



Finance Act 2020
Key amendments

August 2020

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Foreword



Foreword



The Finance (Miscellaneous Provisions) Bill 2020 (“the Bill”) was introduced to the parliament on 7 July 2020. After being subject to parliamentary debates, The Finance (Miscellaneous Provisions) Act 2020 (“the Act”) was voted with amendments on 4 August 2020 and received the President’s assent on 7 August 2020. The Act provides to amend a number of legislations to provide for implementation of measures announced in the Budget Speech delivered on 4 June 2020. This alert covers the key fiscal amendments provided by the Act and their effective dates.

It is notable that contrary to what was announced in the Budget Speech on 4 June 2020, the Act does not provide for implementation of ‘Levy on corporates’ which would have applied on gross income of large companies at the rates of 0.1 percent and 0.3 percent.

Introduction of VAT on digital or electronic service is another key measure as the government seeks to bring into the Mauritian tax net activities by foreign suppliers operating in the digital space. As announced during the parliamentary debates, more guidance is expected to be provided through subsequent regulations.

On the personal income tax front, the amendments have clarified that Solidarity Levy will apply at the revised rate of 25 percent on leviable income in excess of MUR 3 million, but will be capped at 10 percent of leviable income.

In line with the government’s initiative for a pension reform, the new contribution under the Contribution Sociale Généralisée (CSG) shall be payable in respect of the month of September 2020 onwards. However, details on applicable rates, remuneration and participants will be provided via regulations.

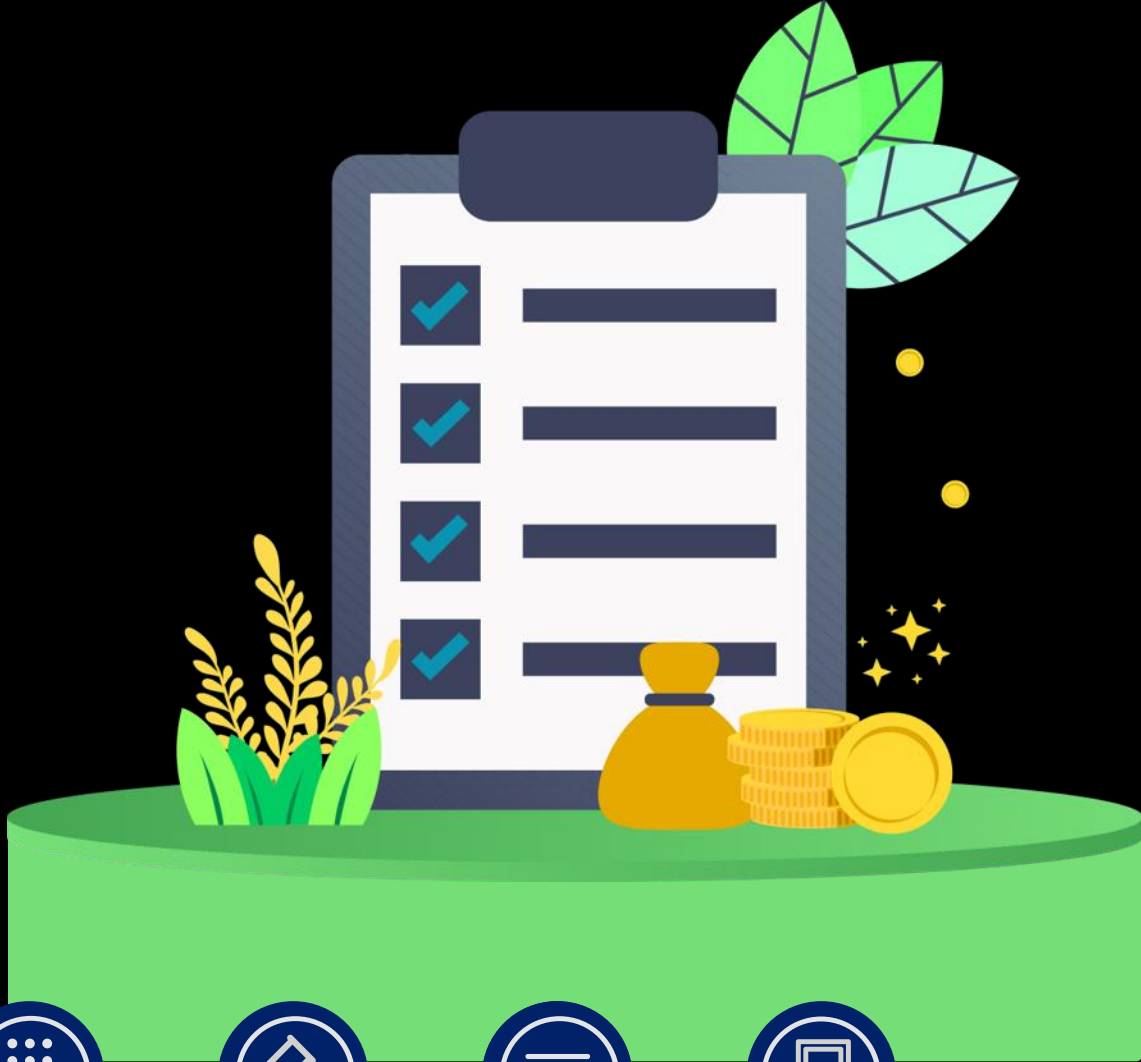
We recommend entities doing business in Mauritius to consider measures that may impact their tax positions and responsibilities as taxpayers.

We trust you will find our alert informative and feel free to contact us for any clarifications on amendments proposed by the Act.

Best regards
Roopesh Dabeesingh
Partner
Tax and Regulatory



Corporate Tax





Amendments

Effective Date

Additional investment allowance to companies affected by COVID-19

- 100 percent investment allowance available, in addition to capital allowance, to companies adversely impacted by COVID-19 for capital expenditure on new plant and machinery, excluding motor cars, acquired during 1 March 2020 to 30 June 2020

7 August 2020

Full deduction

- 100 percent deduction in the year of acquisition for capital expenditure on electronic, high precision or automated machinery or equipment acquired on or after 1 July 2020, provided no capital allowance claimed

YOA commencing 1 July 2021

Tax credit for manufacturing company

- 15 percent tax credit on capital expenditure in respect of new plant and machinery, excluding motor cars, acquired from 1 July 2020 to 30 June 2023
- Credit available in year of acquisition and two subsequent income years

7 August 2020

Definition of manufacture

- Definition of 'manufacture' extended to cover retreading of used tyres and recycling of waste

YOA commencing 1 July 2021





Amendments

Effective Date

Double deduction

- Research and development by person engaged in medical R&D
 - Double deduction on medical R&D expenditure carried out in Mauritius provided neither capital allowance nor deduction claimed
- Expenditure incurred on patents and franchises
 - Double deduction available on the following:
 - Expenditure for the acquisition of patents and franchises
 - Costs incurred to comply with international quality standards and norms, provided no capital allowance claimed

**YOA commencing 1 July
2021**





Amendments

Effective Date

Life insurance business

- Companies deriving income from life insurance business to be subject to tax at the higher of:
 - Normal tax payable in accordance with Regulation 17 of the Income Tax Regulations 1996; or
 - 10 percent of the relevant profit
- Relevant profit defined as profit attributable to shareholders in an income year adjusted for capital gain and loss reported in the income statement

YOA commencing 1 July 2021

Solidarity levy on telephony service providers

- Solidarity levy on telephony service providers made permanent and now applicable at 5 percent on accounting profit and 1.5 percent of turnover
- Accounting profit defined as profit derived by an operator from all its activities and computed in accordance with IFRS

YOA commencing 1 July 2020





Amendments

Effective Date

Tax holidays

- Eight-year income tax exemption on income derived:
 - From manufacturing of pharmaceutical products, medical devices, and high-tech products now available to companies having started operations on or after 8 June 2017
 - From manufacturing of nutraceutical products by a company having started operations on or after 4 June 2020
 - From inland aquaculture in Mauritius by a company having started operations on or after 4 June 2020
 - By a company, approved by the HEC as a branch campus of top 500 tertiary worldwide institutions, having started operations on or after 4 June 2020

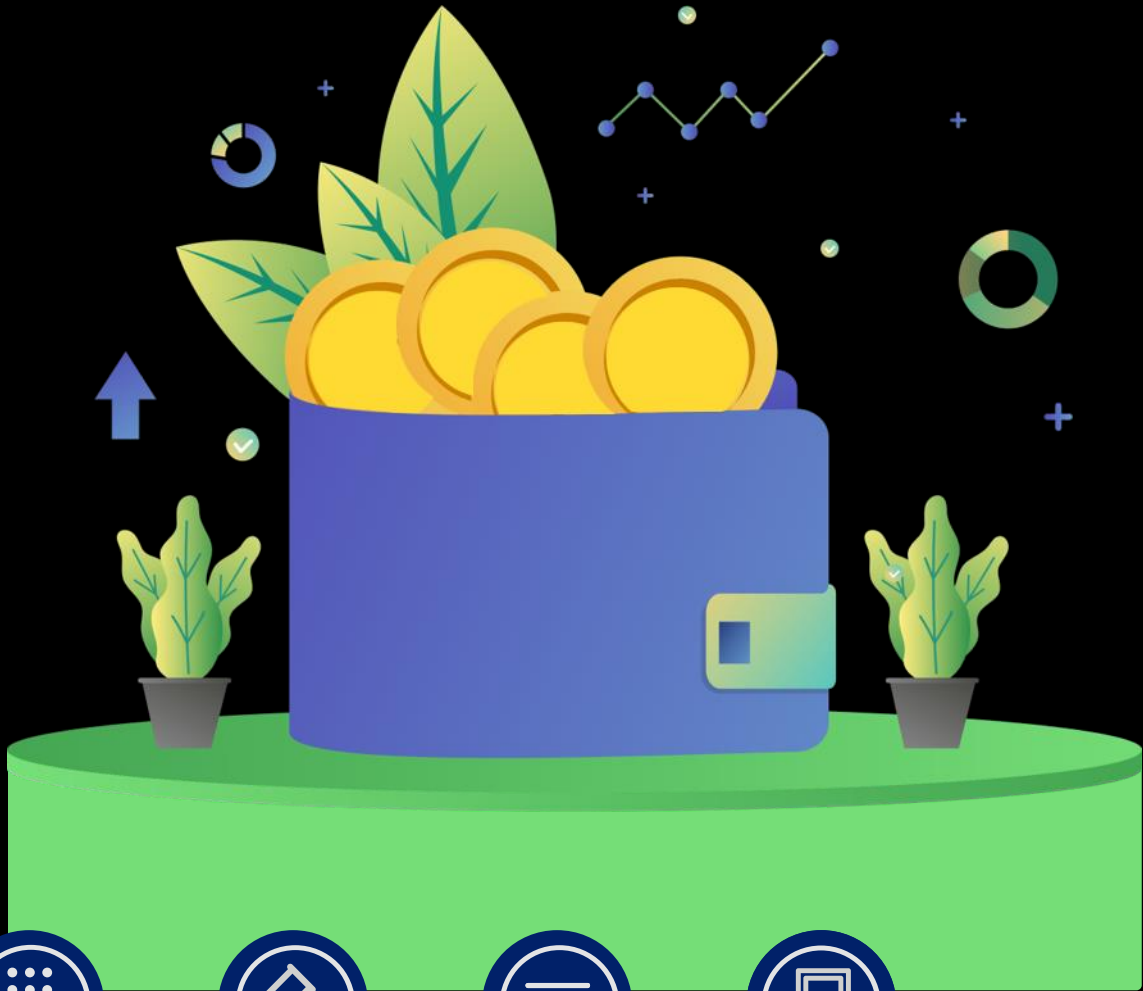
7 August 2020

CSR

- Exempt income under specified tax holidays as well as other exempt income as may be prescribed now subject to CSR



Personal Tax





Amendments

Effective Date

Solidarity levy

- Solidarity levy increased from 5 percent to 25 percent on leviable income in excess of MUR 3 million (previously MUR 3.5 million)
- Tax resident individuals subject to solidarity levy at the rate of 25 percent on leviable income in excess of MUR 3 million
- Solidarity levy capped at 10 percent of leviable income

**Income year commencing
on 1 July 2020**

PAYE

- Emoluments in excess of MUR 230,769 in a month subject to additional tax at the rate of 25 percent to be withheld by employers
- Additional tax to be withheld under PAYE shall not exceed 10 percent of total emoluments

1 July 2020





Amendments

Effective Date

Contribution Sociale Généralisée (CSG)

- Employers and participants to pay CSG to MRA on remuneration and rates to be prescribed
- CSG shall be payable in respect of the month of September 2020 onwards
- 'Participant' defined to include the following:
 - An employee of such category as may be prescribed
 - A self-employed of such category as may be prescribed
 - A person of such category as may be prescribed
- The following penalty and interest to apply on unpaid CSG:
 - Penalty of 10 percent
 - Interest of 1 percent per month or part of the month

1 September 2020





Amendments

Effective Date

IET

Category	Applicable to	Increased to (MUR)
A	Individual with no dependent	325,000
B	Individual with one dependent	435,000
C	Individual with two dependents	515,000
D	Individual with three dependents	600,000
E	Individual with four or more dependents	680,000

Income year commencing on 1 July 2020

Deduction for bedridden next of kin

- Dependent now includes a bedridden next of kin, which means a bedridden father, mother, grandfather, grandmother, brother or sister of that person or of his spouse provided that the bedridden next of kin is:
 - Eligible to carer’s allowance payable under the National Pensions Act
 - Under the care of that person
- Only one person is entitled to claim the bedridden next of kin as dependent in an income year



Value Added Tax





Amendments

Effective Date

Digital or electronic services

- Foreign suppliers providing digital or electronic services in Mauritius now required to charge VAT, subject to conditions as may be prescribed
- ‘Digital or electronic services’ to cover services, as may be prescribed, supplied by a foreign supplier:
 - Over internet or an electronic network reliant on internet
 - Dependent on information technology for its supply
- ‘Foreign supplier’ defined as a person who:
 - Has no permanent establishment in Mauritius
 - Has his place of abode outside Mauritius
 - Supplies in the course of his business, digital or electronic services to a person in Mauritius

Proclamation Date





Amendments

Effective Date

Value of taxable supplies

- Value of taxable supplies to be based on open market value or such value as may be determined by MRA for supplies:
 - involving consideration not consisting, or not wholly consisting of money or
 - not made at arm's length

7 August 2020

VAT reporting and payment

- Reporting and payment of VAT for construction work contracts with government bodies now allowed per receipt date instead of invoice date
- 'Construction works' defined as:
 - Civil construction, including construction or repair of any building, road or other structure or execution of any works contract; and
 - Any mechanical or electrical works

1 October 2020





Amendments

Effective Date

Reverse VAT charge mechanism

- Reverse VAT charge to be applied by only VAT registered persons on services received from non-VAT registered persons who do not belong in Mauritius

7 August 2020

Apportionment of input tax

- MRA now empowered to require persons engaged in projects spanning over several years to apply an alternative basis for apportionment of their input tax

7 August 2020

VAT refund on residential properties

- Final claim of less than MUR 25,000 will now also be entertained where amount of VAT paid during a quarter and the preceding three quarters do not exceed MUR 25,000

1 February 2019





Amendments

Effective Date

VAT exemption extended to the below persons in respect of specific items as follows:

Exempt persons

Exemption on goods/service -

Any person engaged in medical research and development and registered with the EDB under EDB Act 2017

Construction of purpose built building for medical research; and plant and equipment (excluding vehicles), as the EDB may approve.

Any person engaged in inland aquaculture under the Inland Aquaculture Scheme and registered with the EDB under EDB Act 2017

Equipment (excluding office equipment, furniture and vehicles) for the exclusive use of, or in furtherance of, the inland aquaculture project, as the Ministry responsible for the subjects of marine resources and fisheries may approve.

Any person approved by the HEC established under the Higher Education Act 2017 as being, at the time of its setting up, a branch campus of an institution ranked among the first 500 tertiary institutions worldwide

Information technology system and information technology related materials and equipment, for the purpose of online education at the time of the setting up of the branch campus in Mauritius, as the HEC may approve.

Any holder of a Smart and Innovative Mauritius Development Certificate issued by the EDB under the EDB Act 2017 under the Smart and Innovative Mauritius Development Scheme

Construction of a purpose built building and related infrastructure; and plant, machinery, equipment and materials (excluding vehicles), in respect of the setting up of the smart and innovative-driven project as the EDB may approve.

7 August 2020





Amendments

Effective Date

Goods and services previously exempted now reclassified as zero-rated

Exempt goods and services

- Unprocessed agricultural and horticultural produce
- Transport of passengers by public service vehicles excluding contract buses for transport of tourists and contract cars
- Live animals used as, or yielding or producing goods for human consumption other than live poultry
- Medical, hospital, and dental services

7 August 2020



Tax Administration





Amendments

Effective Date

Income tax refund

- Time limit for processing of income tax refunds now reduced to 60 days as from date of submission of return or date of receipt of claim, whichever is the later
- Time limit to run from date of receipt of all documents requested by MRA

1 September 2020

VAT

- A taxpayer may now be required by the MRA to use an e-invoicing system

7 August 2020

- VAT registration can now be applied via CBRIS

2 September 2020

- Every administrator, executor, receiver, or liquidator appointed to manage or wind up the business of a taxable person now required to notify MRA of his appointment within 15 days

7 August 2020





Amendments

Effective Date

Representation at ARC

- Failure by an aggrieved party to attend or be represented before ARC on two consecutive occasions for unreasonable cause shall result in the case being struck out

7 August 2020

Service and transmission of documents

- Documents required to be served or given by MRA to any person can now be transmitted electronically, by post or delivered personally

System for e-services and payment of taxes

- MRA authorised to approve or set up a system allowing for secure electronic service of notices, documents and payment of taxes

1 December 2020

E-tax account

- Introduction of e-tax account for taxpayers as well as for tax representatives for submission of returns, statement of income, documents and payment of taxes





Amendments

Effective Date

Extension of tax payment deadline for operators in tourism industry

- Specified operators in the tourism industry, having accounting period ending during the period from September 2019 to June 2020, allowed to pay annual income tax and APS payments due in the calendar year 2020 in instalments as follows:
 - 50 percent on or before 29 December 2020; and
 - Remaining 50 percent on or before 28 June 2021

7 August 2020

Electronic submission of returns

- Electronic submission of returns now mandatory for the following:
 - APS returns
 - Amended returns by any person
 - Return for trusts, resident sociétés or in respect of an estate of a deceased person
 - CPS statements

7 August 2020

Extension of deadline for individual tax return

- Electronic submission of individual tax returns now extended to 15 October 2020

**YOA commencing on
1 July 2020**



Other Taxes





Amendments

Effective Date

Land transfer tax and registration duty

Construction projects of housing estates

- Exemptions under approved construction projects extended as follows:
 - No land transfer tax or registration duty on transfer of freehold land to a company effected on or before 31 December 2020 used for construction of housing estates for sale
 - Subsequent sale of housing unit to a Mauritian citizen, effected on or before 30 June 2022, under the project to be exempted from land transfer tax and registration duty
- Exemptions to be available subject to satisfying prescribed conditions

7 August 2020

Life science sector

- Waiver of registration duty on acquisition of immovable property for use as a Life Science Research Centre as certified by EDB

2 June 2020

Excise duty

- Increase of sugar tax duty from three to six cent per gram
- Sugar tax duty extended to cover non-staple sugar sweetened food products

5 June 2020

1 November 2020



Glossary



Glossary

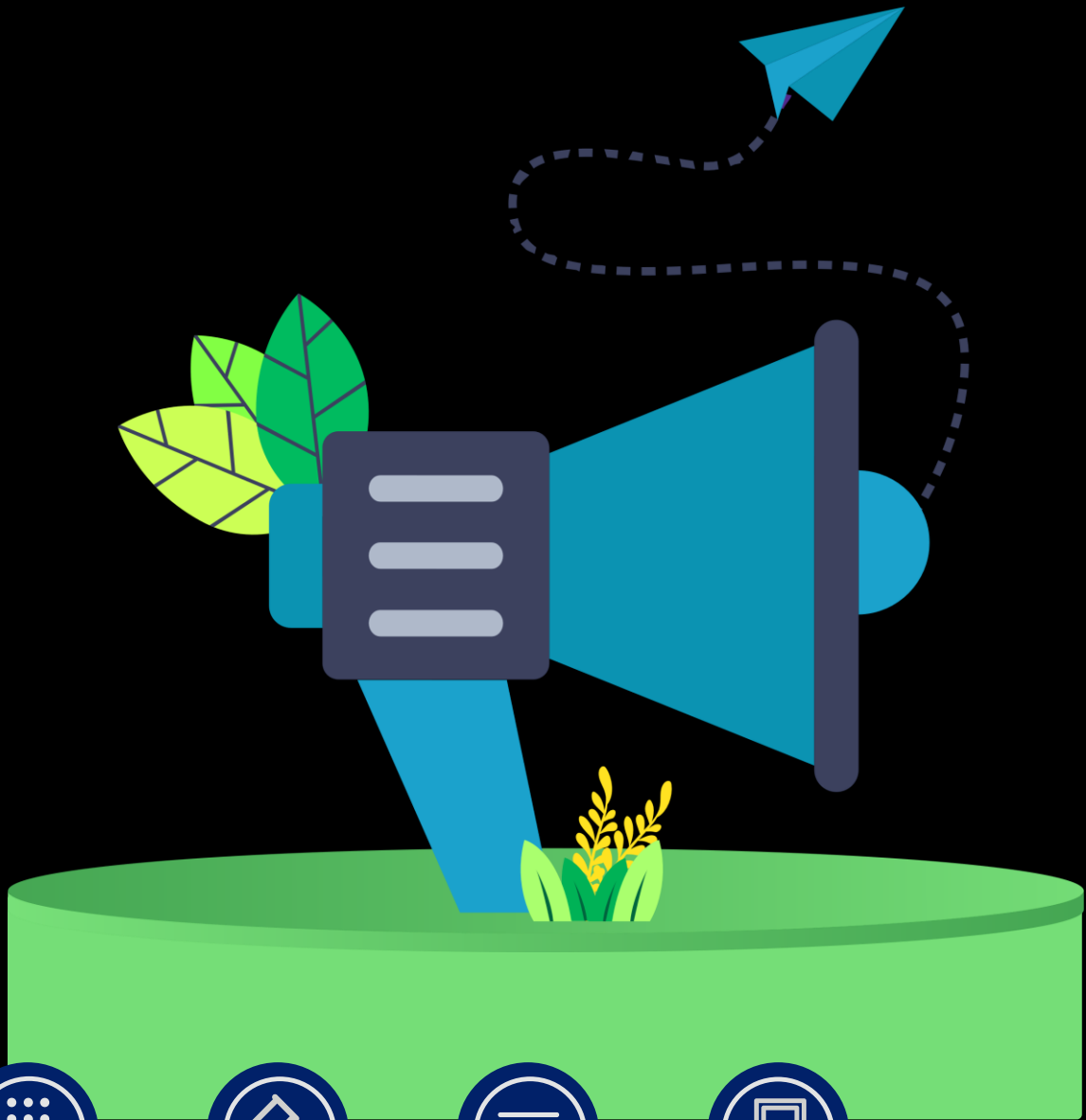


APS	Advance Payment System
ARC	Assessment Review Committee
CBRIS	Companies and Business Registration Integrated System
CPS	Current Payment System
CSG	Contribution Sociale Généralisée
CSR	Corporate Social Responsibility
EDB	Economic Development Board
HEC	Higher Education Commission
IET	Income Exemption Threshold
IFRS	International Financial Reporting Standards
MRA	Mauritius Revenue Authority
MUR	Mauritian Rupee
NPF	National Pension Fund

PAYE	Pay As You Earn
R&D	Research and Development
VAT	Value Added Tax
YOA	Year of Assessment



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