


# Budget 2016-2017

## Synopsis

29 July 2016



Building a better  
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The background of the slide is a photograph of a blue wall. On the left, there is a window with light-colored wooden shutters. On the right, the front wheel and handlebars of a bicycle are visible. A large yellow text box is overlaid on the right side of the image, containing the main text.

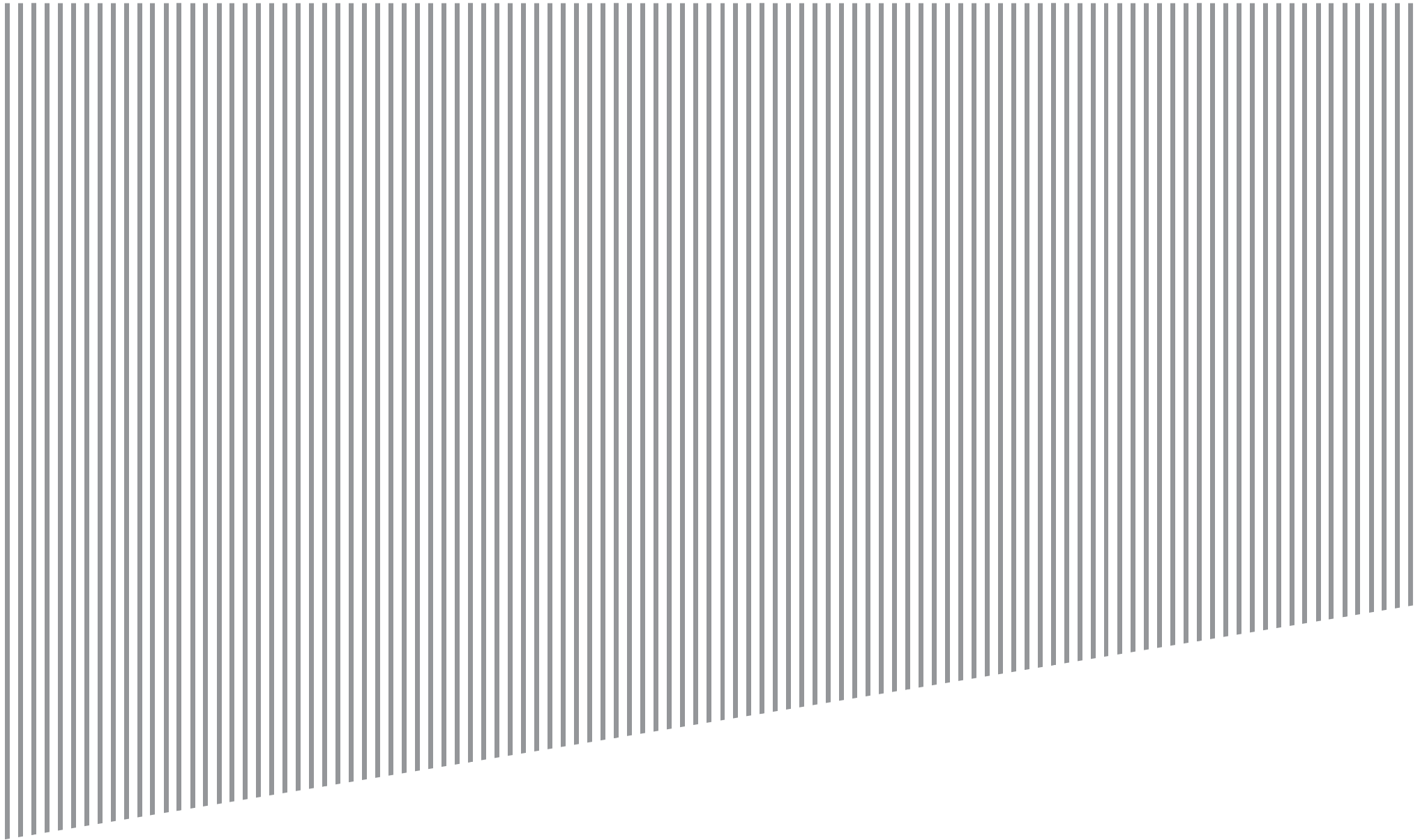
**Theme of the 2016-2017 Budget**  
***...moving to a higher growth path***  
***will require major changes in the way***  
***we do things as well as in the things***  
***we do...***

# Table of contents

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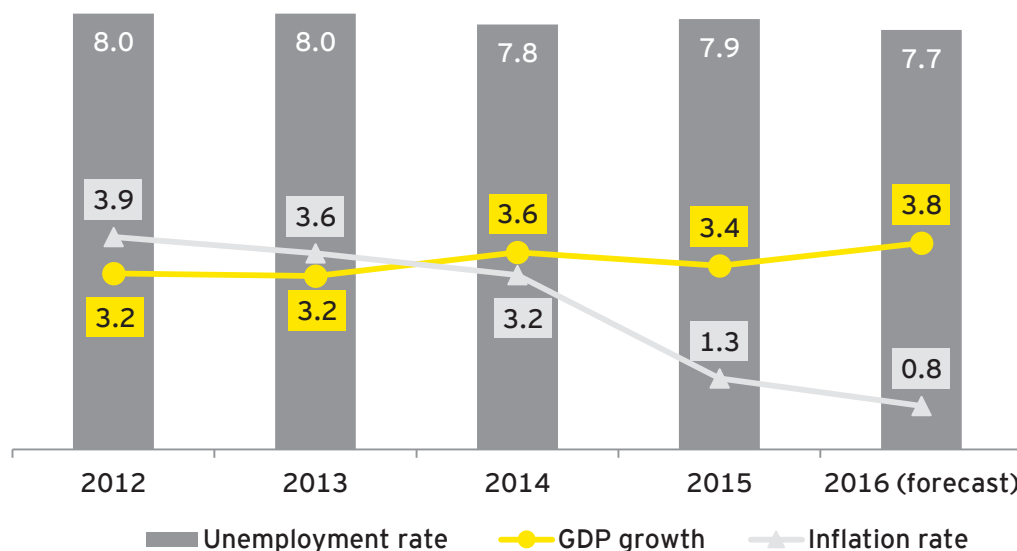
- ▶ Key economic indicators
- ▶ Background
- ▶ The 10 main strategies
- ▶ Other amendments referred to in the Annex

# Key economic indicators

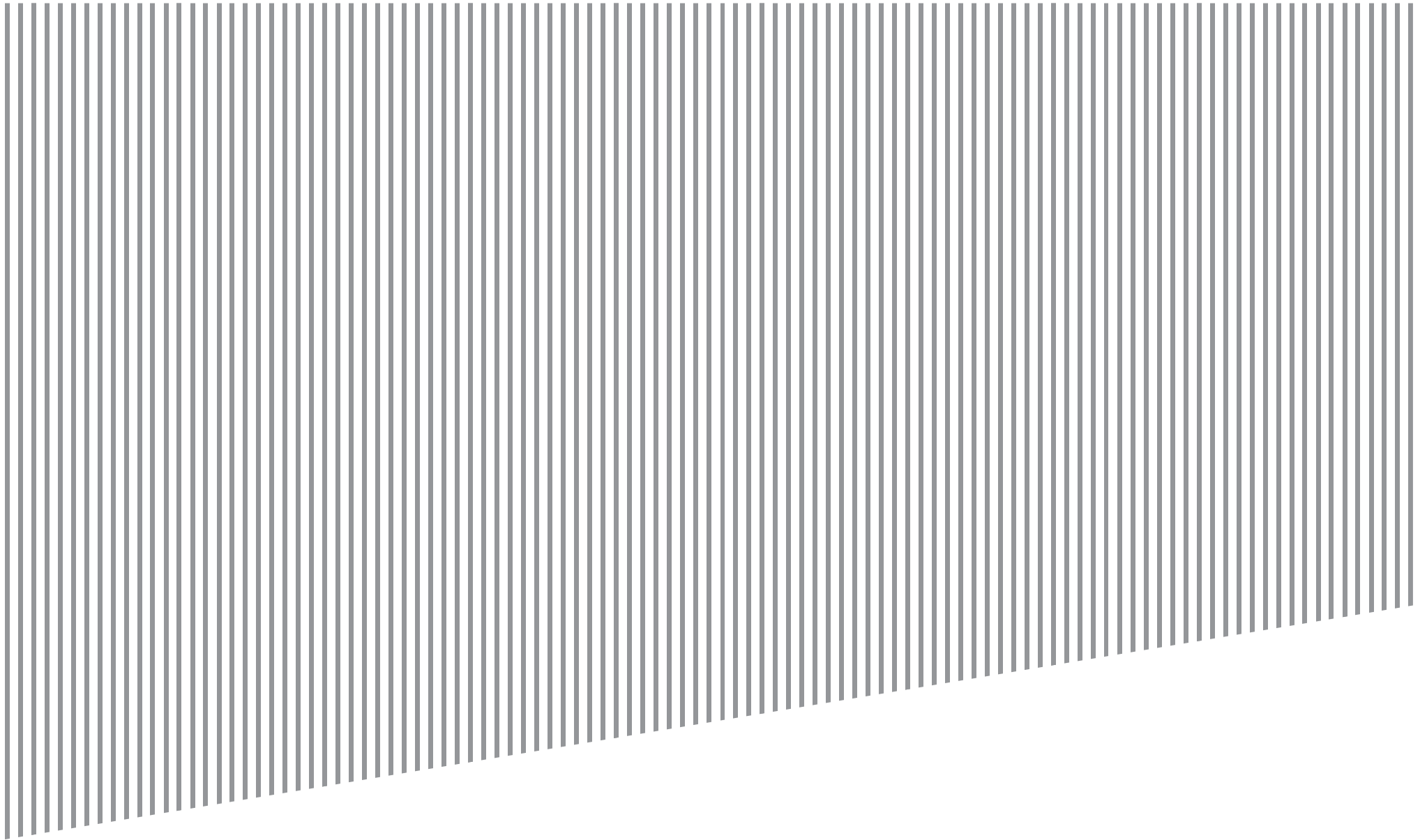


# Key economic indicators per Statistics Mauritius

- ▶ Unemployment rate is expected to decrease slightly to 7.7% in 2016. First job seekers represent 31% of the unemployed on the market
- ▶ Slight increase in GDP growth at basic prices maintained at approximately 3.8%
- ▶ Inflation is expected to drop to 0.8%



# Background

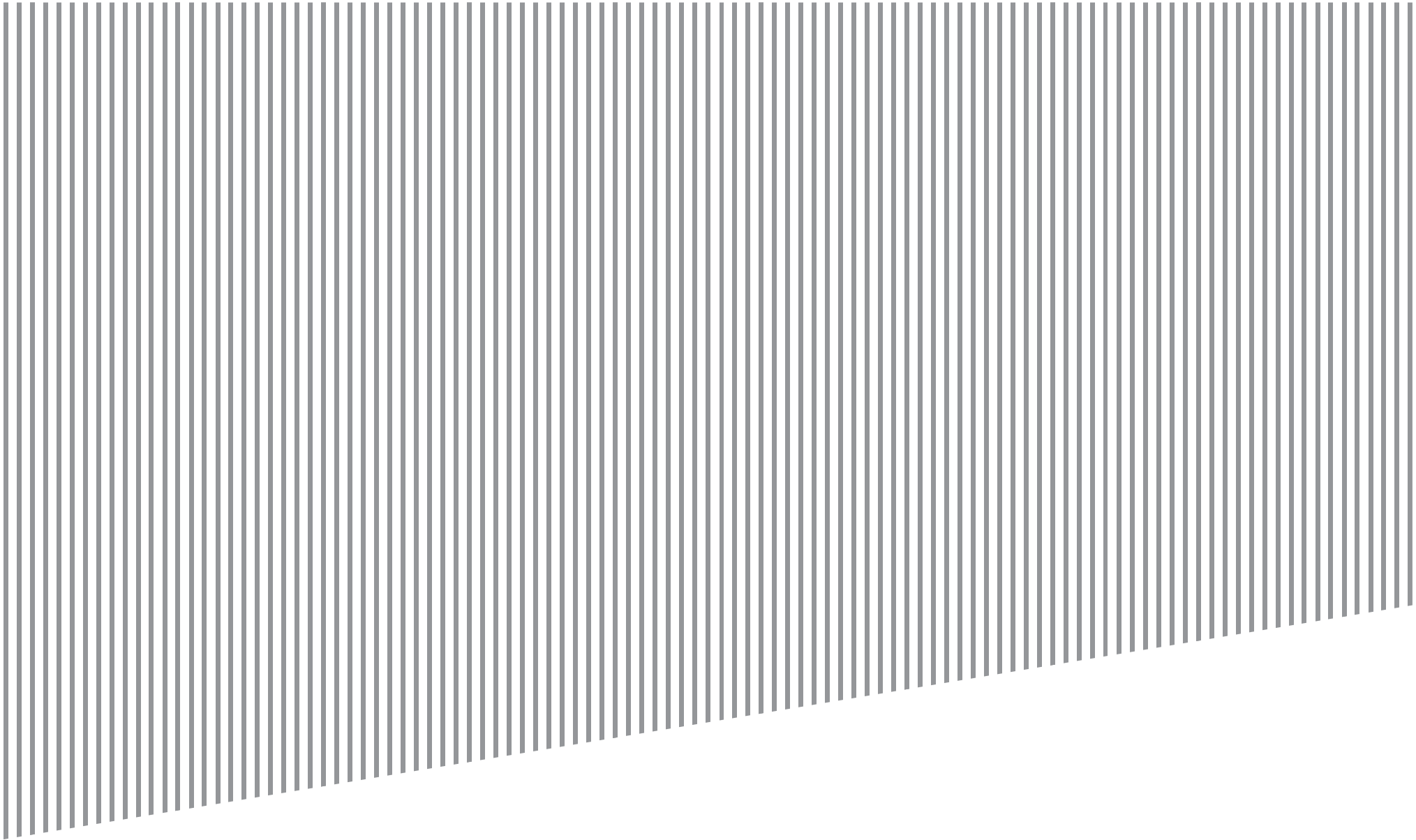


# Background

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- ▶ Uncertainty and adversity at the global level
- ▶ Impact of external pressures cannot be underestimated
- ▶ Ambition is to have a stronger economic performance
- ▶ Recognition of the local expectations
- ▶ The Budget is built on ten major strategies
- ▶ Annex to the Budget Speech is an integral part of the proposed measures:
  - ▶ Part A-taxation and public finance
  - ▶ Part B-other budget measures, like the proposed amendments to banking and non-bank financial services
  - ▶ Part C-other legislations, including the Companies Act and the Transcription and Mortgage Act

# The ten main strategies





# The ten main strategies

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1. Fostering a wave of modern entrepreneurs
2. Creating more job opportunities
3. Increasing focus on innovation, boosting exports and private investments
4. Moving towards a full-fledged digital society
5. Reforming business facilitation and expanding economic horizons
6. Building the infrastructure for the future
7. Lifting the quality of life
8. Addressing the root causes of poverty
9. Reforming the public sector
10. Stabilizing the macroeconomics and public finances

# Strategy one: fostering a wave of modern entrepreneurs

*...a class of entrepreneur that is equal to the challenge, and who can succeed in the most sophisticated of markets*



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# Fostering a wave of modern entrepreneurs

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- ▶ Suspension of trade fees for licences of Rs 5,000 and below for a period of 3 years for all SMEs except those engaged in activities such as gambling and sales of liquor and cigarettes
- ▶ Corporate tax incentives on business income
  - ▶ 8 year tax holiday applicable to qualifying SMEs is being extended to new enterprises set up by individuals or cooperative societies
  - ▶ 4-year tax holiday for existing qualifying enterprises with turnover of less than Rs 10 million as from the year of assessment 2016/2017
- ▶ Creation of a National SME Incubator Scheme to support and mentor young entrepreneurs
- ▶ Setting up of four new industrial parks
- ▶ Interest rate under the SME financing Scheme lowered from 7.4% to 6% and the scheme will be continued for another 3 years and will also apply to individuals
- ▶ Re-introduction of Leasing Equipment Modernization Scheme
- ▶ DBM to set up of a dedicated fast track desk for micro enterprises

# Fostering a wave of modern entrepreneurs

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- ▶ Consolidation of the NRF Equity Fund and the SME Partnership Fund into a single Venture Capital Fund. Additional capital of Rs 150 million is being provided
- ▶ A line of credit of Rs 100 million will be used to provide factoring services to small businesses

## Strategy two: creating more job opportunities for all

*...better matching of skills and creating more job opportunities for our youth, women and men*



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# Creating more job opportunities

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- ▶ Enlistment of 4,000 persons under the National Skills Development Programme for training in technical skills that are in high demand. The trainees will be paid a monthly stipend of Rs 5,000
- ▶ Training of 1,200 seafarers for cruise jobs and shipping companies
- ▶ Seafarers will be exempted from income tax
- ▶ Training levy will be applied towards consulting costs on staff training in new technologies
- ▶ Set up of a special scheme for the placement of 200 trainee engineers in the public sector bodies so that they can register as professional engineers
- ▶ Employment of 2,000 individuals under the YEP
- ▶ New posts creation in civil services to cater for 7,200 vacancies
- ▶ Set up of umbrella National Employment Agency

## Strategy three: entering a new economic cycle

*....a significant leap forward in embracing new activities and modern ways of doing business*



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# Promoting innovation, boosting exports and private investments

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- ▶ Manufacturing sector
  - ▶ Diversification of the manufacturing base to capture modular near shore mobile oil refinery, onshore storage, gold business, production of bicycles and motorcycles for export to the African market
  - ▶ Commodity exchange to trade in gold and bullions, diamond and other precious metals
  - ▶ VAT incentives to 3D printers
  - ▶ Customs duty exemption on materials for manufacture of medical devices
  - ▶ Fiscal incentives to contribute to modernising the manufacturing sector.
- ▶ Freeport
  - ▶ Revitalising the freeport sector so that more goods can be exported to countries other than Africa



# Promoting innovation, boosting exports and private investments

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- ▶ Financial services
  - ▶ GBL2 will be allowed to invest into listed securities
  - ▶ 5-year to 8-year tax holiday to GBL companies having substance in Mauritius
  - ▶ 5-year tax holiday to Foreign Ultra High Net Worth Individuals investing at least US\$ 25 million in Mauritius
  - ▶ Incorporation of a Mauritius International Derivatives & Commodities Exchange
  - ▶ Establishment of an International Arbitration Centre
- ▶ Agri-business
  - ▶ Financial incentives to planters, breeders and fishermen
- ▶ Tourism
  - ▶ Various measures to encourage development of out-of-hotels activities, attraction-based tourism, duty free island and a more open air-access policy. Provision of Rs 40million to market the Air Corridor initiative

# Promoting innovation, boosting exports and private investments

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- ▶ Film Industry
  - ▶ Production of films for export will be zero rated for VAT purposes.
  - ▶ Exemption of customs duty on import of lighting equipment for use in film-making.
- ▶ Blue economy
  - ▶ Incentives for setting up of common facilities on land for aquaculture and fish processing
  - ▶ Conduct of studies on the production of electricity through ocean waves and offshore wind
  - ▶ Financial incentives to promote outer reef and bank fishing
  - ▶ Tax holiday of 8 years to industrial fishing companies operating from Mauritius
  - ▶ Construction of breakwaters for fishing vessels

# Promoting innovation, boosting exports and private investments

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- ▶ Green economy
  - ▶ Encourage electricity production from green technology to address environmental issues and reduce future oil import bills. Removal of VAT on photovoltaic inverters and batteries
- ▶ Digital economy
  - ▶ The public sector will embark on e-services projects
- ▶ Business facilitation
  - ▶ Measures to issue permits and licences with the objective to accelerate job creation, to increase private investment and FDI and boost up economic growth
- ▶ Infrastructure
  - ▶ New Mass Transit System to be finance under the BOT model.
  - ▶ 3 smart cities to start construction
  - ▶ Construction of the A1M1 bridge linking Coromandel to Soreze under the Road Decongestion Programme
  - ▶ Strategic investment to boost the petroleum hub

# Strategy four: moving towards a fully-fledged digital society

*...to move Mauritius towards a fully-fledged digital economy and society*



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# Moving towards a fully-fledged digital society

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- ▶ The Information Highway for sharing of information among public sector agencies will be operational. 50 new e-services will be launched to ease interaction of the citizens and public sector agencies
- ▶ A National Payment Switch will be implemented by the Bank of Mauritius to reduced transaction costs and promote e-commerce
- ▶ A national e-commerce platform will be developed to connect non-Mauritian customers to Mauritian based exporters
- ▶ Development of mobile applications by start-ups to provide information on Government services like traffic and weather forecast
- ▶ Investment at the primary, secondary and tertiary level to further build on human capital and develop digital literacy
- ▶ Major investment on connectivity to enhance the deployment of broadband infrastructure and its quality

# Strategy five: fundamentally reforming business facilitation and expanding our economic horizons

*...fundamentally reforming business facilitation and expanding our economic horizons*



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# Fundamentally reforming business facilitation and expanding our economic horizons

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- ▶ Reduce time to deliver Building and Land Use Permits
- ▶ Review of the Property Development Scheme so that: (a) the maximum size limit of 50 arpents will be removed; (b) the requirement to sell at least 25% of residential units to Mauritians will be removed; and (c) the current maximum permissible land size for a villa from an arpent to 1.25 arpent will be reviewed.
- ▶ Removal of onerous paper work with the introduction of an e-licensing platform that will provide a single point of entry for the application of permits and licences
- ▶ The Board of Investment will be authorised to issue the necessary clearances and approvals consistent with the Silent Agreement Principle.
- ▶ Introduction of a Regulatory Sandbox Licence to speed up strategic investments in innovative projects in the absence of a formal licensing framework

# Fundamentally reforming business facilitation and expanding our economic horizons

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- ▶ Non-citizens will be allowed to buy apartments and business spaces to further open the economy
- ▶ Finalise the negotiations with India on the Comprehensive Economic Cooperation and Partnership Agreement including a Preferential Trade Agreement
- ▶ Opening of a consulate in Reunion island to facilitate trade and business relationships
- ▶ To support economic diplomacy, seven Counsellors (Economic Matters) will be recruited
- ▶ Modernise the Industry Property Framework by 31 December 2016: this will also include the protection of certain intellectual property rights.



# Fundamentally reforming business facilitation and expanding our economic horizons

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- ▶ Mauritius will adhere to the Patent Corporation Treaty, Hague Convention and the Madrid Protocol to ease the registration of Patents, Trademarks and Industrial Designs by 31 December 2016
- ▶ Government will come up with an attractive fiscal package to encourage innovation

## Strategy six: Building the infrastructure that fits into the future

*...look beyond the short term and make investments that would strengthen growth and raise productivity*



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# Building the infrastructure that fits into the future

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- ▶ Capital expenditure by Government increased to Rs 19billion
- ▶ Total investment by the public sector in 2016/2017 estimated at Rs 34.5billion: Rs 97.6 billion over the next three years
- ▶ Implementation of a new mass transit system to be known as the Metro Express: the project will start with the Victoria Terminal under the BOT model
- ▶ Construction of three smart cities this year
- ▶ Investment of some Rs 770million in a new Integrated Government Clearance Centre and a modern Control Tower. Rs 425million will be invested by the CEB in a sub-station near the airport to cater for Cargo and Freeport power requirements

# Building the infrastructure that fits into the future

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- ▶ Rs 6billion will be invested over the next 5 years to enhance the port infrastructure
- ▶ Strategic investments to boost the development of the petroleum hub
- ▶ Some 35 hectares of land reclaimed are being earmarked for petroleum storage, logistics and fishing activities
- ▶ Development of a new petroleum port at Albion

# Strategy seven: lifting the quality of life for one and all

*...dealing with an assortment of factors that weave together to make up the quality of life*



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# Lifting the quality of life

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## ▶ Water supply

- ▶ Investment of some Rs 3.4billion to (a) replace old and defective pipes in specified regions; (b) upgrade and increase treatment plants capacities; and (c) construction of Strategic Service Reservoirs and new dams.
- ▶ Rs 35million is being provided to subsidise water tanks.

## ▶ The judiciary

- ▶ Significant investments on the court infrastructure: construction of a new Supreme Court Tower and renovations and repairs of other specified courts.

## ▶ The Mauritius Police Force

- ▶ Rs 8.7billion is being allocated to the Police Force.

## ▶ Climatic change

- ▶ Provision of Rs 110million for rehabilitation works to address beach erosion and coastal land degradation; Rs 22million has been provided for modern equipment to improve command and coordination on ground during National Emergency Operations

# Lifting the quality of life

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- ▶ Waste management
  - ▶ Introduction of an Advance Recycling Fee at customs to fund the collection, disposal and recycling of electronic and electrical wastes.
- ▶ Health care
  - ▶ Expansion of the Cardiac Centre at the Victoria Hospital
  - ▶ Construction of new ENT Hospital at Vacoas
  - ▶ Renovation and upgrading of the SSR National Hospital
  - ▶ Construction of a new eye hospital at Moka and a regional hospital at Flacq
  - ▶ Setting up of a state-of-the-art National Health Laboratory Services
  - ▶ Setting up of new dialysis units
- ▶ Education
  - ▶ Infrastructure development to support pedagogical innovations
  - ▶ Major upgrading of technical and vocational training centers
  - ▶ Launching of 3 new Polytechnics

# Lifting the quality of life

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- ▶ Road safety
  - ▶ Various measures, like tougher penalties for road offenders, to enhance road safety for all stakeholders
- ▶ Youth and sports
  - ▶ Upgrading and construction of necessary sports infrastructure to host the next “Jeux des Iles” in 2019
  - ▶ New swimming pool and upgrading of existing Residential Youth Centers
  - ▶ Upgrading of sports infrastructure in existing schools and colleges
- ▶ Arts, culture and leisure
  - ▶ Rehabilitation of historical and cultural heritage sites and structures
- ▶ Reforming the Gambling sector
  - ▶ Setting up of Responsible Gambling and Capacity Building Fund to provide the framework for responsible gambling



# Lifting the quality of life

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- ▶ Removal of VAT on CCTV camera systems, burglar alarm systems and other home security and surveillance equipment
- ▶ Consumer protection
  - ▶ Percentage of duty free tariff lines extended from 89% to 95%
  - ▶ VAT on breakfast cereals removed as from 1 September 2016
  - ▶ Retail price of cooking gas reduced from Rs 330 to Rs 270 for a 12-kilo cylinder
- ▶ Rodrigues, Agalega, St Brandon, Chagos and Tromelin
  - ▶ Major overhaul of the runway, Port Mathurin harbour, internet infrastructure
  - ▶ Construction of police stations
  - ▶ Construction of social housing units

## Strategy eight: dealing with the root causes of poverty

*...this Government has pledged to fight poverty and empower families at the lower rung to move up the ladder*



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# Addressing poverty

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- ▶ Monthly subsistence allowance to vary between Rs2,720 and Rs9,520 to overcome absolute poverty with the introduction of a new scheme.
- ▶ Education
  - ▶ Cash award to be provided to students from poor families
  - ▶ Examination fees for resit at School Certificate and Higher School Certificate levels to be borne by the Government
  - ▶ Monthly grant under the crèche voucher scheme for poor families increased from Rs 1,500 to Rs 2,000
- ▶ Decent housing
  - ▶ Construction of 800 housing units over the next three years
  - ▶ Full exemption from registration duty to any Mauritian citizen acquiring a new house or a new apartment costing less than Rs 6 million during period 1 September 2016 to 30 June 2020
  - ▶ First time buyer now allowed to buy bare residential land free of registration duty on the first Rs 2 million provided the area does not exceed 20 perches

# Addressing poverty

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- ▶ VAT cap under the VAT Refund Scheme on new dwelling or newly built apartment increased from Rs 300,000 to Rs 500,000
- ▶ Eligibility criteria
  - ▶ Household income of Rs 2 million per annum
  - ▶ Scheme to include construction on top of an existing building
  - ▶ Upper limit of Rs 2.5 million increased to Rs 4 million
  - ▶ Scheme extended to the year 2020
- ▶ Promoters to build and sell residential units of up to Rs 6 million free of land transfer tax. Scheme extended to the year 2020
- ▶ Threshold to benefit from exemption to registration duty on secured housing loan increased from Rs 1 million to Rs 2 million
- ▶ First time home owner will be entitled to claim deduction of interest paid on any secured housing loan. The date restriction of on or after 1 July 2006 is removed.
- ▶ Basic Invalidity Pension extended to children below 15 years of age

# Addressing poverty

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- ▶ Scholarship offered to 5 students with disabilities for pursuing tertiary studies locally.
- ▶ Victims of accidental fire relieved with a monthly allowance for a period of up to 6 months
- ▶ Funeral grant increased from Rs 4,950 to Rs 10,000
- ▶ Corporate Social Responsibility (“CSR”)
  - ▶ Setting up of a National CSR Foundation to be managed jointly by the public and private sectors
  - ▶ Businesses to contribute 50% of their CSR fund to the NCSR in the year 2016/2017 and up to 75% in the income year 2017/2018. remaining balance can be used to finance their own programme.
  - ▶ Unspent balance to be remitted to the NCSR
- ▶ At least 1 woman on the board of public companies listed on the Stock Exchange

# Strategy nine: a major public sector reform programme

*...a public sector that is more efficient and that is nimble enough to adapt fast to change*



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# Major public sector reform programme

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- ▶ A certain number of public bodies shall be merged to be more efficient
- ▶ Registrar General Department to be incorporated into the MRA
- ▶ MRA to act as a collecting agent for contributions to the National Pension Fund, the National Savings Fund, the HRDC training levy and the Workfare Programme Fund
- ▶ DBM is being reorganized to focus on creating and running SME parks
- ▶ All public sector bodies making losses and accumulating debt will be required to submit their plan to turn around their financial situation to the Ministry of Finance

# Strategy ten: ensuring macroeconomic stability and sound public finances

*...the macroeconomic and fiscal policy we make today-or fail to make-will be crucial to determining the performance of all other policies*



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# Ensuring macroeconomic stability and sound public finances

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- ▶ For 2016/2017 total revenue is expected to be Rs 102.4billion: this includes external grants of Rs 6.4billion. Recurrent expenditure is estimated at Rs 103.3billion: capital expenditure has been estimated at Rs 14.1billion. The Budget deficit has been estimated at Rs 15billion before acquisition of net financial assets of Rs 15billion
- ▶ Financial support of Rs 12.7billion from India earmarked for the following:
  - ▶ Rs 7.2billion to part finance the Metro Express project
  - ▶ Rs 500million to provide children in grades 1 and 2 with a digital tablet
  - ▶ Rs 1.1billion to construct a new Supreme Court Tower in Port Louis
  - ▶ Rs 2.7billion to part finance the construction of the new Parliament House and Government offices at the Heritage city
  - ▶ Rs 500million for the construction of the new ENT hospital at Vacoas
  - ▶ Rs 700million for social housing in the context of the Marshall Plan
- ▶ Early repayment of some US\$ 120million of external debts to reduce foreign currency risk

# Ensuring macroeconomic stability and sound public finances: tax administration reforms

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- ▶ An Alternative Dispute Resolution mechanism will be set up to expedite pending tax cases in excess of Rs 10million
- ▶ The MRA will be allowed to request High Net Worth individuals to submit a statement of assets and liabilities
- ▶ A definition of “fraud” will be provided for fiscal purposes
- ▶ Non-remittance of PAYE, VAT and DTS collected by persons will be deemed to be a criminal offence: the penalty provision will be strengthened
- ▶ CO2 levy/rebate suspended
- ▶ Excise duty on motor cars not exceeding 1600 cc lowered by 5% to 50%
- ▶ Duty on hybrid cars not exceeding 1600 cc is decreased from 55% to 25%.
- ▶ Duty on electric cars of up to 180 KW abolished

# Ensuring macroeconomic stability and sound public finances: tax administration reforms

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- ▶ Adjustment factor used at customs in determination of import value of a second hand car is lowered to 5%
- ▶ Increase in the rates of excise duty as follows:
  - ▶ 5% for beer;
  - ▶ 10% for all other alcoholic products; and
  - ▶ 25% for all tobacco products;
- ▶ Customs duty on spirituous products, such as rum and whisky, is being raised from 15% to 30%
- ▶ Customs duty at the rate of 15% is being introduced on sugar
- ▶ 25% levy on inefficient products to include washing machines and lamps of mercury vapour and metal halide

# Ensuring macroeconomic stability and sound public finances: tax administration reforms

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## ▶ Income tax measures

- ▶ Increase of Rs 10,000 of the Income Exemption Thresholds for all categories of taxpayers for the year 2016/2017
- ▶ Minimum amount of tuition fee in respect of a dependent pursuing tertiary education is reduced from Rs 44,500 to Rs 34,800.
- ▶ Income eligibility criteria to benefit from interest relief on secure housing loan increased to Rs 4 million

# Other measures referred to in the Annex

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## ▶ Companies Act

- ▶ Electronic document issued by the Registrar of Companies will be legally enforceable

## ▶ Fraud Bill

- ▶ A new law will be enacted to deal with cases leading to financial prejudice

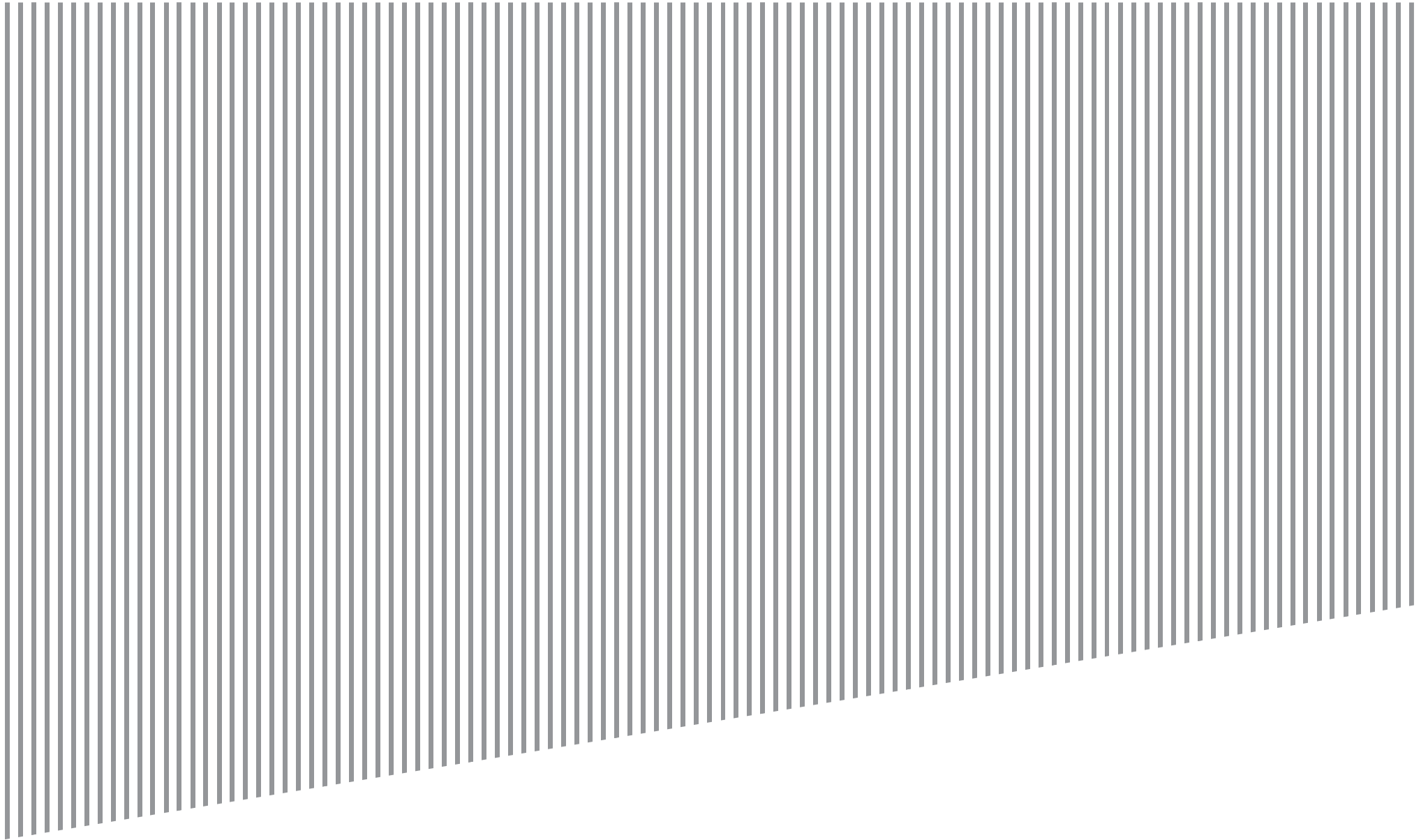
## ▶ Rotation of statutory auditor

- ▶ Banks: every five years
- ▶ Listed companies: every seven years

## ▶ Loopholes in fiscal laws

- ▶ Various technical amendments will be made to clarify, fine-tune, plug loopholes and harmonise revenue laws and other relevant non-revenue laws

# Disclaimer



# Disclaimer

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