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# Mauritius Budget 2012

# Mazars comments on Budget 2012



The Honourable Minister announced his budget 2012 to be about more growth. It sets out a more intensive approach for export promotion, market development and the opening of the economy. The Minister is prudently optimistic about the future. Mauritius will remain on the path of growth with real GDP growth expected to be around 4%. However, there is a lack of visibility as to how international business environment will evolve in the future.

The Minister laid broad policies for achieving growth. These include expansion of our economic base by adding new sectors like development of commercial marinas and the setting up of a film industry, etc. Furthermore, the SMEs will benefit from a **Rs 3 billion** package in terms of financial facilities to be provided by commercial banks at lower rate of interest of 3% above Repo rate (currently 8.5%).

The Government actions also aim at improving the overall business climate to stimulate private investment and job creation. In this context, the Minister announced bold adjustments to tax policy and some major tax cuts. Thus the Minister announced the abolition of the following taxes - solidarity taxes on dividends and interests, capital gains tax on property, Municipal tenants' tax and the removal of the land transfer tax for financial institutions.

Moreover, the Minister emphasised the necessity to internationalise our economy and announced that BOI will actively promote Mauritius abroad as a quality destination for foreign direct investments. The Government has wide expectations from financial services industry and will provide strong support to it. With a view to diversify the products and services of this industry, Government is expected to come up with some new legislations in future to promote new investment and financial vehicles, such as Foundations, Private Occupational Pensions, New concepts of Trusts. Mauritius is also looking forward to increase its network of Double Taxation Agreements with other African countries like Algeria, Angola, Tanzania, Burkina Faso, South Sudan etc.

The Minister also announced government policy to disinvest from some of the commercial and industrial assets with a view to raise revenue to finance other more strategic sectors. Some identified targets are – The Casinos, Domaine Les Pailles Properties, Belle Mare Tourist Village, The Lakepoint , etc.

Finally, the Minister has strong belief that this budget will democratise the economy, create more jobs, bolster the confidence of businesses and set a strong base for sustainable development. To ensure that budgetary measures are effectively implemented, the Ministry of Finance has set up, for the first time, a Budget Implementation Team (BIT) setting out a time table for action.

The sets of measures announced are summarised in the following sections.

# SME and Supporting Enterprises



- New loan facilities by banks at repo rate plus 3% i.e. 8.5%.
- Removing registration duty ranging from Rs 1,000 to Rs 10,000 on loans not exceeding Rs 1 million.
- Leasing for Equipment Modernisation scheme extended to all industries, including traders, as long as turnover exceeds Rs 50M.

# Tourism and Leisure



- Hotels, guest houses and tourist residences will pay the environment protection fee only if they are profitable.
- The introduction of commercial marinas.
- 25% contribution by government to agreed expenses incurred in Mauritius to stimulate the interest of foreign film makers.
- Abolishment of the double deduction for overseas marketing and promotional expenses to a company in the tourism sector or engaged in export activities. For SMEs, a grant is provided to a maximum of Rs 100k per year to finance participation in international fairs.

# Housing



- Land transfer tax on the sale of immovable property by financial institutions relating to debt recovery is removed provided if property is being sold within a period of 12 months from its acquisition date.
- Permanent residence holders can now purchase an apartment.
- Construction of houses by middle income groups (at least 5 units where selling price of a unit does not exceed Rs 2.5M):
  - a) On purchase of land:
    - Seller exempted from land transfer tax;
    - Buyer exempted from registration duty.
  - b) On sale of residential unit:
    - Seller exempted from land transfer tax;
    - First time buyers exempted from registration duties.

# Income Tax Changes



- Tax deduction at source on bank deposit exceeding Rs 5 million... from 10 % in 2011 to Nil in 2012.
- Increase on CPS threshold to Rs 2M per annum.
- No CPS tax return for a self-employed tax payer:
  - a) below the threshold of Rs 2M, or;
  - b) who using the preceding income year as a basis has a tax liability of less than Rs 500.
- No CPS tax return for tax payers receiving rental income not exceeding Rs 2M.
- No APS tax return for companies with taxable income not exceeding Rs 2M.
- Tax deduction at source will be extended to certain categories of tax payers/ service providers (including: doctors, dentists, attorneys, etc..).
- Solidarity levy:
  - a) Management Companies (Global Business Sector) - 10% of chargeable income and will be applicable for 2 years starting from 2012;
  - b) Extension provided on telecommunication companies for 1 additional year to end in 2013.
- Income tax exemption for Freeport operators (ending in 2013) will continue to be granted indefinitely.
- A Voluntary Disclosure of Income Arrangement (VDIA) will be introduced.

# Income Tax Exemption Table



	2012	2011
	Rs	Rs
Taxpayers with no dependent	270,000	255,000
Taxpayers with 1 dependent	380,000	365,000
Taxpayers with 2 dependents	440,000	425,000
Taxpayers with 3 dependents	480,000	465,000
Retired Taxpayers with no dependent	320,000	305,000
Retired Taxpayers with 1 dependent	430,000	415,000
Deduction of interest paid on mortgage loans taken as from 01 January 2011 or mortgage raised since 01 July 2006 for the first 5 years of the loan starting January 2011 (applicable to first time home owners only)	120,000	120,000
Exemption for child following courses in Mauritius (Tuition fees should exceed Rs 44,500)	80,000	80,000
Exemption for child following courses Overseas (Tuition fees should exceed Rs 44,500)	125,000	125,000

# Fringe Benefits Taxation



Car Benefit	2012	2011
A. Car is used for official or business and private purposes		
Up to 1600cc	(50% increase) Rs 6,000	Rs 4,000
1601 to 2000cc	Rs 6,750	Rs 4,500
Above 2000cc	Rs 7,500	Rs 5,000
B. Car is used exclusively for private purposes		
Up to 1600cc	Subsumed in category A above	Rs 12,000
1601 to 2000cc		Rs 13,500
Above 2000cc		Rs 15,000
<b>Accommodation Benefit provided by hotels</b>		
A. Full board and lodging		
Single	(100% increase) Rs 10,000	Rs 5,000
Married	Rs 14,000	Rs 7,000
B. Accommodation for		
Managing and supervisory staff	Rs 4,000	Rs 2,000
Other staff	Rs 2,000	Rs 1,000

# Fringe Benefits Taxation (Cont'd)



Housing Benefit	2012	2011
Where property is rented by the employer		
Unfurnished	Actual rent paid	15% of employee's total emoluments or actual rent paid whichever is the lower
Furnished	Actual rent paid	20% of employee's total emoluments or actual rent paid whichever is the lower

# Value Added Tax (VAT)



## Refund of VAT for:

- Small planters and small builders on agricultural machinery equipment and tools.
- Fishermen on fishing gear, outboard and inboard engines of up to 25hp as well as VHF radios.
- Semi-industrial fishing vessels use by fisherman grouped in cooperatives.

## Removal of VAT on:

- Life jackets for the safety of fisherman, tourists and other users of leisure boats.
- Commissions earned by insurance agents.
- Gums used as substitute for smoking.

No VAT on social housing projects of not-for-profit housing development trusts .

## Exemption of VAT on:

- Cosmetic surgery.
- Social housing by Housing Development Trusts.

Incentive Scheme for VAT registration will be introduced for businessmen, service providers and professionals.

# Excise, Registration Duties and Other Taxes



- Removing of 10% customs duty on refrigerated vehicles for fisherman producers of other foodstuff as well as consumers.
- Increase of excise duty on alcoholic drinks between 10% to 30%.
- Increase of excise duty on cigarettes and cigars by 15%.
- Increase of excise duties on motorcycles of more than 451cc and powerful outboard motor.

Abolishing of duties on the following:

- 30% of custom duty on tyres for all types of vehicles.
- Shoes and other footwears.
- Perfumes and cosmetics.
- Mopeds and motorcycles less than 125cc.

Exemption from the payment of land conversion tax, registration duty and land transfer tax on social housing projects of not for profit housing development trusts.

Exemption from registration duties to first time buyers of a home under the not-for-profit housing development trust scheme.

# Summary of Tax Rates



	2012	2011
<b>Individuals</b>		
Income excluding exempt income after income exemption threshold and allowable deductions		
Total income including exempt income not exceeding Rs 2 million	15%	15%
Total income excluding capital gains exceeds Rs 2 Million, an additional solidarity income tax on exempt dividend and interest income.	Nil	10%
<b>Companies</b>		
Normal	15%	15%
Where normal tax is less than 7.5% of book profit, alternative minimum tax of lesser of (a) 7.5% Of book profit; or (b) 10% of aggregate distributions.		
<i>Not applicable to Global Business Companies or where 10% of aggregate distribution does not exceed normal tax payable.</i>		
<b>Trusts</b>		
Normal	15%	15%
Non-resident trusts	Exempt	Exempt

# Summary of Tax Rates (Cont'd)



	2012	2011
<p><b>Sociétés</b>                      Resident and GBL 1                      Associates taxed on share of income.                      A GBL1 Société may opt to be taxed at 15%</p> <p>Société dealing in real estate business                      Non-Resident</p>	<p>No Tax</p> <p>15%</p> <p>15%</p>	<p>No Tax</p> <p>15%</p> <p>15%</p>
<p><b>Banks</b>                      Taxable income                      Special levy ( applicable to segment A and segment B)                      3.4% of book profit and                      1% of operating income of preceding year                      One-off charge ( applicable to segment A )                      0.5% of turnover and 1.25% of book profit</p>	<p>15%</p>	<p>15%</p>
<p><b>Corporate Social Responsibility (CSR)</b>                      On taxable income (2011 on book profit ,as adjusted) of preceding year  <i>(applicable to every company except a GBL 1 company, a bank operating in segment B, an IRS Company and non-resident société, a trust or a trustee of a unit trust scheme)</i></p>	<p>2%</p>	<p>2%</p>

# Summary of Tax Rates (Cont'd)



	2012	2011
<b>Value Added Tax (VAT)</b> Taxable supplies	15%	15%
<b>Capital Gains Tax</b> On disposal of immovable property		
On gains realised by an individual (gain exceeding Rs 2 million) or a trust	Nil	10%
In any other case	Nil	15%

# MAZARS



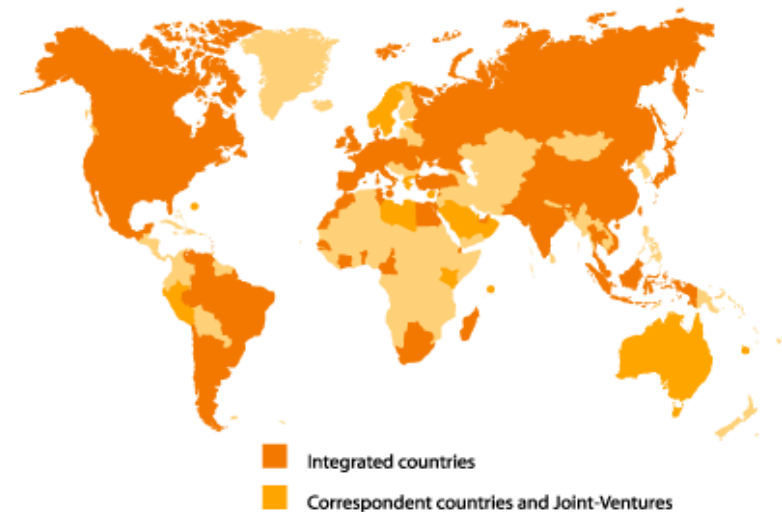
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Mazars is also one of the founding members of the Praxity alliance, which gathers **79 independent organisations** and **28,000 professionals** in **82 countries**.

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# Disclaimer



All information is believed to be correct at the time of publication. This is not intended to be a comprehensive package of measures in the budget and should not be relied upon as such. 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 04 November 2011. Specific advice should be sought in any particular matter.

04 November 2011