Mauritius Budget 2024/25 Synopsis

Caring for our people

The better the question. The better the answer.
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Building a better working world

"Caring for our people"

Minister Padayachy has delivered his final budget under the current mandate of this Government, as we head towards elections and, as expected, contains a long list of social measures which talks to voters. He has not fallen into the trap of an irresponsible deficit, limiting the budget deficit at 3.4% and reducing the public debt to GDP ratio from 74.5% to 71.1%. The growth rate of GDP is announced at 6.5% this year, an honourable performance for our economy, fuelled by a strong tourism recovery and a financial services sector still buoyant.

He takes pride in the historic-low unemployment rate of only 6.1% but misses the point that we have a serious brain-drain of our talent overseas. He simplifies the access to our island to foreigners with clever measures, without any attempt to retain young Mauritians home. The local labour market is affected by such shortage of young talent and Government needs to start addressing this before it becomes a brake to growth.

There is continuity in this Government's actions and priorities, with much focus on helping the neediest. The psychological bar of MUR20,000 as minimum guaranteed revenue came earlier than expected, sending a powerful signal to all. The adjustments to the Universal Pension benefits to MUR15,000 per month goes in that same direction.

All those generous measures come with only one new tax, called the Corporate Climate Responsibility (CCR) levy of 2% of company's profits, meaning that total corporate tax will now in substance be 19% (15% tax rate, plus 2% CSR, plus 2% CCR), close to the individual top tax rate of 20%, which remains unchanged.

Overall, a strong messaging that this Government is caring for our people, aims at improving lives without compromising economic performance thereby generating a "feel good factor".

Gerald Lincoln

Country Managing Partner

Budget highlights

- MUR100b tourism revenue and 1.4m tourist arrivals targeted for 2025
- Minimum guaranteed revenue to MUR30k per ton of sugar for crop year 2024 for small planters
- More flexibility in recruitment of foreign workers in various sectors
- MUR4.9b of subsidies on price of LPG, flour, rice, bread
- Corporate Climate Responsibility levy at 2% profit for companies with annual turnover >MUR50m to create a Climate and Sustainability Fund
- Setup of Mauritius Bio-Pharmaceutical Regulatory Authority to boost the bio-tech sector

- New road projects including flyovers, link roads, M4 East and M5 South motorways and MUR3b to complete existing projects
- Implementation of 132 drain projects for a total value of MUR3.5b
- Minimum wage increase from MUR18.5k to MUR20k in July 2024
- 'Prime à l'Emploi' extended to part-timers at MUR7.5k on a 20-hour work basis
- Extension of parental leaves to 16 weeks for mothers and 4 weeks for fathers
- Increase in basic pension to MUR14k (July 2024) and to MUR15k (January 2025)
- Full scholarship and living allowance for HSC Pro Scholarship holders

Launch of National AI for ALL campaign

MUR3.2b earmarked under the Climate & Sustainability Fund

'Industrie du Futur' for 100 SMEs over 3 years for digital enablement

Prepaid public charging stations installation by CEB

MUR1.7b earmarked for medical projects

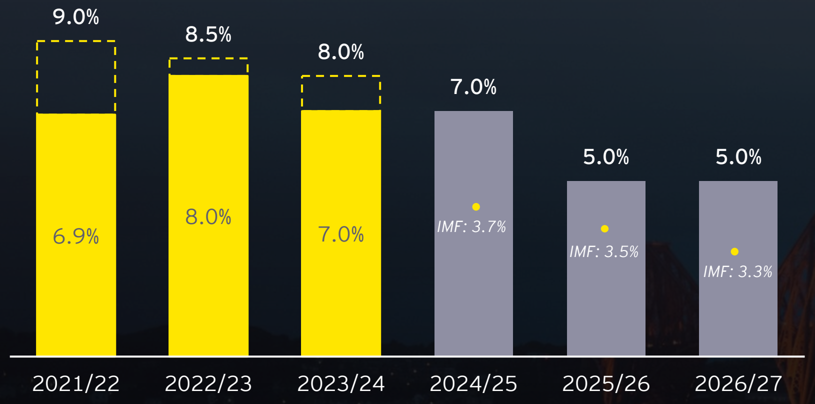
12kg cooking gas cylinder from MUR240 to MUR190

MUR25m to support local professional artists' projects and schemes

40% freight rebate for first time exporters with turnover <MUR20m

Economic overview

Economic growth (real GDP growth rate)

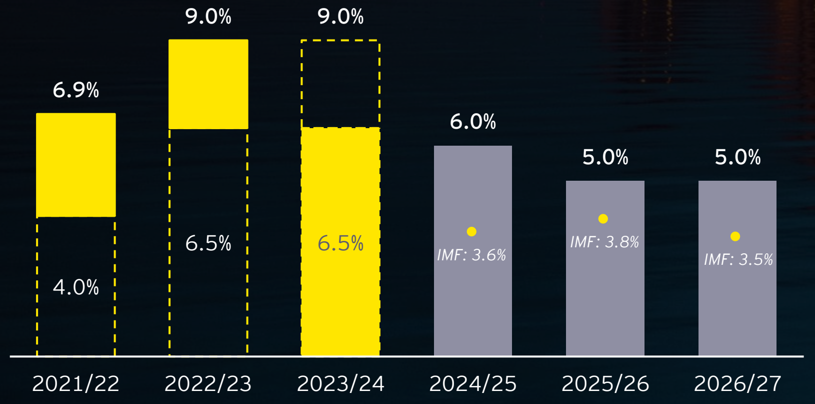


Source: Budget annex 2022/23, 2023/24, 2024/25

Unemployment rate

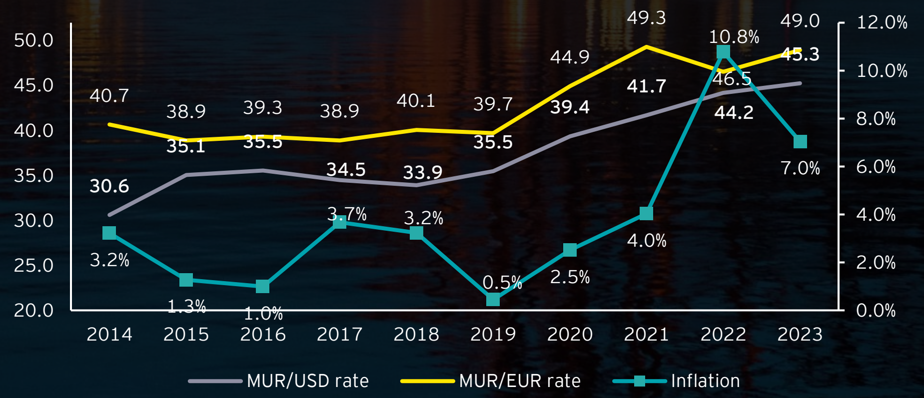
Source: Statistics Mauritius

Inflation[1]



Note 1: *Inflation relates to GDP deflator reported by the Minister of Finance*
Source: *Budget annex 2022/23, 2023/24, 2024/25*

Historical exchange rate and inflation



Source: Exchange rates (Oxford Economics); Inflation (IMF - average consumer prices)

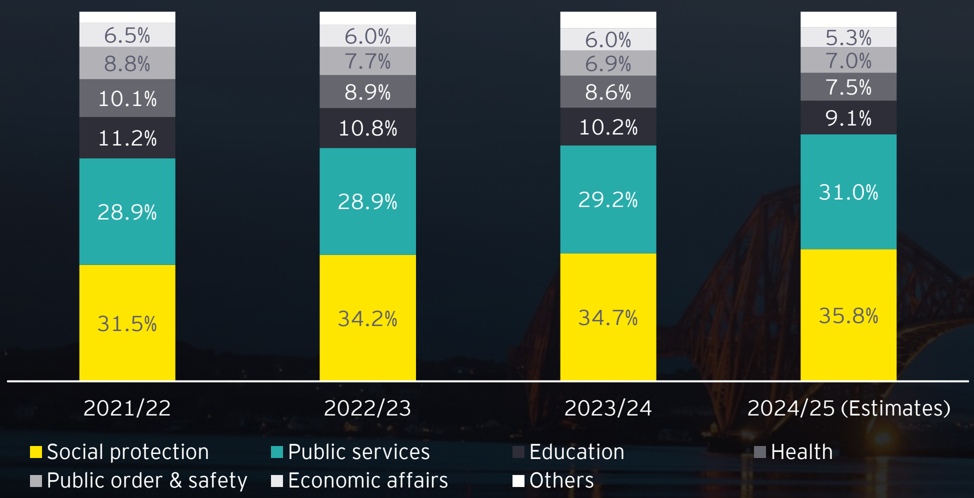
Economic growth is expected to be mainly driven by:

- The tourism sector with higher tourist arrivals expected as a result of a strong global demand for leisure travel and increased flight connectivity
- Construction sector in view of the implementation of major public projects
- Private sector investment in projects particularly in the renewable energy sector, real estate development, the education hub, and the pharmaceutical and health care services
- Financial services sector to maintain its robust performance and
- Manufacturing sector with sustained growth in the food processing and other manufacturing sectors
- Investment rate is at a healthy 23% in the current year.

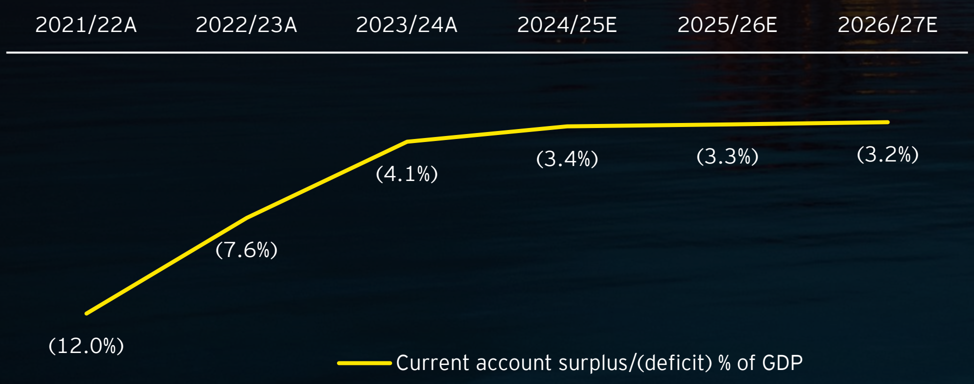
Actual (estimate) | Forecast | Estimates

Economic overview – 35.8% of government expenditure is on social protection

Government expenditure %

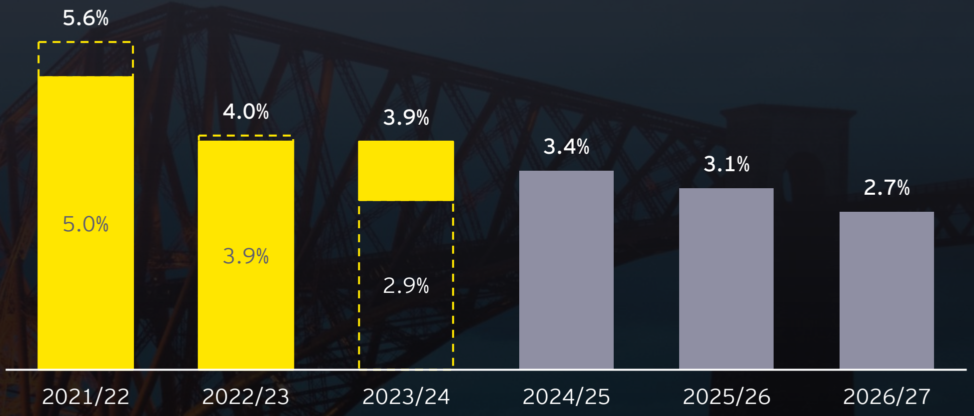


Current account surplus/(deficit) % of GDP

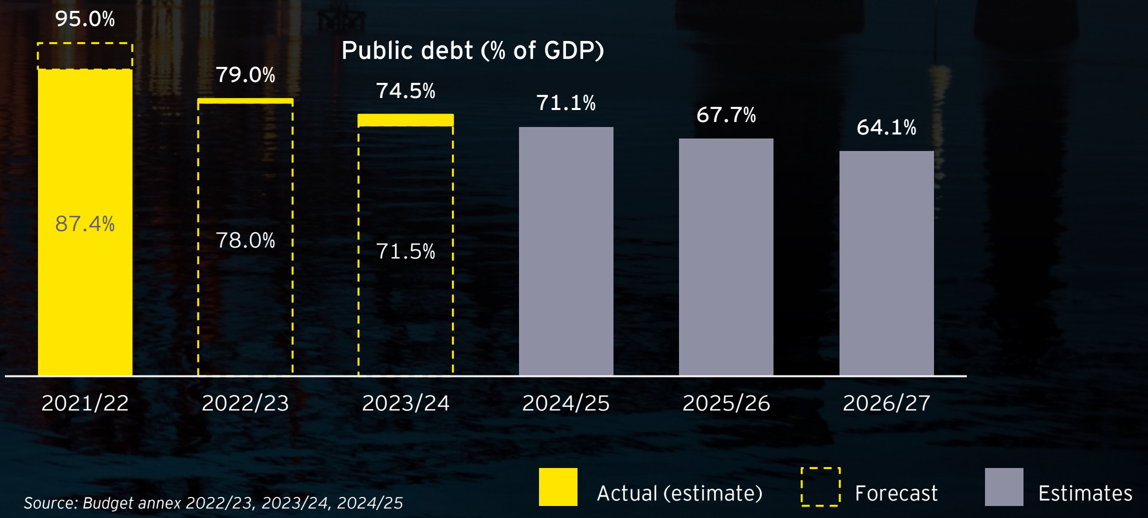


Source: Budget annex 2022/23, 2023/24, 2024/25

Budget deficit (% of GDP)



Public debt (% of GDP)



Source: Budget annex 2022/23, 2023/24, 2024/25

Agro-industry

% of GDP
4.4%
(FY22: 4.1%)

Area harvested (Hectares)
45,712
(FY22: 47,064)

Change in PPI
+11.0%

Sugar price
MUR30k/ton (min guaranteed for small planters)

Grants and Subsidies

Budget highlights

Improving self-sufficiency and reducing dependency on imports

- Grants of 50% up to MUR500k for the construction of up to 2 sheltered farms, including replacement of plastic nets
- MUR50m cold storage facility at the National Wholesale Market to increase the shelf life of perishables
- Setting up of modern fish markets in various regions
- Road mending scheme of MUR6m for tea plantation areas and MUR10m for upgrading of track roads, drains and sheltered farms at the Britannia Organic Zone
- The Agricultural Workers (Job Contractors') Regulations will be amended to provide more flexibility for recruitment of foreign workers

Subsidies, grants and facilities

- New grants and extension of existing grants and subsidies on food crops, livestock, fertilisers, fishery and agricultural equipment to encourage local agriculture
- Aid to mechanisation through provision of grants to purchase equipment
- Improve financial security to players through various allowance schemes (winter, bad weather, death allowances)

Sugar industry

- 10k arpents replanted over the last three years; Grant under Cane Replantation Scheme increased from MUR50k to MUR60k per arpent to restore abandoned cane lands
- Increase of the minimum price guaranteed to MUR30k/ton for small planters for crop 2024
- Maintaining grants for planters producing up to 60 tons of sugar such as 50% subsidy on fertilisers and provide financial assistance of MUR150k for purchase of drip irrigation systems

Our point of view

- These initiatives should help promote local production further, but self-sufficiency remains a challenging goal
- Availability of workers has long been a sore point and the added flexibility to recruit foreign workers specifically in the agricultural sector will be most welcome

- These initiatives should help promote local production further, but self-sufficiency remains a challenging goal

- Availability of workers has long been a sore point and the added flexibility to recruit foreign workers specifically in the agricultural sector will be most welcome incentives for further investment by the players
- The grants will provide a financial security to the players against the risks of climate change

- The world price of sugar as well as the minimum price guaranteed by the government has revived a sector that was in dire straits some five years ago
- The improvement of the replantation scheme will help renew an ageing plantation and improve the yield per hectare for all growers and this will be a key building block for the National Biomass Framework given our intention to be less dependent on fossil energy

> *Measures will improve attractiveness of the agro-industry but given small size of the country, we do not expect Mauritius to become self-sufficient.*

Manufacturing & commerce

Manufacturing growth of **10.4%**

Exports of goods exceeded **MUR100b**

SME refund scheme **MUR500k**

First time exporters **40% refund on freight cost**

Budget highlights

Ease of doing business

- Various measures announced aimed at improving the ease of doing business mainly through digitalisation of government licensing and applications
- Commitments on quick turnaround for applications

Support for SMEs and cooperatives

- Continued support for SMEs and cooperatives
- Waivers of 50% rental arrears of over 5 years if settled by June 2025 and forgiveness of overdue (20 year) loans to DBM

Manufacturing

- Increase in the minimum wage of 2024 for textile industry will be compensated by the Government
- 15 % investment tax credit over 3 years will now include AI and patents
- First time exporters with turnover of less than MUR20m will benefit from 40% refund of freight cost
- Africa Warehousing Scheme has been prolonged to 2027
- 30% of turnover now required to meet export manufacturing enterprise definition

Our point of view

- As an economy we are continuing our business simplification journey and the reduction in the lead time in obtaining licenses through digitisation will increase our attractiveness as a business destination

- Measures will promote small business and entrepreneurship
- Forgiveness of non-performing loans sends the wrong message by encouraging delinquency

- Compensation from government on the increased minimum wage imposed in 2024 for the textile industry is welcome. But the increase remains a burden for all other sectors
- The 30% threshold to be recognised as an export company is expected to enable more local businesses to benefit from export-related incentives and hence improve competitiveness
- The extension the Africa Warehousing Scheme and the addition of Kenya as an export destination are positive steps that promise to further stimulate economic growth

> “ *Creating a resilient and modern economy through the empowerment of SMEs and digitalisation.*

Tourism and culture

GDP contribution	Direct employment	Tourism receipts	Arrivals	Hotel occupancy
8.9% (FY23: 8.0%)	28.0k (FY23: 27.5k)	MUR86b (FY23: MUR80b)	1.3m (FY23: 1.2m)	74% (FY23: 62%)

Budget highlights

Strong rebound in tourism

- The Mauritian tourism sector has demonstrated a robust recovery, achieving 94% of its pre-pandemic performance, with receipts reaching MUR86b (36% higher than pre-pandemic levels in nominal rupees)
- 1.4m tourist arrivals are expected in 2024 with MUR100b in receipts
- MTPA budget will be increased by 20% to reach MUR600m

Sustainable tourism and promoting arts and culture

- Ongoing target to position Mauritius as a green destination. For example, by achieving Green-certified destination status by 2030, and protecting our lagoons (e.g., coral farms)
- Promoting local talents and arts with a budget of MUR25m allotted to support local artists for financing of art-related programs and launching of 'Artist of the year award'
- Premium investor certificate offered to companies engaged in the development of the creative industry, including concert venues
- Funds allocated for the construction of cultural centres and restoration of heritage sites

Other measures

- Accelerating the development of electronic passports and the implementation of e-gate services to streamline and modernise entry and exits
- Substantial boost provided to SMEs for projects undertaken by small hotels associations with grants increased to MUR800k and support under the Participation in International Fairs SME Refund Scheme increased to MUR275k

Our point of view

- With the stock of hotel rooms broadly unchanged since pre-Covid levels, the increase in tourism receipts reflects the depreciation of the rupee and higher average spend per tourist and provides a welcome relief to hotels previously significantly impacted by Covid-19 pandemic
- Current Mauritian labour shortages in the tourism industry remain a challenge as we risk losing the Mauritian authenticity

- Given strong performance of the tourism industry, we did not expect significant new measures
- Diversification of tourism offering in terms of cultural heritage and protecting our lagoons are welcome and rightly driven by the government
- These will help in enhancing the attractiveness of Mauritius as a tourist destination as well as creating employment

- The provision of e-gates and e-passports is a much-needed feature to bring us in line with international airports

> *Tourism is doing well*

Sustainability & energy

Corporate Climate Responsibility Levy
2% of profits

Climate & Sustainability Fund
MUR3.2b earmarked

National Environment Cleaning Agency
Recruitment of 2,000 employees

Budget highlights

Financing Climate Adaptation and Mitigation initiatives

- Set up of the Climate & Sustainability fund with MUR3.2b earmarked for climate adaptation and mitigation project
- Restoration of 26km of shoreline over the next 5 years

Carbon Economy

- CEB will launch ICT Carbon Neutral Scheme, with excess electricity exported at MUR4.2/kWh
- Pre-paid Electric Vehicle (EV) chargers to be deployed and extension of negative excise duty on EVs
- Announcement of future island wide coverage of the metro network

Circular Economy

- Recycling companies classified as manufacturing to allow them to benefit from tax credits
- Two Integrated Waste Management Facilities to be developed PPP basis to convert
- Removing the levy on PET bottles for fully biodegradable plastic bottles

Building Climate Resilience

- Strategic Environment Assessment (SEA) for any Smart City and Morcellement & PDS above 10 arpent
- Mandatory area for mini-forests representing 4% of total area for development for smart cities and new developments
- Sustainable Regeneration of coastal communities & Ecosystem based remedial work

Our point of view

- The transition to a green economy will require significant investment and the creation of the fund is a necessary catalyst
- The proposed public and private oversight over the spending of this fund is welcome to ensure efficient allocation of the funds

- The price of export of electricity on the grid is significantly lower than the purchase price of electricity. This is a major disincentive to investment in clean energy
- An assessment should be performed on the impact of the metro on transport habits and a cost benefit analysis should be performed prior to extending the metro to the whole island
- A policy should be implemented on phasing out old combustion vehicles going forward

- A comprehensive waste recycling policy across the whole consumption to waste chain is required nationwide

- Reforestation has the potential to increase the aesthetic cache of communities whilst ensuring protection from chronic climate events (e.g. flashfloods)
- More concerted effort to ensure the proper coordination of all stakeholders
- Integrated Coastal Zone Management and Nature Based Solutions being streamlined as key concepts for Climate Change adaptation

> *Consistent structural reforms coupled with targeted incentives maintain the momentum to transition towards a climate-resillient low-carbon economy.*

Environment

Budget highlights

Cleanliness

- Stray dogs
- MUR200 per pet to incentivise sterilisation

Beach management

- Beach rehabilitation through sand extraction

- National Environment Cleaning Agency will recruit 2,000 people to clean roads and public sites

Our point of view

- Reduction in the stray dog population will help enhance the image of Mauritius

- Measure will help contain coastal erosion and embellish our beaches

- Education programme required to completement this initiative
- "Nettoyer c'est bien, ne pas salir c'est mieux"

> *This has been a request of the tourist operators for many years and those measures are most welcome.*

Construction & infrastructure

GDP contribution 2023
5.6%

Flood management
MUR3.5b

Road management
MUR3.0b

Water infrastructure
MUR2.5b

Budget highlights

Transport infrastructure

- MUR3b earmarked to complete existing road projects
- New road projects including flyovers, link roads and M4 East and M5 South motorways but no amounts earmarked
- MUR600m for rehabilitation, maintenance and upgrading of roads
- MUR1.4b this year for the new Rodrigues runway project which will cost MUR7.9b
- MUR900m over the next 4 years for water and electricity supply, food security and tourism development in Rodrigues
- Extension of Metro lines to La Vigie, St Pierre and Cote d'Or stations

Flood management

- MUR1b in current year for 132 drain projects which will cost a total of MUR3.5b
- MUR178m to complete landslide projects, including slope stabilisation work

Water infrastructure

- MUR2.5b investment for existing and new water infrastructure
- MUR1.2b for the replacement of water pipes across the island
- MUR930m to start the Rivieres des Anguilles dam
- MUR1.1b for sewage infrastructure projects

Our point of view

- Continued investment in transport infrastructure will ease traffic congestion, promote social mobility and increase economic growth. Extension of the exemption on duty on electric vehicles but not hybrid vehicles
- Rodrigues runway extension will enable the doubling of visitors
- We are disappointed by the lack of strong investments in the seaport

- Measures announced are a continuation of previous budgets, however, implementation of measures should be on a timely basis to ease flash floodings recently experienced

- Investment will improve water resources management and help reach the goal of 24/7 access to water
- The Rivieres des Anguilles dam construction has still not commenced despite being announced in previous budgets

> *No major measures to assist the construction industry, especially small players. Whilst further flood management measures are welcome, these should be implemented on a timely basis.*

Financial services, ICT & human capital

Women participation in workforce	Unemployment rate FY23	Financial sector contribution to GDP (%)	Financial sector growth (%)	Growth in ICT/BPO sector
48% (FY23: 43%)	6.1% (FY20: 10.4%)	14.0%	4.4%	4.5%

Budget highlights

Human capital

- Increase in maternity leave from 14 to 16 weeks; paternity leave at 4 weeks
- 25% tax credits to support implementation of corporate nurseries
- Foreign retirement permit holders are now allowed to work

Financial services

- Removal of fees associated with the use of MauCAS platform and partial exemption regime will be applicable for payment intermediary service licence holders
- Introduce a 10-year expatriate occupational permit to attract foreign talent in wealth management, family office, virtual assets and virtual tokens

ICT

- Government will introduce a refund of 25% under the "Small Business Digital Champion Scheme" on investment of a minimum of MUR500k in new technologies and equipment
- Refund of 90% of AI-related courses
- National "AI for all" campaign and free access to internet for those aged 18 to 25 years old

Our point of view

- Supply side measures aimed at increasing women participation in the active workforce are welcomed given the level of brain drain and current low unemployment rates. We would have expected additional focus on how to further develop and empower a previously unemployed segment of the labour market
- This budget focuses on the redistribution of income, but it does not address the improvement of the productivity of the labour workforce

- Attracting payment intermediaries to Mauritius and reducing cost of transactions through MauCas are expected to help boost this industry and accelerate our transition to a cash less society
- Wealth management, family office and virtual assets are new services that the government wished to promote in the last year budget and the introduction on long term work permits will be a boost in attracting experienced talent by providing visibility and stability to those choosing to relocate to Mauritius

- Good initiative to facilitate digitalisation and adoption of AI which will contribute in increasing productivity

> *"Too few measures announced on how to make the future generation more agile and retain our talent*

Social measures

Basic pension	Employees earning <MUR20k	Unemployment rate	Major subsidies	Y-o-Y inflation rate
Jun23: MUR34.7b Jun22: MUR30.6b (+13.4%)	FY23: 45.6% FY22: 56.7%	FY23: 6.3% FY22: 7.7%	FY24: MUR4.9b FY23: MUR4.7b	4.9% (Apr24)

Budget highlights

Increase in disposable income

- Increase minimum salary from MUR18.5k to MUR20k as from July 2024
- Increase in basic retirement and other pensions to MUR14k per month as from July 2024 and MUR15k as from January 2025
- Equal chance allowance of MUR2k per household with less than MUR20k/month.
- Increase of CSG income allowance for those earning less than MUR50k
- Decrease in price of household gas cylinder from MUR240 to MUR190

Strengthening educational support

- Increased financial support to laureates
- Free internet access to those aged between 18 to 25 years
- Monthly school allowance of MUR2k for all students aged 3 to 10 years
- Subsidies for exam fees extended to repeaters and those not having obtained 5 credits
- MUR60k per child per year tax deduction for private schooling

Social housing

- The promised 8,000 housing units will be delivered by June 2025
- Extension of the reimbursement scheme of 5% on loans contracted will be available under the Household Ownership Scheme

Investment in wellbeing

- MUR1.7b investment in health infrastructures
- Expansion of sports facilities including MUGA
- Extension of parental leaves 16 weeks for mothers and 4 weeks for fathers
- Introduction of a monthly maternity allowance of MUR2k for a period of 9 months

Our point of view

- Various measures implemented to alleviate the impact of the rising prices particularly for the more vulnerable
- With an ageing population, will such spending on pension be economically sustainable?
- We welcome the reduction in household gas prices. However, the subsidies on flour, rice, bread and gas cost MUR4.9b

- Commendable initiatives that reflect a commitment to inclusive education
- We welcome the investment in the country's future workforce and long-term economic development. This begs for a clearly articulated plan to recruit and retain experienced teachers
- Should all these measures be universal or should these be targeted/means-tested?

- This demonstrates a commitment towards addressing housing needs
- Delivery of 8,000 housing units by June 2025 is challenging and will require significant ramping-up in construction activities to reach this ambitious target

- The increase of parental leaves for both parents further demonstrates an inclusive and equitable budget

> *Redistribution of income to achieve equitable and inclusive growth*

Fiscal measures

Budget highlights

Corporate Climate Responsibility levy

- A levy of 2% on profits will apply to companies with a yearly turnover of more than MUR50m

Income of a company with a Robotic and Artificial Intelligence Enabled Advisory Services licence

- 80% of the income of such a company will be exempt from income tax
- The company should hold the relevant licence from the Financial Services Commission ("FSC")

Investment tax credit

- The credit will be extended to AI and patents acquired by manufacturing companies
- The tax credit applies to new plant and machinery and is available over 3 years

Tax arrears settlement scheme and Contribution Arrears Settlement Scheme

- As with prior years, we presume that the scheme will apply to tax arrears under the Income Tax Act, Gambling Revenue Authority Act and the Value Added Tax Act

Our point of view

Corporate Climate Responsibility levy

- It appears that only companies will be within the scope of this measure. There may not therefore be a level playing field with societes and trusts
- We consider that the triggering event will be the turnover so that exceptional income will not be considered
- If the levy is not considered as a covered tax, a company that is within the GloBe rules will see an additional cost

Income of a company with a Robotic and Artificial Intelligence Enabled Advisory Services licence

- We presume that the core income generating activities ("CIGA") will be consistent with Action 5 of the OECD/G20 Base Erosion and Profit Shifting Project
- To enhance the certainty of this measure, we suggest that the CIGA be dealt with at the level of the FSC in conjunction with the MRA at the time the Funds are set up.
- The fact that the CIGA may be scattered in a number of countries may pose challenges in the application of the exemption

Investment tax credit

- The scope of the companies eligible for the credit should be clarified
- Investment by such companies may be in intangible assets and not conventional tangible assets. For financial reporting purposes the expenses may not be treated as non-current assets
- The scope of the credit requires consultation, unless the policy decision is to restrict the tax credit to tangible assets

Tax arrears settlement scheme and Contribution Arrears Settlement Scheme

- The MRA has a discretionary power to waive interests and penalties
- With the proposal, the MRA is obliged to waive the interests and penalties
- A total waiver of interests and penalties should also apply to voluntary disclosures
- Cases where there is agreement on a reduced tax should also be within the scope of the scheme
- It remains to be seen if the Contribution Arrears Settlement Scheme will apply to any arrears under the Social Contribution and Social Benefits, which should also apply to any unpaid payment under the now repealed Contribution Sociale Généralisée Regulation 2020
- We consider that the scheme should apply to other revenue laws

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