

Mauritius Budget 2025/26

Fiscal analysis



The better the question. The better the answer. The better the world works.



Shape the future
with confidence

Table of contents

Fiscal analysis

3 Executive summary

Personal tax 6

9 Corporate tax

Value-added tax 14

17 Tax administration

Other matters 23

24 Appendix

Glossary 28

Key contacts 30

“

Executive summary

”

This is the first budget presented by the Prime Minister, Minister of Defence, Home Affairs and External Communications, Minister of Finance and Minister for Rodrigues and Outer Islands (the “Prime Minister”) under the new regime.

The change in the personal tax rates as from the year ending 30 June 2026 is a welcoming measure for low-income earners. The 0% tax bracket has been increased from Rs 390,000 to Rs 500,000. Though the tax brackets relating to the 2%, 4%, 6%, 8%, 12%, 14%, 16% and 18% have been repealed, the 10% tax rate will apply to a maximum of Rs 500,000. Any chargeable income in excess of Rs 1million will be taxed at the rate of 20%. Currently, any excess chargeable income above Rs 2,390,000 is taxable at the rate of 20%. The Rs 1million exemption for individuals aged between 18 and 28 years with respect to the employment income and business income is a novel approach and would definitely increase the disposable income of such individuals. We assume that the share of taxable income in a resident partnership will not qualify for the exemption.

We did not expect the introduction of the Fair Share Contribution, which is in substance an additional tax for the affected individuals and companies for the years of assessment 2026/2027, 2027/2028 and 2028/2029. Individuals with an annual net income and exempt income exceeding Rs 12million will have to pay the FSC at a rate of 15% on the aggregate of the chargeable income and Mauritian sourced dividend income. Applying the FSC on dividend income implies that the taxation of dividend income is contrary to the principle of single taxation and furthermore this measure does not place all shareholders of a company on an equal footing. The FSC applies to residents and non-resident individuals. An individual with an annual net income exceeding Rs 12million may find himself with a disposable income of less than 70% of his income.

Insofar as corporates are concerned, the rate of the FSC is 5% for a company liable to tax at the rate of 15% and banks, irrespective of the fact that banks may be liable to tax at a rate of 5%. The rate of the FSC is 2% if the rate of corporate tax is 3%. Banks are liable to an additional FSC of 2.5% on their taxable profits attributable to their Segment A banking business. Like individuals, the FSC will apply for the years of assessment 2026/2027, 2027/2028 and 2028/2029. Tax credits will not be allowable against the FSC. The FSC will not apply to a company with a Global Business Licence under the Financial Services Act and companies that are exempt from tax.



“Executive summary (Cont'd)”

The Prime Minister announced that the Global Minimum Tax will be in force as from the year of assessment 2026/2027. The GMT may impact on Mauritian resident companies and permanent establishments of large MNE Groups. The liability to the GMT depends on the income of the companies within the scope of the GMT. For example, dividends and capital gains are generally excluded if the conditions relating to the ownership interest is satisfied. We are hoping that the current provision on tax losses should be reviewed on the basis that Mauritius will not be able to dictate the manner the GMT will be computed, unless jurisdiction blending is allowable for the purposes of computing the Qualified Domestic Minimum Top-up Tax. In our view the AMT and FSC will both be considered as covered tax for the purposes of the Global Anti-Base Erosion rules.

The reduction in the mandatory registration threshold from Rs 6million to Rs 3million is a means to raise VAT revenue. Care is required on the commencement date of this measure given the variety of year end used by businesses. We suggest that registration is mandatory based on the preceding financial year so that one approach would be to use any financial year ending after 1 July 2025.

We consider that the measure on supplies made to a non-resident is contrary to the destination principle. We urge Government to consider the Guidelines issued by the OECD on cross border transactions. Of particular relevance lies the fact that VAT may be applicable in two countries and any change in law will discourage cross border transactions.

We welcome the measure to reduce the statute of limitations to two years. This limit will not be applicable to exceptional circumstances, which in our view should be limited to cases of fraud. We do not consider that the law should make reference to “exceptional circumstances” as this will give rise to a significant degree of subjectivity. The measure to limit interests and penalties to 100% of the tax due is also a laudable proposal. It is uncertain whether the assessing penalties are within the scope of this proposal.

The Tax Dispute Settlement Scheme will only be attractive where an assessment is justified. We consider that the scheme should also apply to cases where there is an agreement with the MRA on the reduction in the pure tax assessed.

“Executive summary (Cont'd)”

We consider that the introduction of the Voluntary Disclosure Settlement Scheme is a commendable measure. The proposal refers to income and supplies for income tax and VAT purposes respectively. We consider that the better approach would be to include cases where the deductions and tax credits have been overstated. For VAT purposes this should also address cases where the input tax and adjustment to tax have been wrongly computed.

COVID-19 reminded us of the need to be less dependent on other countries, particularly when it comes to basic necessities. In its paper on the State of the economy, Government acknowledges the fact that foreign investment in agriculture and livestock is challenging as a result of the slowness to recoup the investment. The incentives announced by Government is likely to be insufficient insofar as the relaunch of the agrarian industries is concerned. Security and the attractiveness of the youngsters in such industries are the major hurdles. The support of the Government may be in terms of providing the appropriate infrastructure for such industries.

Clarity and certainty remain the two essential ingredients in our tax administration if we are to attract foreign investors. We regret to note that there are no meaningful measures to alleviate the compliance obligations for the business community.

Overall, we reiterate our plea to ensure that the budget revamp Mauritius as a trusted jurisdiction to undertake genuine business operations.

We are hoping that Government will consult further on the changes in the preparation of the Finance (Miscellaneous Provisions) Bill.

Ryaad Owodally
Partner - Tax



Proposed measure

Introduction of new income tax rates and bands

Individuals with a chargeable income above Rs 500,000 will be subject to the new tax regime, with a 10% rate applied to income between Rs 500,000 and Rs 1,000,000, and a 20% rate for earnings exceeding Rs 1,000,000. Refer to Appendix 1 and 2 for more details.

- ▶ **Affected person:** Individuals
- ▶ **Effective date:** Year ending 30 June 2026
- ▶ **Reference:** Paragraph 21 (a) of the Annex to budget speech
- ▶ **Our analysis:**
 - ▶ The maximum tax rate has remained at 20%.
 - ▶ Individuals with chargeable income of up to Rs 500,000 will not be subject to tax and are more likely to benefit from this new regime as previously, they were taxed at a rate of 2% to 6%.
 - ▶ This measure is likely to increase the overall tax liability for an individual with chargeable income exceeding Rs 500,000.
 - ▶ This measure may be seen as discriminatory as non-resident with rental, royalty, premium or other income related to property is taxed at the rate of 15%.

Proposed measure

Tax exemption for individuals aged between 18 and 28 years

Employees or self-employed individuals between the ages of 18 and 28, with an annual income of up to Rs 1 million, will be exempt from income tax on their earnings, whether from salary or business activities.

- ▶ **Affected person:** Individuals
- ▶ **Effective date:** Year ending 30 June 2026
- ▶ **Reference:** Paragraph 21 (b) of the Annex to budget speech
- ▶ **Our analysis:**
 - ▶ Individuals in this age group will see an increase in their take-home pay, which could lead to higher spending and investment in personal development.
 - ▶ It appears that the measure applies to resident and non-resident individuals.
- ▶ **Relevant considerations to avoid unintended consequences:**
 - ▶ We presume that the exemption of Rs 1 million will be based on the yearly income.
 - ▶ Clarity is required whether the exemption will apply to individuals having employment income and business income in the same year.
 - ▶ The proposed measure should also clarify the scenario where the employment and business income is foreign sourced.



Proposed measure

Removal of personal reliefs and deductions

Deductions in respect of wage paid to a household employee, donations to charitable institutions, relief for adoption of animals and angel investor allowance are being repealed.

- ▶ **Affected person:** Individuals
- ▶ **Effective date:** Year ending 30 June 2026
- ▶ **Reference:** Paragraph 21 (f) of the Annex to budget speech
- ▶ **Our analysis:**
 - ▶ This measure will decrease the disposable income of the relevant individuals as a larger portion of the income will be subject to taxation, potentially increasing their tax burden.

Proposed measure

Fair Share Contribution on High-Income Earners

Individuals with an annual net income and dividend income from resident companies exceeding Rs 12 million will be liable to a FSC of 15% of their chargeable income inclusive of the dividend income. The FSC will apply for the 3 fiscal years ending 30 June 2028.

- ▶ **Affected person:** Individuals
- ▶ **Effective date:** Year ending 30 June 2026
- ▶ **Reference:** Paragraph 21 (d) of the Annex to budget speech
- ▶ **Financial implications:** Additional 15% on tax base
- ▶ **Conditions:** Annual net income exceeding Rs 12 million
- ▶ **Extent of financial impact:** Significant
- ▶ **Other stakeholders:** Employers
- ▶ **Our analysis:**
 - ▶ Clarity is required on whether the FSC can be mitigated by foreign tax credit arising on foreign source income forming part of the individual's chargeable income in view of the fact that the proposal does not specifically refer to FTC.
 - ▶ A non-resident individual is also within the scope of the FSC, irrespective of the fact that its Mauritian sourced income may comprise solely of Mauritian sourced dividend income.
 - ▶ The overall disposable income of an individual will be influenced by the mix of his taxable income and dividend income, his residence status and the amount of his yearly deductions.
 - ▶ The inclusion of Mauritian sourced dividend for the purposes of the FSC is contrary to the principle of single taxation and the FSC in its current form does not place all shareholders on an equal footing. A resident individual may be taxed at a rate of nearly 35% on his net income.
 - ▶ We have provided in Appendix 3 a table showing the impact of the removal of personal deductions and dividend income from domestic companies on the FSC.



Proposed measure

Review of the monetary amount of the benefit in kind for cars

The monetary amount of the car benefit will be based on the cylinder capacity (cc) and the cost of the car. Appendix 4 provides further details thereon. The monthly benefit for an electric car costing more than Rs 8million is Rs 50,000.

- ▶ **Affected person:** Employees eligible for car benefit
- ▶ **Effective date:** Not specified
- ▶ **Reference:** Paragraph 21 (e) of the Annex to budget speech
- ▶ **Financial impact:** Varies from low to high
- ▶ **Our analysis:**
 - ▶ The last time the monthly taxable car benefit amount was adjusted was in January 2014.
 - ▶ This measure aims at aligning the value of the taxable benefit amount to the cost of the car for the employer.
 - ▶ The proposed amendment does provide the methodology to compute the value of the benefit where a car is provided to an employee through an operating lease arrangement.
 - ▶ For cars that are acquired under finance lease arrangements, we consider that the cost should be limited to the cost of the car, excluding any finance charges to ensure that the benefit is not influenced by the manner a car is financed.

Proposed measure

Deduction for dependent child with a disability

Full deduction will now be available for individuals who have a dependent child with a disability.

- ▶ **Affected person:** Individuals
- ▶ **Effective date:** Not specified
- ▶ **Reference:** Paragraph 21 (c) of the Annex to budget speech
- ▶ **Our analysis:**
 - ▶ This change ensures that the deduction is not precluded as a result of the financial assistance provided to the child.



Proposed measure

Refocusing corporate tax deductions on small and medium enterprises

Eligibility for certain extra tax deductions will be limited to SMEs (companies having annual turnover not exceeding Rs 100 million). The relevant deductions are in relation to training/employment in Rodrigues, employment under the Prime à l'Emploi Scheme, setting up of child day care facilities, acquisition of patents and franchises or specialised software and systems, film industry support, arbitration filing fees, and donations to NGOs/charitable institutions.

- ▶ **Affected person:** Companies with turnover exceeding Rs 100 million
- ▶ **Effective date:** Year of assessment 2026/2027
- ▶ **Reference:** Paragraph 21(p) of the Annex to the budget speech
- ▶ **Financial impact:** Reduced tax savings for large companies
- ▶ **Limitations:** SMEs with low or no taxable income will not be able to fully utilise the deductions especially considering the time limit on the carry forward of tax losses.
- ▶ **Other implications:** The MRA may begin to closely examine companies' turnover declarations to verify SME status before allowing these deductions. This could include audits, review of related-party transactions, or examination of financial statements.
- ▶ **Our analysis:**
 - ▶ Although the measures limit double/triple deductions, the usual deduction will not be affected by the proposed measure.
 - ▶ Since the year end of companies vary, we believe that the effective year of application should be the year of assessment 2025/2026.
 - ▶ The tax benefit will depend on whether the SMEs are willing to incur the relevant expense.

Proposed measure

Exemption for companies holding a Virtual Asset Service Provider licence

A company that holds a Virtual Asset Service Provider licence issued by the Commission under the Virtual Asset and Initial Token Offering Services Act 2021, and is engaged in the exchange, transfer, safekeeping, and administration of virtual assets, will be eligible for an 80% exemption on the income generated from these activities, provided that it complies with the substance requirements.

- ▶ **Affected person:** Relevant companies licensed by The Commission
- ▶ **Effective date:** Not specified
- ▶ **Reference:** Paragraph 21 (j) (i) of the Annex to the budget speech
- ▶ **Conditions:** Substance conditions not prescribed.
- ▶ **Sectors:** Financial sector
- ▶ **Financial impact:** High
- ▶ **Extent of financial impact:** Promoting investment
- ▶ **Limitations:** Prescribed conditions are often challenged by the MRA
- ▶ **Time limit:** Not specified
- ▶ **Our analysis:**
 - ▶ This exemption is welcome as it encourages existing companies to expand their operations, therefore increasing the long-term growth of the financial sector, especially the global business sector.
- ▶ **Relevant considerations to avoid unintended consequences:**
 - ▶ The substance requirements may be the subject matter of an income tax regulation or prescribed by the Commission. Logically, the Commission is best placed to provide the conditions to be satisfied.



Proposed measure

Amendment to ITA and Regulations in respect of Qualified Domestic Minimum Top Up Tax

QDMTT was introduced by the FMPA 2022 in the context of the *Two-Pillar Solution To Address the Tax Challenges from the Digitalisation of the Economy*. The implementation of this measure was the subject matter of a Regulation which has not been prescribed to-date. We expect that further to the Budget Speech, the Regulations on the manner in which the QDMTT will be computed and administered, will be prescribed.

- ▶ **Affected person:** Resident companies and permanent establishment of a company forming part of an MNE group with a minimum annual turnover of EUR 750million.
- ▶ **Effective date:** Year of assessment 2025/2026
- ▶ **Reference:** Paragraph 21 (l) of the Annex to the budget speech
- ▶ **Financial impact:** High
- ▶ **Extent of financial impact:** Minimum effective tax rate of 15% computed on GloBE income
- ▶ **Our analysis:**
 - ▶ QDMTT is defined in the ITA as having the same meaning as in Article 10 of the GloBE Rules as approved by the Inclusive Framework on BEPS.
 - ▶ We expect that the computation of the ETR, covered taxes, GloBE income and QDMTT would be in accordance with the GloBE Rules.
 - ▶ QDMTT ensures that the ETR is brought up to the global minimum of 15%.
 - ▶ The ETR is computed by taking into account GloBE income and covered taxes.
 - ▶ The computation of the GloBE income is based on accounting profit of the company along with adjustments detailed in Article 3.2 of the GloBE rules.
 - ▶ With the introduction of the QDMTT, companies currently benefitting from exemptions and whose ETR is less than 15%, would be liable to additional tax in Mauritius since the benefits of some tax incentives may be neutralised.

Proposed measure

- ▶ The introduction of QDMTT in the Mauritius income tax legislation was expected given that Mauritius is a signatory to the OECD/G20 Base Erosion and Profit Shifting Project in the context of the Two-Pillar Solution To Address the Tax Challenges from the Digitalisation of the Economy.
- ▶ **Relevant considerations to avoid unintended consequences:**
 - ▶ Affected companies should ensure that income tax and deferred tax disclosures in their audited financial statements are correctly reflected to avoid challenges from the MRA and foreign tax authorities regarding the computation of QDMTT.
- ▶ **Implementation challenges:**
 - ▶ Complexities in the computation of ETR, covered taxes, GloBE income and limited guidance on application of QDMTT may trigger disputes between the affected companies, MRA and foreign tax authorities.



Proposed measure

Deductions in connection with investment in AI technologies

- ▶ **Affected person:** Start-ups and Medium Enterprise
- ▶ **Effective date:** Not specified
- ▶ **Conditions:** Expenditure on AI technologies
- ▶ **Financial impact:** Low to medium
- ▶ **Extent of financial impact:** Maximum deduction of Rs 150,000
- ▶ **Our analysis:**
 - ▶ Start-ups and Medium Enterprise that invest in R&D related to AI will benefit from a deduction on investment.
 - ▶ If the expenditure is eligible for annual allowances, we consider that the Medium Enterprise will have a choice to treat the expenditure as an asset or an expense for tax purposes.
- ▶ **Implementation challenges:**
 - ▶ Start ups or Medium Enterprises may not have the financial capabilities to invest in AI related technologies.
 - ▶ Where an entity's turnover subsequently exceeds the threshold of Rs100 million, we believe the deduction considered will not be affected.

Proposed measure

Fair Share Contribution

The FSC is effective from the year of assessment 2026/2027, targeting corporations with annual chargeable income exceeding Rs 24 million and will apply for three years of assessment.

- ▶ **Affected person:** Companies with annual chargeable income exceeding 24 million
- ▶ **Effective date:** Year of assessment 2026/2027
- ▶ **Conditions:** Annual chargeable income must exceed Rs 24 million; Not applicable to companies holding a GBL, exempt from income tax, or granted tax holidays.
- ▶ **Financial impact:** Additional tax burden of 2% or 5% on chargeable income for affected corporations.
- ▶ **Extent of financial impact:** Varies based on the entity's level of income and the applicable tax rate. Potentially significant for large corporations.
- ▶ **Limitations:** Cannot be offset by unused tax credits
- ▶ **Time limit:** 3 years of assessment, up to the year of assessment 2028/2029
- ▶ **Non-financial considerations:** The FSC may be paid on a quarterly basis under the APS
- ▶ **Other implications:** Administered under the VATA
- ▶ **Our analysis:**
 - ▶ We consider that the FSC is a covered tax for the purposes of the GloBE Rules that was approved by the OECD/G20 Inclusive Framework on the BEPS Project; this is irrespective of the fact that the contribution is the subject matter of the VATA.



Proposed measure

Removal of fiscal incentives for entities engaged in Smart City Scheme

The main fiscal incentives being removed, include:

1. Refund of VAT on buildings and infrastructure;
2. 8-year income tax holiday on income derived from real estate activities within the Smart City;
3. Exemption from customs duty on import of machinery and materials for construction of buildings;
4. Exemption from registration duty and land transfer tax on the transfer of land into a Smart City Company;
5. Exemption from Morcellement fee and
6. Exemption from land conversion tax.

- ▶ **Affected person:** Companies engaged in Smart City projects
- ▶ **Effective date:** Certificates issued after 5 June 2025 will no longer benefit from fiscal incentives
- ▶ **Reference:** Paragraph 23(a) of the Annex to budget speech
- ▶ **Conditions:** Projects must have a Smart City Certificate to qualify for any remaining incentives. Development must have started before 5 June 2025, to retain certain benefits.
- ▶ **Financial impact:** High
- ▶ **Limitations:** The tax incentive will continue to apply to projects relating to (a) the construction of a public transport station or terminal or (b) the National Regeneration Programme.
- ▶ **Time limit:** None
- ▶ **Other implications:** Possible slowdown in Smart City development projects

Proposed measure

- ▶ **Our analysis:** The fiscal incentives were for a period of 8 years since the date of the certificate.
- ▶ The removal of key fiscal incentives under the Smart City Scheme will pose significant implications for companies that planned to be involved in real estate development. The elimination of exemptions such as VAT, customs duties, and income tax holidays will increase the overall cost of projects for developers. This heightened financial burden may lead to a reassessment of project viability, particularly for new developments that rely heavily on these incentives to ensure profitability.



Proposed measure

Alternative Minimum Tax (AMT) on companies operating in specified sectors

An AMT computed at the rate of 10% of adjusted book profits will be introduced for companies operating in certain sectors.

- ▶ **Affected persons:** Hotels, insurance companies, companies engaged in financial intermediation activities, companies engaged in real estate activities and telecommunication companies
- ▶ **Effective date:** Not announced
- ▶ **Reference:** Paragraph 21(k) of the Annex to budget speech
- ▶ **Conditions:** Applies if the tax liability before any deduction for any FTC is less than 10% of the book profit of the company as adjusted by any capital gains and Mauritian sourced dividends.
- ▶ **Financial impact:** High
- ▶ **Extent of financial impact:** Depends if the relevant companies have a book profit or loss
- ▶ **Limitations:** FTC will not be deductible against the AMT
- ▶ **Other considerations:** Not applicable to a company with a GBL under the FSA and companies that are exempt from tax or which have been granted tax holidays.
- ▶ **Other implications:** Increase in effective tax rate

- ▶ **Our analysis:**
 - ▶ A company may still be liable to the AMT even if it is in a tax loss position.
 - ▶ Any foreign tax suffered would remain unrelieved where a company is liable to the AMT.
 - ▶ A company that is subject to the AMT may still be liable to CSR, CCRL and the FSC
 - ▶ We consider that the AMT is a covered tax for the purposes of the GloBE Rules.



Proposed measure

Supply of goods and services classified as zero-rated

The following goods and services will be classified as zero-rated :

- ▶ Fruit and vegetable puree for infant;
 - ▶ Canned vegetables such as tomatoes and mushroom;
 - ▶ Frozen packed vegetables such as potatoes, beans, spinach and mixed vegetables; and
 - ▶ Hairdressing services.
-
- ▶ **Affected person:** Final consumers
 - ▶ **Effective date:** Not specified
 - ▶ **Reference:** Paragraph 28(a) of the annex to budget speech
-
- ▶ **Our analysis:**
 - ▶ This is a welcoming measure as the consumer does not have to pay VAT and VAT registered supplier will generally be able to recoup the related input VAT.
 - ▶ Customers should see a decrease in the price of the newly zero-rated goods and services.
 - ▶ We do not quite understand the rationale to zero rate hair dressing services.

Proposed measure

Compulsory VAT registration threshold reduced from Rs 6 million to Rs 3 million

Businesses with annual turnover of taxable supplies exceeding Rs 3 million will be obliged to register for VAT purposes.

- ▶ **Affected person:** All businesses
 - ▶ **Effective date:** 1 October 2025
 - ▶ **Reference:** Paragraph 28(b) of the annex to budget speech
-
- ▶ **Our analysis:**
 - ▶ Depending on the nature of the supplies, the increase in the price for the final consumers may widely vary depending on the allowable input tax and the mark up applied.
 - ▶ Businesses with only zero-rated supplies are not obliged to register for VAT.
 - ▶ While the registration for VAT purposes will enable businesses to recoup input tax on goods and services, its compliance obligations should not be underestimated.
 - ▶ Input tax on trading stocks and capital goods acquired within 3 years before the registration of the person should be deductible if the input tax is certified by a qualified auditor.



Proposed measure

FSC of 5% for banks

Banks will be required to make a contribution of 5% of their chargeable income, including on income derived from transactions with non-residents and companies holding a GBL.

- ▶ **Affected person:** Banks
 - ▶ **Effective date:** Year of assessment 2026/2027
 - ▶ **Reference:** Paragraph 21(m) of the Annex to budget speech
 - ▶ **Conditions:** Payable on a quarterly basis under APS
 - ▶ **Sectors:** Banking
 - ▶ **Financial impact:** High
 - ▶ **Extent of financial impact:** 5% of the total chargeable income for the year
 - ▶ **Limitations:** FTC is not deductible
 - ▶ **Time limit:** Applies for three years of assessment
 - ▶ **Other considerations:** Administered under the VATA
 - ▶ **Other implications:** Increase in effective tax rate
- ▶ **Our analysis:**
- ▶ The 5% contribution would apply on both Segment A and B banking transactions.
 - ▶ This measure will have a significant impact for banks having taxable profits and would not impact banks having tax losses.
 - ▶ There will be an increase in the Current ETR of banks having taxable profits.
 - ▶ Banks are already liable to a 2% CCRL charge on their taxable profits for the year.
 - ▶ We consider that the FSC of 5% is a covered tax for the purposes of the GloBE Rules that was approved by the OECD/G20 Inclusive Framework on the BEPS Project, irrespective of the fact that the contribution is the subject matter of the VATA.

Proposed measure

Additional FSC of 2.5% contribution on banks on their segment A banking transactions

An additional contribution of 2.5% would apply to banks on their chargeable income from domestic operations, excluding transactions with non-residents and companies holding a GBL.

- ▶ **Affected person:** Banks
 - ▶ **Effective date:** Year of assessment 2026/2027
 - ▶ **Reference:** Paragraph 21(n) of the Annex to budget speech
 - ▶ **Conditions:** Payable on a quarterly basis under APS
 - ▶ **Sectors:** Banking
 - ▶ **Financial impact:** High
 - ▶ **Extent of financial impact:** 2.5% of the chargeable income arising on Segment A banking transactions
 - ▶ **Limitations:** FTC is not deductible
 - ▶ **Time limit:** Applies for three years of assessment
 - ▶ **Other considerations:** Administered under the VATA
 - ▶ **Other implications:** Increase in effective tax rate
- ▶ **Our analysis:**
- ▶ The additional 2.5% contribution would apply only on Segment A banking transactions.
 - ▶ We are of the view that banks may be liable to the 2.5% additional FSC even if they are not liable to the FSC of 5%.
 - ▶ This measure will have a significant impact for banks having taxable profits on their segment A banking transactions.
 - ▶ There will be an increase in the current ETR of banks having taxable profits.
 - ▶ Banks are already liable to a 2% CSR charge on their taxable profits relating to their Segment A banking transactions.
 - ▶ Similar to the 5% contribution on banks, we consider that the additional 2.5% contribution is a covered tax for the purposes of the GloBE Rules.



Proposed measure

Special levy on banks

The cap of 1.5 times the levy paid in the year of assessment 2017/2018 will be removed.

- ▶ **Affected person:** Banks
 - ▶ **Effective date:** Not announced
 - ▶ **Reference:** Paragraph 22 of the Annex to budget speech
 - ▶ **Conditions:** Not applicable if the bank incurred in a loss in an accounting period
 - ▶ **Sectors:** Banking
 - ▶ **Financial impact:** High
 - ▶ **Extent of financial impact:** 5.5% of the leviable income for the year
 - ▶ **Limitations:** Applies to segment A banking transactions
 - ▶ **Other considerations:** Administered under the Value Added Tax Act
 - ▶ **Other implications:** Increase in effective tax rate
- Our analysis:**
- ▶ The special levy is computed at 5.5% of the leviable income of the bank for the year.
 - ▶ This measure will have a significant impact for banks having transactions with residents.
 - ▶ There may be an increase in the amount of the levy for any given year
 - ▶ The effective date of this measure has not been announced. We expect that the cap will no longer apply for a bank with a year end that terminates after 30 June 2025.
 - ▶ The special levy return should be submitted by banks not later than 5 months from their accounting year end.



General

Introduction of the Tax Dispute Settlement Scheme

- **Affected person:** Taxpayers with cases pending before the ARC, the Supreme Court, or the Privy Council as at 5 June 2025.
- **Financial impact:** Full waiver of interests and penalties provided that the tax is paid by 31 March 2026.

Our analysis: Whilst this is a welcoming measure, it will only be beneficial where the taxpayer is agreeable to the amounts assessed.

The fact that no refund would be made in respect of any tax paid significantly reduces the benefit of this measure.

Introduction of the Voluntary Disclosure Settlement Scheme

- **Affected person:** Taxpayers who have not declared or under-declared income and VAT registered persons with underdeclared or under-declared taxable supplies.
- **Financial impact:** Full waiver of interests and penalties provided that the tax is paid by 31 March 2026.

Our analysis: This is a welcoming measure since it is expected to reduce past non-compliance. For income tax purposes, it will apply to non-declaration and under-declaration of income for the fiscal year ended 30 June 2024 and preceding years, except returns due in June 2025.

For VAT purposes, it will cover non-declaration and under-declaration of taxable supplies for the taxable period ended 30 April 2025 and prior periods.

Under this scheme, no amount of tax, including penalty and interest paid, will be refundable.

Tax Arrears Settlement Scheme

The TASS will be renewed for another year and will apply to debts which will be outstanding as at 30 June 2025. This implies that assessments which may be issued up till 30 June 2025 will still qualify for the waiver of the interests and penalties.

Our analysis: A taxpayer will not benefit from this scheme if he fails to register by 30 November 2025.

Where a taxpayer implements the scheme, the tax payment will have to be settled in full by 31 March 2026. In cases where the waiver of interests and penalties results in a refund of tax, the amount of tax will not be refunded.



General

Maximum interest and penalties: Capped to 100% of the tax liability

Penalties are generally fixed while interest arise on a monthly basis. In many instances, assessing penalties of up to 50% may be imposed so that the total amount of interests and penalties exceed the amount of pure tax.

In addition, the halving of applicable penalties and interests in relation to the non-payment of tax, other than those pertaining to withholding tax and Pay As You Earn is a welcome measure as it will encourage compliance.

Payment of tax in foreign currency

Companies receiving at least 50% of their annual turnover in foreign currency will be required to pay their tax in foreign currency.

Our analysis: While this is a measure intended to improve availability of foreign currency in the market, the implementation and enforcement may be tedious. A company may issue invoice in foreign currency but may be paid in Mauritian Rupees.

We would recommend that appropriate documentation is kept in place to substantiate receipts in foreign currency.

Registration of tax agents

All tax agents should register with the MRA.

Members of the Mauritius Institute of Professional Accountants (MIPA) and law practitioners will automatically be registered for this purpose.

Time limit to issue assessment

Currently, the MRA may commence an enquiry in the income tax affairs of a taxpayer in respect of the 3 preceding years. For VAT purposes, the time limit is 4 years preceding the last taxable period.

This measure proposes to reduce the time limit for both income tax and VAT purposes to two years.

Our analysis: We welcome this measure and hope that this helps in reducing the number of litigation cases especially where assessments are not warranted. We hope that this measure does not trigger the MRA to commence audits for the fiscal year ended 30 June 2022.



Income Tax

Review of the arm's length provision under section 75 of the ITA

The annex to the budget speech seems to clarify that the primary purpose of the review is to provide greater certainty and protect our tax base.

The announcement to review the scope and methodology of the application of the arm's length principle (ALP) appears unnecessary considering the fact that it applies to cases where there is an economic activity in Mauritius, irrespective of the residence status of the company.

It is the manner the ALP is applied that should be supplemented by relevant guidance. Mauritius should leverage on the OECD Transfer Pricing Guidelines in that respect.

Revocation of status of charitable institution

The Director-General of the MRA may revoke the status of charitable institution if it no longer meets its charitable objects.

If the status is revoked, the entity will become liable to income tax on its net income.

In view of the fact that it is the MRA which may consider that the entity is no longer meeting its charitable objects, we would strongly recommend charitable institutions to keep appropriate documentary evidences to substantiate their activities.

Regulatory Compliance in Gambling Operations

A licensed gambling operator is required to include the receipt or ticket number in the statement of winnings.

This measure ensures transparency and accountability in the gambling process. Non-compliance could lead to fines or penalties for the operators.



Registrar General

Arrears Payment Scheme

The Arrears Payment Scheme by the Registrar-General's Department is being renewed for another year.

The scheme would provide for a full waiver of penalties and interest if the debtor settles any outstanding debt by 31 March 2026 and will apply to tax arrears due as at May 31, 2025.

Increased fees for registration of deeds and documents

Fixed duty will increase from Rs 300 to Rs 500.

Minimum duty will increase from Rs 200 to Rs 500.

Administrative fee will increase from a minimum of Rs 100 to Rs 200

Fixed duty on an addition of a property to a trust property

A fixed duty will be levied on the addition only if an immovable property to a trust property is being transferred from the settlor or a beneficiary of the trust.

If the transfer is made by a third party, the standard registration duty rate of 5% will be applied.

Registration of deeds and documents signed electronically

The Registrar-General will accept certain electronically signed deeds/documents from regulated entities for registration.

Electronic signatures must comply with the Electronic Transactions Act.

A declaration of electronic signature must be included in the document.

Time limit for objecting to a claim

The time limit to object to a claim in relation to a transfer of shares is 28 days from the date of notice of the claim.

This change aligns with the provisions of the Land (Duties and Taxes) Act.

However, additional time for objection will be granted if the delay is attributed to illness or other reasonable cause.

Leases of property

Fixed duty will be applied to the return (rétrocession) of a leased property.

The fixed duty will not apply to the transfer (cession) of a leased property.

Transfer of property

For deeds transferring both movable and immovable property, if no separate valuation is provided for each movable item, land transfer tax will be levied at a 5% rate on the aggregate value of all properties.

The exemption from land duties and taxes for land transferred as equity investment in a company will only apply if the transferor holds ordinary shares in the company equivalent to at least the value of the land.



Value Added Tax

E-invoicing system

Businesses with turnover of more than Rs 80 million will be required to implement the e-invoicing system during the year ending 30 June 2026.

Our point of view:

This measure is in line with the phase wise implementation of the MRA's e-invoicing project.

In view of the various practical challenges faced by companies in implementing the e-invoicing project, we hope that appropriate consultations are made prior to the coming into effect of this measure.

Input tax on rental of parking

VAT registered persons would not be allowed to treat input tax on rental of parking for own consumption as deductible.

Our point of view:

We do not understand the rationale of this measure. Business rent parking space for the furtherance of their business. We hope that the FMPB clarifies on how this measure will be implemented. The measure seeks to treat the VAT on the rental of car park in the same manner as the VAT incurred on cars.

Reverse charge provisions

Reverse charge will be applicable to all VAT registered persons with regards to supply of services received from abroad. It has been clarified that banks will also be required to apply the reverse charge provisions.

Our point of view:

If the reverse charge mechanism is changed for banks, the law should be reviewed in its own entirety so that that VAT is applied in the same manner as other businesses. Furthermore, the reverse charge mechanism should be reviewed to take into account any VAT charged by the foreign service provider and should not apply to services that are zero rated in Mauritius.



Value Added Tax

The MRA will be empowered to use best of its judgment to make assessments in case of inadequate records.

Although this is a welcome measure especially in the cases of inadequate records, we note that the MRA does not always apply the best of judgment when issuing assessment. We believe that the MRA should adopt a flexible approach in cases of recovery, winding up or administration of companies where documents are not properly handed to the administrator or liquidator. This change also underlines the importance of keeping proper books and records.

Payment of VAT due by an insolvent company

An administrator, executor, receiver, or liquidator appointed to manage or wind up a company would be liable to pay VAT due by the company, with the payment prioritized according to the Insolvency Act for preferential creditors.

Compulsory VAT registration for a holder of a Pleasure Craft Licence issued by the Tourism Authority

A holder of a Pleasure Craft Licence used for commercial purposes must compulsorily register for VAT, regardless of the level of its turnover.

Increased fees for a VAT ruling

The fees will increase from Rs 2,000 to Rs 3,000 for an individual and from Rs 10,000 to Rs 15,000 for any other person.

Fines and penalties

A fine up to a maximum of Rs 100,000 and imprisonment up to 3 years will apply for non-submission of information requested by the MRA.

A fine up to a maximum of Rs 200,000 and imprisonment of up to 5 years will apply in cases of failure to provide MRA access to computers/electronic devices.

A penalty up to a maximum of Rs 200,000 will also apply to any person who obstructs MRA in the exercise of its functions.

A maximum fine of Rs 500,000 will apply in case of an incorrect return or statement regarding output/input VAT, incorrect claim for repayment of capital goods, providing incorrect information in respect of tax liability, obstructing an MRA officer in his functions or pretending to be a VAT registered person. Furthermore, a court can order a convicted person to pay an amount up to double the tax he is liable to, in addition to any imposed penalties.

The fine for several offences, including failure to keep records and produce required information to the MRA, failure to issue a VAT invoice by a registered person, or failure to change a taxable period from quarterly to monthly, as well as contravening provisions of the VAT Act/Regulations (excluding false VAT registration claims or obstructing to MRA officers), will increase from Rs 50,000 to Rs 100,000.

The fine for offences such as failing to register for VAT, non submission of VAT return or non payment of VAT due, or submitting false VAT-related documents or information with intent to evade VAT, will be capped at Rs 1 million. Furthermore, a court can order a convicted person to pay an amount up to double the tax he is liable to, in addition to any imposed penalties.



Proposed measure

Acquisition and disposal of residential property by non-citizens under the EDB Schemes

The RD rates have increased from 5% to 10% on sale of residential property to a non-citizen under the SCS,PDS,IRS,RES and IHS as well as acquisition of an apartment in a building of at least 2 floors above ground floor.

The LTT applicable on the sale of the property has also been increased from 5% to 10%.

Non-citizen disposing of properties acquired previously under EDB schemes will be liable to LTT at a rate of 10% of the value of property or 30% on the gain realised on the resale of the property whichever is the higher. The gain is computed by taking into account the difference between the resale value and the value of the property at the time of acquisition.

- ▶ **Affected person:** Non-citizens acquiring residential property and promoters selling residential units to non-citizens
- ▶ **Reference:** Paragraph 23 (b) of the Annex to the Budget Speech
- ▶ **Financial impact:** High
- ▶ **Extent of financial impact:** Increase in rate of LTT and RD on sale of property to non-citizens from 5% to 10% / 30%
- ▶ **Our analysis:**
 - ▶ This measure revolves on the fact non-citizens are able to bear the increase amount of transaction tax, compared to Mauritian nationals.
 - ▶ We believe that clarity is required in connection with the additional rate of RD applicable for properties with values exceeding USD 500,000. Currently, a non-citizen buyer is also liable to an additional RD of 10% on the value of the property exceeding USD 500,000.

Proposed measure

Introduction of a tourist fee in designated establishments

A tourist fee of EUR 3 per night per tourist will be applied on stays in hotels, guesthouses, tourist residences, or domaines. Children under 12 years will be exempt. The fee is not a tax on income but a levy to be collected at source by the establishments and remitted monthly to the MRA.

- ▶ **Affected person:** Individuals/non-residents
- ▶ **Effective date:** 1 October 2025
- ▶ **Reference:** Paragraph 29 of the Annex to the Budget Speech
- ▶ **Sectors:** Tourism
- ▶ **Our analysis:**
 - ▶ This measure aims to enhance tourism industry via the fee collected by the MRA.
- ▶ **Relevant considerations to avoid unintended consequences:**
 - ▶ Clarity is required whether the EUR 3 will be converted on date of stay. We assume that the remittance to the MRA will be in Rs and at the same time the designated establishment may issue its invoice in EUR or any other currency.
- ▶ **Implementation challenges:**
 - ▶ Enforcement among small guesthouses and unregistered operators.



Appendix 1

Chargeable income	Rate of tax (%)
First Rs 500,000	0
Next Rs 500,000	10
Remainder	20



Appendix 2

Comparison of effective tax rate

	Maximum tax		Effective tax rate	
	Existing	New	Existing	New
Annual chargeable income (Rs)	Rs		%	
260,000 (Minimum wage)	-	-	-	-
400,000	200	-	0.1	-
600,000	11,800	10,000	2.0	1.7
1,200,000	78,200	90,000	6.5	7.5
2,500,000	294,800	350,000	11.8	14.0



Appendix 3

Fair share contribution – impact on removal of personal deductions and dividend income from domestic companies

	Rs	
Annual net income	13,000,000	13,000,000
Deduction	-	(110,000)
Chargeable income	13,000,000	12,890,000
Tax at applicable rates (0, 10% and 20%)	2,450,000	2,428,000
Dividend from domestic companies		3,000,000
ANI + Dividend income	13,000,000	16,000,000
CI + Dividend income	13,000,000	15,890,000
FSC at 15%	1,950,000	2,383,500
Tax at applicable rates	2,450,000	2,428,000
FSC	1,950,000	2,383,500
Total tax	4,400,000	4,811,500
Disposable income	8,600,000	11,188,500
Proportion of disposable income over annual net income	66	70



Appendix 4

Taxation of car benefit

	From	To
	Monthly Taxable Benefits (Rs)	
Cylinder Capacity		<u>Car costing not more than Rs 3 million</u>
Up to 1,600cc	9,500	12,000
1,601 to 2,000cc	10,750	13,500
Above 2,000cc	12,000	15,000
Electric Car	N/A	13,500
		<u>Car costing more than Rs 3 million</u>
Car costing:		
More than Rs3 million up to Rs5 million	N/A	25,000
More than Rs5 million up to Rs8 million	N/A	35,000
More than Rs8 million	N/A	50,000



Glossary

Advance Payment System	APS	Effective Tax Rate	ETR
Arm's Length Principle	ALP	Fair Share Contribution	FSC
Artificial Intelligence	AI	Finance and Miscellaneous Provision Act	FMPA
Assessment Review Committee	ARC	Financial Services Act	FSA
Base Erosion Profit Shifting	BEPS	Financial Services Commission	The Commission
Captive Insurance Act 2015	CIA2015	Foreign Tax Credit	FTC
Close End Fund	CEF	Gambling and Regulatory Authority Act	GRAA
Collective Investment Scheme	CIS	Global Anti-Base Erosion	GloBE
Contribution Sociale Generalisee	CSG	Global Business Licence	GBL
Core Income Generating Activities	CIGA	High Net Worth Individual	HNWI
Corporate Climate Responsibility Levy	CCRL	Income Tax Act 1995	ITA
Corporate Social Responsibility	CSR	Integrated Resort Scheme	IRS
Deduction of Tax at Source	DTS	Invest Hotel Scheme	IHS
Double Tax Avoidance Agreement	DTAA	Investment Tax Credit	ITC
Economic Development Board	EDB	Land Transfer Tax	LTT



Glossary

Mauritius Revenue Authority	MRA	Real Estate Scheme	RES
Million	m	Registration Duty	RD
Multinational Enterprise	MNE	Retired Non-Citizen	RNC
National Pension Act	NPA	Rupees	Rs
National Pension Fund	NPF	Small and Medium Enterprise	SME
National Savings Fund Act	NSFA	Smart City Scheme	SCS
Non-Government Organisation	NGO	Social Contribution and Social Benefits Act	SCSBA
Objections, Appeal and Dispute Resolution Department	OADRD	Stock Exchange of Mauritius Ltd	SEM
Organisation for Economic Corporation and Development	OECD	Supreme Court	SC
Pay As You Earn	PAYE	Tax Arrears Settlement Scheme	TASS
Portable Retirement Gratuity Fund	PFGF	Transfer Pricing	TP
Prime a L'emploi Scheme	PLAL	Value Added Tax	VAT
Privy Council	PC	Value Added Tax Act 1998	VATA
Property Development Scheme	PDS	Withholding Tax	WHT
Qualified Domestic Minimum Top Up Tax	QDMTT	Year Of Assessment	YOA

Key contacts



Ryaad Owodally
Partner, Tax
Ryaad.Owodally@mu.ey.com



Assad Khoosee
Associate Director, Tax
Assad.Khoosee@mu.ey.com

EY | Assurance | Tax | Strategy and Transactions | Consulting

About EY

EY is a global leader in assurance, tax, strategy, transaction and consulting 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.

EY refers to the global organisation, and may refer to 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. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. For more information about our organisation, please visit ey.com.

© 2025 Ernst & Young Ltd

All Rights Reserved.

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.



Shape the future
with confidence