

The Finance Bill 2017

Summary of Tax Measures

13 July 2017

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Provisions of the Finance Bill will only become effective once it is ratified by the Parliament and assented by the President of the Republic of Mauritius. You are therefore cautioned to consult with your tax advisor or ourselves prior to any action being taken. In any event, we neither make any representations, nor shall we have any liability, including claims for damages of any nature, to any parties in respect of this newsletter.



Corporate Tax

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Reduced Tax Rate on profits from export of goods

- Effective from 01 July 2017, the profits of companies from export of goods will be taxed at a rate of 3%.
- The profits attributable to the export of goods will be calculated as follows:

A/B x C

- A – is the gross income derived from the export of goods
 - B – is the gross income derived from all activities
 - C – is the taxable profits of the company
- Also effective from 01 July 2017, investment tax credit available to companies involved in the export of goods and other activities shall be amended through Regulations to be issued in due course.

Corporate Social Responsibility

- For CSR funds set up before 31 December 2018, companies shall remit 50% of their CSR contributions to the Mauritius Revenue Authority ('MRA').
- For CSR funds set up on or after 01 January 2019, companies shall remit 75% of their CSR contributions to the MRA.

Solar and renewable energy

- As from 01 July 2017, companies will be exempted from interest income on debentures or bonds issued to finance MRA approved renewable energy projects .

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Research and Development

- Companies may claim a double deduction for qualifying expenditure (see below) on research and development incurred between the period 01 July 2017 to 30 June 2022;
- The expenditure has to be incurred in Mauritius and should be directly related to the entity's trade. Further, no annual allowances should have been claimed thereon;
- Where the expenditure is not directly related to the entity's trade, the MRA may allow a deduction for the expenditure in the year it is incurred;
- Qualifying expenditure means expenditure relating to research and development (R&D) and includes:
 - innovation, improvement or development costs of a process, product or service
 - staff costs
 - consumable items
 - computer software directly used in R&D
 - subcontracted R&D
- Tax losses arising on R&D expenditure incurred will be carried forward indefinitely.

Deep Ocean Water Air conditioning

- As from 01 July 2017, companies may claim a double tax deduction on expenditure incurred in respect of deep ocean water air conditioning over a consecutive period of five (5) years;
- Tax losses arising on expenditure on deep ocean water air conditioning incurred will be carried forward indefinitely.

Water desalination plant

- As from 01 July 2017, companies may claim a double tax deduction on expenditure incurred in respect of the acquisition and setting up of water desalination plant;
- Tax losses arising on expenditure on the water desalination plant will be carried forward indefinitely.

Tax losses

- Manufacturing companies will be allowed to carry forward accumulated tax losses following a change of more than 50% shareholding provided that the change is deemed to be in the public interest and to safeguard employment.

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Contribution to Superannuation Fund

- Companies will not be allowed to claim a tax deduction for contribution made by an employer where the fund is set up for the principal purpose of providing tax benefits to selected employees and their dependents.

Tax exemptions

There will be a eight (8) year income tax exemption for:

- companies set up on or after 01 July 2017 and involved in innovation-driven activities on income from Intellectual Property Assets developed in Mauritius;
- companies incorporated after 08 June 2017 and engaged in the manufacturing of pharmaceutical products, medical services and high tech products;
- companies engaged in the exploitation and use of Deep Ocean Water for providing air conditioning installations, facilities and services.

Annual allowances

As from 01 July 2017, annual allowances will be available on expenditure incurred in:

- the acquisition of a solar energy unit,
- Research and Development costs, including innovation, improvement or development of a process, product or service.

Tax arrears

A 100% rebate on interest and penalties will be available on payment of tax outstanding as at 30 June 2015 if payment is made before 31 May 2018.

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Mauritius Diaspora Scheme

- The 10 years tax holiday applicable to a member of the Mauritian Diaspora will be limited only to income from registered employment, business, trade, profession or investment.

Exempt income

- As from the year of assessment commencing on 01 July 2017, the invalid's basic pension, contributory invalidity pension and carer's allowance payable under National Pensions Act will be tax exempt.
- As from 01 July 2017, interest income on debentures or bonds issued by a company to finance MRA approved renewable energy projects will be tax exempt.

Household employees

- As from income year 01 July 2017, an individual will be entitled to deduct from his net income the wages paid to his household employees or Rs30,000, whichever is lower.
- Where both spouses employ household employees, the total deduction should not exceed Rs30,000.

Solar Energy Investment Allowance

- The deduction in respect of investment on photovoltaic kits and battery for storage of electricity is still available.

Solidarity Levy

- As from income year 01 July 2017, a resident individual will pay a solidarity levy of 5% on his chargeable income and dividend income from resident companies in excess of Rs3.5 million.

Interest income does not form part of the chargeable income.

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Negative Income Tax

- As from 01 January 2018, a Negative Income Tax allowance will be granted to citizens of Mauritius in full time employment with monthly earnings of Rs9,900 or less;
- Earnings means all salary, wages, overtime pay, leave pay, and other allowances in money or money's worth, other than travelling and end-of-year bonus derived from employment and includes any annuity, pension and basic retirement pension.

The negative income tax will apply –

- where the individual is in continuous employment for 6 months prior to the month in which the allowance is payable,
- when the aggregate annual net income of a couple including dividend and interest income does not exceed Rs390,000,
- when the employer and the employee are compliant with National Pension Fund Act and National Savings Fund Act.

The table below shows the earnings and the applicable negative income tax:

Earnings	Negative income tax
Rs5,000 or less	Rs1,000
Rs5,000 – Rs7,000	Rs800
Rs7,000 – Rs9,000	Rs500
Rs9,000 – Rs9,750	Rs250
Rs9,750 – Rs9,900	Rs100

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Income Exemption Threshold

As from the income year commencing on 01 July 2017, the income exemption threshold and relief for medical insurance premiums will be as follows:

Individual	Rs
Category A – individual with no dependent	300,000
Category B – individual with one dependent	410,000
Category C – individual with two dependents	475,000
Category D – individual with three dependents	520,000
Category E – individual with four or more dependents	550,000
Category F – Retired or disabled person with no dependent	350,000
Category G – Retired or disabled person with one dependent	460,000



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Relief for medical insurance premiums Maximum allowable deductions

Premium allowable

Category A (no dependent)	Rs15,000	
Category B (one dependent)	Rs15,000	<i>For self</i>
	Rs15,000	<i>For dependent</i>
Category C (two dependents)	Rs15,000	<i>For self</i>
	Rs15,000	<i>For first dependent</i>
	Rs10,000	<i>For second dependent</i>
Category D (three dependents)	Rs15,000	<i>For self</i>
	Rs15,000	<i>For first dependent</i>
	Rs10,000	<i>For second dependent</i>
	Rs10,000	<i>For third dependent</i>
Category F (retired/disabled with no dependent)	Rs15,000	
Category F (retired/disabled with one dependent)	Rs15,000	<i>For self</i>
	Rs15,000	<i>For dependent</i>



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Tax liability prior to date of registration

- A person who ought to have been VAT registered at a date prior to his date of registration needs to submit information for a maximum period of 4 years prior to his date of registration.

Penalty for failure to join electronic filing system

- The penalty for failure to join electronic filing and payment has been increased from Rs50,000 to Rs100,000.

Time limit to make assessments and request information

- The MRA has a maximum period of 4 years to request information and raise assessments.

Adjustment for output tax on bad debts

- Adjustment for output VAT on bad debts can be made only if the bad debts are proved to have become bad and have actually been written off as a bad debt.

Representations to the Assessment Review Committee ('ARC')

- A person may appeal to the ARC against an assessment whose objection is deemed to have lapsed, must, prior to hearing date being fixed:
 - comply with objection requirements;
 - inform the ARC that he wishes his objection to be reconsidered afresh by the MRA; and
 - withdraw his appeal at the ARC level.
- The Director General will have a period of 4 months to reconsider the person's objection from the date the appeal is removed from the ARC.

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Exempt bodies or persons

- An exempt person will pay VAT proportionately, based on period of non-ownership, on a building or part of a building built for tertiary education, private hospital, nursing home or residential care home, if that building or part of that building is put to another use before the end of the 20th year from the date the construction is completed.
- The following will be treated as an exempt person in respect of the related supply of goods and services:

Exempt person

- A person engaged in the construction of a purpose built building to be leased exclusively to a person approved by the Tertiary Education Commission for the provision of tertiary education
- A person engaged in a project funded by a foreign state to the extent of at least 50% of the estimated project value being through grant or concessionary financing
- A person operating a food processing plant and registered with the Board of Investment

Goods and Services

- Construction of a purpose-built building for the provision of tertiary education to be leased exclusively to a person approved by the Tertiary Education Commission
- The procurement of goods, works, consultancy or other related services relating to the project
- Supply of plant, machinery and equipment for exclusive use in food processing activities

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VAT rulings

- The MRA will not issue a ruling in respect of an issue which is under objection or appeal.

VAT arrears

- A 100% rebate on interest and penalties will be available on payment of VAT arrears outstanding as at 30 June 2015 if payment is made before 31 May 2018.

Exempt supplies

- Sterile water used before, during and after operation will be exempt from VAT.

Zero rated supplies

The items below will be classified as zero rated supplies:

- Patrol and monitoring equipment;
- Sanitary towels (pads) and tampons.

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VAT Refund Scheme

The following specified equipment used by the persons below will qualify under the VAT Refund Scheme:

Tea Cultivator

- Hand-held plucking shear
- Hand-held pruning machine
- Motorised tea harvester

Planter or horticulturist

- Sarlon shade, green house and shade green
- Fertigation pump
- Irrigation equipment
- Hydroponic filter
- Water tank

Pig breeder

- Farrowing/gestation/nursery crate
- Heat lamp/hot blast
- Incubator
- Pig feeder/drinker
- Cooling fan

Other breeders

- Feed grinder
- Ventilation fan
- Chicken crate
- Cages and coops
- Water tank

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Corporate Tax

Electronic filing and payment of tax

- All companies will be required to adopt electronic filing of income tax and PAYE returns and make online payments.

Annual return by companies paying dividends

- Companies paying a dividend exceeding Rs100,000 to an individual, société or succession will be required to submit electronically an annual return giving the following information:
 - (a) the name and surname of every shareholder;
 - (b) the national identity number of every shareholder; and
 - (c) the amount of dividend paid.

Waiver of tax for insurance companies under special administration

- The income tax payable, including any amount withheld under PAYE or TDS by an insurer and any of its related companies under special administration, may be waived if it is in public interest.
- No surcharge will be payable, by an insurer and any of its relates companies under special administration, in respect of contributions due to National Saving Fund, National Pension Fund and training levy.

Annual Statement of Financial Transactions

- Effective 01 July 2017, banks and non-bank deposit institutions will have to submit an Annual Statement of Financial Transactions in respect of –
 - (i) Individuals: A deposit exceeding Rs500,000 or aggregate deposits exceeding Rs4m in the preceding year;
 - (ii) Companies: A deposit exceeding Rs1m or aggregate deposits exceeding Rs8m in the preceding year.
- Every bank, money changer or exchange dealer will be required to submit a Statement of Financial Transactions in respect of every person (except for government bodies and Global Companies) having bought, sold or transferred foreign currency of more than Rs200,000 in one transaction.

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Expeditious Dispute Resolution of Tax Scheme

- The Expeditious Dispute Resolution of Tax Scheme (EDRTS) will be re-introduced to review assessments raised under the Income Tax Act, Value Added Tax Act or Gambling Regulatory Authority Act.
- If a taxpayer agrees under EDRTS to the amount of tax as assessed, all penalties and interest will be waived provided he settles the tax due within one month as from the date of determination of his case by the EDRTS panel.
- If a tax payer reaches an agreement on items in dispute, 75% of penalties and interest applicable on the revised tax payable will be waived by the EDRTS panel, provided he settles the tax liability within one month as from the date of determination of his case.

Other Corporate Tax Administration measures

- Cases at the Assessment Review Committee will be heard within 2 months from date representations are made and decisions will be given within 4 weeks of hearing;
- A company, société or a succession with annual turnover below Rs6m will not be required to withhold TDS on payments, except for companies, société or succession which awards contracts for construction works;
- TDS will be applicable on fees, in lieu of director's fees, payable by any company to a corporate body.

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Personal Taxation

Statement of Assets and Liabilities by High Net Worth Individuals

- As from income year commencing 1 July 2017, a person who derives net income and exempt income exceeding Rs15m or who owns assets (including assets owned by his spouse and his children) exceeding Rs50m, will be required to submit a statement of assets and liabilities at the time of submission of his income tax return;
- The person will be required to submit a subsequent statement only where aggregate costs of the assets increase by more than 15%;
- A person may exclude assets costing less than Rs200,000 from his statement of assets and liabilities;
- A non-Mauritian citizen or a citizen who is not tax resident in Mauritius is not required to submit the statement of assets and liabilities.

Employees to provide National Identity Card number

- Employees will need to provide their National Identity Card number or non-citizen's identification number for PAYE purposes.

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Value Added Tax

- Wholesalers of alcoholic drinks should register for VAT irrespective of their turnover of taxable supplies.
- Taxpayers may opt to lodge an electronic objection for VAT assessments.

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