economy

- ▶ Use of biomass to produce electricity
- ▶ Small planters would be encouraged to grow plants that will be efficient sources of biomass energy
- ▶ It is expected that the productivity of agricultural lands would be maximised and small planters would be engaged in high value-added activities

▶ The Film Industry

- ▶ Interest of the Mauritius Film Rebate Scheme
- ▶ The Board of Investment expects the film industry to generate half a billion rupees in foreign exchange in 2014
- ▶ Expected benefit includes transfer of knowledge to the local based artists

The four new economic pillars (cont'nd)

- ▶ Build on the Africa strategy
 - ▶ Creation of the Mauritius-Africa Fund (“MAF”)
 - ▶ MAF has two objectives:
 - ▶ Participating in the equity of viable projects in any African country
 - ▶ MAF will offer fee paying consulting services where Mauritius has a competitive advantage
 - ▶ A subsidy of 25% will be provided on freight cost of containers exported to all African countries, except Madagascar and South Africa
 - ▶ A 50% subsidy will be provided on the cost of Export Credit Guarantee Insurance for exports to Africa
 - ▶ Promotion of the Mauritian youngsters through the Africa Centre of Excellence

Building a world-class investment climate



Building a world-class investment climate

- ▶ Fast-tracking major projects
 - ▶ Set up of a Fast Track Committee for major big-impact projects
- ▶ Delivery of Building and Land Use Permit
 - ▶ Creation of a central E-Monitoring to track all applications
 - ▶ Permit will be delivered within 14 days of application
 - ▶ Silent agreement principle will prevail
- ▶ Attract more high calibre professionals
 - ▶ Bank guarantee will no longer be required for occupation and residence permits
 - ▶ Fees for permits will also be revised
 - ▶ An integrated online system will be implemented to facilitate the application for occupation permits and visas

Measures to bolster growth in traditional sectors



Traditional sectors

- ▶ Agriculture
- ▶ Financial services
- ▶ Fisheries and aquaculture
- ▶ Manufacturing
- ▶ ICT/BPO sector
- ▶ Tourism

Agriculture

- ▶ Addressing land abandonment
 - ▶ Budget of Rs 400 million for FORIP to carry out derocking
 - ▶ Continuation of the Compost Subsidy to improve land yield
 - ▶ Extension of LEMS equipment leasing facilities
 - ▶ Contribution of up to 75% of the purchase price of bat nets
 - ▶ Increased fund for the freight rebate scheme for horticultural exports
- ▶ Discouraging extensive use of pesticides in agriculture
 - ▶ Funds provided to control and measure the use of pesticides and other chemicals in agriculture
- ▶ Livestock
 - ▶ Animal breeders would benefit from a 50% grant on livestock schemes

Financial Services

- ▶ Substance
 - ▶ Enhance laws for the execution of local activities
- ▶ Regulatory framework
 - ▶ Setting up of Serious Fraud Office and a Coordination Committee
 - ▶ Redefining the term "financial crime"
 - ▶ Strengthen the regulatory functions under the Bank of Mauritius Act and Financial Services Act
 - ▶ Adhere to the Multilateral Convention on Mutual Administrative Assistance in tax matters developed jointly by the Council of Europe and OECD
- ▶ Reputation
 - ▶ Set up of a joint-private sector Financial Services Promotion Committee

Financial Services (cont'nd)

- ▶ Product offering
 - ▶ Investment in Initial Public Offerings will be a qualified business activity
 - ▶ GBL1 companies will be allowed to purchase IRS/RES properties
 - ▶ Introduction of a new bill on Captive Insurance

Tourism

- ▶ Boosting arrivals
 - ▶ Set up of a joint Public Private Tourism Committee
- ▶ Air access and new markets
 - ▶ Air Mauritius will operate 5 flights a week to China
 - ▶ Renew partnership for flights in emerging markets
- ▶ Preparedness for new markets
 - ▶ Accelerate preparedness for new markets: this include language training and people skills
- ▶ Low season and new airport
 - ▶ Special Fund of Rs 25million set up to provide financial incentives for short haul regional flights
 - ▶ Appropriate actions will be taken further to independent study on air fare

Manufacturing

- ▶ Introduction of an Investment Tax Credit Scheme to encourage High-Tech Manufacturing
- ▶ Collection of funds by promoters to cover infrastructural work from prospective buyers on residential morcellement is no longer allowed
- ▶ Work permit applications for export oriented enterprises would be delivered within two weeks and the annual work permit fee would be reduced for employees after their fifth year of employment
- ▶ Massive investment in the transport sector and road infrastructure
- ▶ Transfer taxes exemption is being made permanent provided that the conditions listed in section 59A of the ITA 1995 are satisfied

Economic democratisation



Small and Medium Enterprises

- ▶ Government will increase its procurement from Small and Medium Enterprises (“SMEs”)
- ▶ With the help of government, all SMEs would have a free basic website and 50% subsidy would be provided for website costing more than Rs 6,000
- ▶ Refund scheme to SMEs of Rs 200,000 per annum for participation in international fairs
- ▶ The State would guarantee up to 70% of the loan taken by the SMEs directly with the commercial bank
- ▶ New SMEs park would be created to enhance access to necessary infrastructure

Regulatory framework on employment



Regulatory framework on employment

- ▶ The term “earnings” will be defined in the Employment Rights Act
- ▶ Existing ratios of foreign to local citizens for the different sectors will be reviewed
- ▶ Work permits to local based enterprises will be issued on the basis of scarcity
- ▶ Foreign nationals will fall within the ambit of the levy, National Pension Fund (“NPF”) and National Savings Fund. This measure will not apply to employees in the Export Oriented Enterprises. A refund mechanism will apply for the NPF contribution once the foreign national terminates his employment in Mauritius

National Home Ownership Programme



National Home Ownership Programme

- ▶ **Housing Empowerment Scheme**
 - ▶ Banks will only require 5% as a minimum down payment on the purchase of a property
 - ▶ Reimbursement of VAT up to Rs 300,000 where the construction cost is less than Rs 2,500,000
- ▶ **Social Housing**
 - ▶ Provision of Rs 250million to improve living conditions in NHDC and ex-CHA housing estates
- ▶ **Home ownership for low income families**
 - ▶ Option to buy granted to families who have a housing unit on lands leased from the State

Citizen facilitation



Citizen facilitation

- ▶ Provision of Rs 200million for a major process reengineering exercise so that unnecessary and obsolete processes are scrapped
- ▶ Use of technology will be adopted so that online applications and payments can be made
- ▶ Procurement regulations will be amended
- ▶ Drivers will be able to pay their fines at any District Court and by proxy
- ▶ A unique Parcel Identification Number will be issued to facilitate real estate transactions

Enhancing the social and economic well-being of consumers



Enhancing the well-being of consumers

- ▶ Consumer protection
 - ▶ New Consumer Protection Bill will replace the Fair Trading Act 1979 and the Consumer Protection Act 1991
- ▶ CEB prepaid meters
 - ▶ Electricity bill will be able to be settled in the same way as prepaid mobile phone services
- ▶ Water tank
 - ▶ The Water Tank Scheme will also apply to families with a total income of up to Rs 15,000

Enhancing the well-being of consumers (cont'nd)

▶ Loans

- ▶ New rules for loans granted to individuals after 1 January 2014
- ▶ Normal bank interest and penalty interest rate will not apply once accumulated interest is the same as the capital amount
- ▶ Only interest at the repo rate on the capital amount can then be charged
- ▶ The penalty interest will be limited to 2% per annum
- ▶ Penalty on early repayment of debts will no longer apply

Measures to enhance environment sustainability

- ▶ Refund on export of used PET bottles
- ▶ Excise duties on additional inefficient household appliances
- ▶ Environment Protection Fee on mobile phones
- ▶ No excise duty on motor cycle of less than 250 c.c.
- ▶ Amendments to the CO2 emission tax levy and rebates on motor cars
- ▶ Encourage the use of biomass to produce electricity
- ▶ Identification of new means to produce energy from renewable sources

Fiscal measures



Personal tax

- ▶ **Employment income**
 - ▶ Benefits in kind: minor increases on monetary amount of accommodation provided to hotel employees and company cars
 - ▶ Exempt income: extent of exemption would be clarified for public officers where cash is taken in lieu of passage benefits
- ▶ **Income Exemption Thresholds**
 - ▶ Yearly increase of Rs 5,000 for the six categories of IET
- ▶ **Deduction of Tax at Source**
 - ▶ Scope is being extended to include:
 - ▶ Taxable interests; and
 - ▶ Certain consultancy and management services

Business tax

- ▶ Annual allowances on acquisition of patents
 - ▶ The rate of annual allowance will be 25% on a reducing balance: currently the rate of annual allowance is 5% on a straight line basis
- ▶ Bank levy
 - ▶ The levy will be computed on 10% of the chargeable income for the Segment A banking business for 2014 and 2015. As from 2016, the levy will be based on a proportion of the turnover and operating profit
- ▶ Shipping income
 - ▶ Clarification will be provided on the scope of the current exemption
- ▶ Private free-port developer
 - ▶ Corporate tax exemption will exclude income derived from local sale and specified manufacturing or processing activities

Business tax

- ▶ Manufacturing sector
 - ▶ Introduction of an Investment Tax Credit scheme
- ▶ Corporate Social Responsibility
 - ▶ CSR will now apply to resident partnerships
 - ▶ Tax base will be the same as for companies
- ▶ Cross border services
 - ▶ Scope of tax is widened
 - ▶ Place of services will not be relevant

Land transfer tax and registration duty

- ▶ As from 1 January 2014, only one rate of land transfer tax will apply: the 10% rate will be repealed
- ▶ The land transfer tax rate would be based on the higher of 5% of the value of the property or the current fixed duty of US\$ 50,000 and US\$ 25,000 for IRS and RES transactions
- ▶ The tax base for the registration duty purposes will be identical to the land transfer tax for RES properties

Value Added Tax

- ▶ Review of the claw-back provision in the context of transfers between registered persons
- ▶ Supply of bio-pesticides, growing medium for plants, photovoltaic panels, medical, surgical or laboratory steriliser will be exempt
- ▶ Basic products, such as butter, milk and tea, will be zero rated instead of exempt
- ▶ VAT refund schemes for small planters, fishermen, breeders, apiculturists and bakers is made permanent
- ▶ VAT on mineral waters, aerated waters, alcoholic and soft drinks will be collected at the wholesale value, as is the case for petroleum products

Value Added Tax (cont'nd)

- ▶ If amendment is made for VAT collection purposes, then consideration would still be relevant
- ▶ For example, gas oil is Rs 43.95 per liter: the output tax is computed at Rs 5.7326 so that the taxable value is computed at Rs 38.2174. The retail margin is Rs 1.6780
- ▶ Reconciliation exercise should take the price structure into account

Scope limitations

- ▶ The information in this pack is intended to provide only a general outline of the subject covered. It should not be regarded as comprehensive or sufficient for making decisions, nor should it be used in place of professional advice
- ▶ Accordingly, Ernst & Young accepts no responsibility for loss arising from any action taken or not taken by anyone using this pack
- ▶ Further, the information in this pack will have been supplemented by matters arising from any oral presentation by us, and should be considered in the light of this additional information
- ▶ If you require any further information or explanations, or specific advice, please contact us and we will be happy to discuss matters further

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

© 2013 EYGM Limited.

All Rights Reserved.

EY refers to the global organization and/or one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organisation can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.