




# THE FINANCE ACT 2020




Key Changes

*AUGUST 2020*

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2 Personal and Corporate Tax




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## 1.FOREWORD

Dear Valued Partners,

The Finance (Miscellaneous Provisions) Act 2020 (“the Act”) has been voted in Parliament last week without any amendments.

The President of Mauritius signed the legislation on 7<sup>th</sup> August 2020.

This alert covers the key tax measures contained in the Act and the dates they become effective.

I hope you will find this alert informative. Feel free to contact us for any queries or any suggestions you may have.

Regards  
Roomesh Ramchurn









### Commencement Date

- Effective as from income year starting 01 July 2020

### Solidarity Levy

- The applicable threshold of Solidarity Levy on the excess of chargeable income plus dividends decreases from Mur 3.5 million to Mur 3.0 million. A tax resident individual is liable to 25% in excess of Mur 3.0 million.
- However, the Solidarity Levy is capped at 10% of :
  - his net income excluding lump sum ( includes pension, death gratuity or consolidated compensation for death or injury) ; and
  - dividends received from a resident company or co-operative society and shares of dividends from a société or succession.
- As of 01 July 2020, solidarity levy will be calculated at 25% on the amount in excess of Mur 230,769 excluding the IET applicable under EDF. The additional tax is capped at 10% of Mur 230,769.
- The additional tax levied is withheld on a monthly basis.



### Example – Calculation of Solidarity Levy

Mr. A is a doctor by profession and is employed at Jeetoo Hospital. He earns a monthly emoluments of Mur 250,000. He also receives a dividend of Mur 2,250,000 from a resident company.

Calculation of Solidarity Levy	Mur
<b>Emoluments</b>	3,250,000
<b>Dividend</b>	2,250,000
<b>Total Emoluments</b>	5,500,000
<b>Less : Solidarity exemption</b>	(3,000,000)
<b>Leviable Income</b>	2,500,000

The Solidarity Levy is lower of :

- 25 % of the leviable income

OR

<b>Capped lower of :</b>	
<b>Solidarity Levy at 25%</b>	625,000
<b>10% of the total emoluemts</b>	550,000

Therefore, the solidarity levy payable shall amount to Mur 550,000.



### Commencement Date

#### I.E.T.

- The new threshold will be applicable in respect of the income year starting 01 July 2020.

#### Requirement to file Income Tax

- Year of Assessment commencing 01 July 2020

- Increase in the income exemption threshold (“I.E.T.”) are as following:

Category	Last Year (Mur)	Current Year (Mur)
A. Individual with no dependent	310,000	325,000
B. Individual with one dependent	420,000	435,000
C. Individual with two dependents	500,000	515,000
D. Individual with three dependents	550,000	600,000
E. Individual with four or more dependents	600,000	680,000

- Provided that the total number of his dependents does not exceed 4, a taxpayer can claim a bedridden a close relative under his care benefitting from an additional annual deduction ranging from Mur 80,000 to Mur 110,000.
- An individual may claim a bedridden relative as a dependent provided no other persons have claimed the next of kin as dependent provided the latter is eligible for carer’s allowance under the National Pension Act and is under the care of the claimant.
- A bedridden next of kin includes his father, mother, grandfather, grandmother, brother or sister or of his spouse.

#### Persons required to file an income tax return

- Individuals who derives income as provided below, shall file an income tax return electronically not later than 15 October:
  - total net income exceeds Mur 325,000;
  - gross income from any business exceeding Mur 2 million;
  - emoluments on which tax has been deducted through PAYE system;
  - emoluments on which TDS has been levied; and
  - has leviable income.



### Commencement Date

#### Solidarity Levy

- Year of Assessment commencing 01 July 2020

#### I. Accelerated Capital Allowance

#### II. A.M.T

- Year of assessment commencing 01 July 2021

#### I. Land Transfer Tax

#### II. Tax Credit

- On proclamation of the Act

#### Solidarity Levy on telephony services:

- calculated at a rate of 5% on the accounting profit and 1.5% applicable on the turnover provided the operator has not incurred a loss.
- Accounting profits refers to profit derived by the operator which is compliant to all relevant International Financial Reporting Standards.

#### Accelerated Capital Allowance

- 100% allowance can be claimed in the year of acquisition on capital expenditure incurred on electronic, high precision machinery or equipment and automated equipment provided no annual allowance is claimed.
- A deduction of annual allowance equal to 200% of the capital expenditure incurred in medical research and development can be claimed against gross income.
- 200% of the costs incurred on acquisition of patents, franchises and other costs to comply with international quality standards and norms provided no amount of annual allowance on those expenditure.

#### Alternative Minimum Tax (“A.M.T”)

- Reintroduction of the Alternative Minimum Tax applicable for the life insurance business at the rate of 10% of profit attributable to shareholders after adjusting for capital gains and losses, if any.

#### Tax Credit on Plant and Machinery

- Manufacturing company is entitled to a tax credit equal to 15% of the costs of plant and machinery in the year of acquisition and 2 subsequent year provided the capital expenditure is incurred during 01 July 2020 to 30 June 2023.

#### Extension of Exemption of registration duty and land transfer tax

- Exemption of land transfer tax and registration duty is applicable on :
  - Transfer of a freehold land to a company for the construction of a housing state scheme consisting of at least 5 housing units not exceeding 7 million rupees during the period 01 January 2012 to 31 December 2020 provided that the completion of the project is not later than 31 December 2021.
  - Transfer of land inclusive of a house unit or by way of vente en l’état futur d’achèvement by a company not later than 30 June 2022 provided the construction has started as from 01 January 2012.

To benefit from the exemption, the registration is made as per table below:

Registration Period	Threshold
01 January 2012 to 31 December 2012	Up to Mur 2.5 m
01 January 2013 to 30 June 2019	Up to Mur 6 m
01 July 2020 to 31 December 2020	Up to Mur 7 m



### Commencement Date

- i. **Investment Allowance**
- ii. **Extension for Payment of Corporate Tax for tourism Sector**
- iii. **Tax holidays**

- On proclamation of the Act

### Definition of “Manufacture”

- Effective as from Year of assessment starting 01 July 2021

### Investment Allowance

- In addition to the deduction of annual allowance, companies affected by COVID-19 during the period 01 March 2020 to 30 June 2020, are entitled to 100% deduction of costs incurred on such capital expenditure during the foresaid period.

### Extension for Payment of Corporate Tax

- Companies engaged in an activity in the tourism sector and having accounting year end between September 2019 to June 2020 shall pay their tax and solidarity liability as follows:
  - 50% of the tax on not later than 29 December 2020.
  - The next 50% of the tax on not later than 28 June 2021.

### Tax Holidays

- An 8 year tax holiday is given for company which started its operations on or after 04 June 2020 and having the following income:
  - Manufacturing of nutraceutical products;
  - Inland aquaculture; and
  - Providing tertiary education in Mauritius provided the institution ranks among the best 500 worldwide.

### Revised interpretation of Manufacture

- The definition of “manufacture” in the Income Tax Act now includes the following:
  - Assembly of parts into a piece of machinery or equipment or other product;
  - Retreading of used tyres; and
  - Recycling of waste.



### 3. OTHER TAX MEASURES





### Commencement Date

#### Construction works for Government

- Starting on 01 October 2020

#### VAT Refund Residential Building

- Deemed to start on 01 February 2019

#### i. Arm's Length Supply ii. VAT on Digital Services

- On proclamation of the Act

#### Construction works for Government

- Construction works carried out for Government and Government entities during the period 01 October 2020 to 30 September 2022, the supply is deemed to occur when consideration is received.

#### VAT Refund on Residential Building

- VAT refund is available on residential building with VAT amount not exceeding Mur 25,000 provided:
  - the claim is in respect of a final application; or
  - the amount of VAT paid during a quarter and the 3 preceding quarters does not exceed Mur 25,000.

#### Value of Supply at Arm's Length

- Open Market value of supply may be taken when the supply is:
  - For a consideration not consisting of money or;
  - Not at an arm's length transaction.

#### VAT on Digital or Electronic Service

- VAT is imposed on digital and electronic services supplied by a foreign supplier to a resident in Mauritius.
- Foreign supplier is defined as person who
  - Has no permanent establishment in Mauritius;
  - Has his place abode outside Mauritius; and
  - Make digital or electronic services to a person in Mauritius.
- Digital or electronic service is described as services made over the internet or an electronic network which is reliant on the internet or is dependent on information technology for its supply.
- The foreign supplier shall submit a return with respect to the value of supplies made to resident of Mauritius to the Director-General for the month in which supplies are made, without taking into account input tax.



## The Value Added Tax Act

### Commencement Date

#### Extension of VAT exempt bodies

- On proclamation of the Act

#### Extension of VAT exempt bodies

- VAT is not applicable on purchase of plant and machinery and on construction of a purpose built building for medical research and development by a person registered with the Economic Development Board (“EDB”) and is engaged in medical research and development.
- Persons engaged in inland aquaculture under the Inland Aquaculture Scheme and registered with the EDB in respect of equipment (excluding office equipment, furniture and vehicles) for the exclusive use of or in furtherance of the inland aquaculture project as approved by the Ministry.
- Persons approved by the Higher Education Commission for use of information technology and information technology related materials and equipment for the purpose of online education at the time of setting of the branch campus of an tertiary institution ranked among the first 500 worldwide, in Mauritius.

#### Extension of VAT exempt bodies (cont'd)

- A holder of a Smart and Innovative Mauritius Development Certificate issued by the EDB for construction of purpose built building and related infrastructure , plant and machinery and materials in respect of setting up of the smart and innovative-driven project as approved by the EDB.



## The Value Added Tax Act (Cont'd)

### Commencement Date

### Reclassification of Supplies

- On proclamation of the Act
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### Reclassification of exempt to zero-rated supplies

- Primary agricultural and horticultural produce (including tomatoes, potatoes, onions and other vegetables, fruits, coffee, cocoa beans and nuts) which have not processed excluding reaping, threshing, husking, crushing, winnowing, trimming, drying and packaging to present the products into marketable condition.
- Live animals used for yielding or producing food for human consumption excluding live poultry.
- The transport of passengers by public service vehicles including light rail but excluding contract buses for transport of tourists and contracts.
- Medical, hospital and dental services including clinical laboratory services and other services provided in a health institution.





## Customs Act

### Commencement Date

#### Principal Officer

- On proclamation of the Act

#### Principal Officer of a Private Company

- A principal officer is
  - Responsible for all the activities carried out by the company as required under the Customs Act;
  - Is required to arrange for payments or retain property of the company to settle duty, excise duty and taxes liable to the company; and
  - Is personally liable to any unpaid amount of mentioned liability above by the company.

A principal officer is described as an executive director or any other persons who is entitled to exercise powers or control as exercised under the Board of directors.

## 4. TAX ADMINISTRATION





## Commencement Date

### Hearing of representations

- On proclamation of the Act

### Mode of Service

- Starting on 01 December 2020
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### Hearing of representations

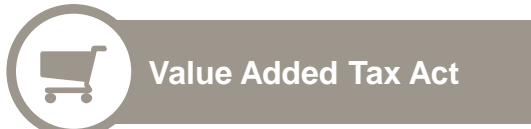
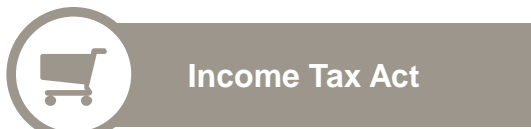
- Where the defendant or his representative fails to attend or to be represented at two consecutive hearing, the case will be struck off unless the reason for the absences are illness or other reasonable cause as satisfied by the Chairperson.

### Mode of service and transmission of documents

- The Director-General will communicate any correspondence, notice of assessment, determination, other notice or document electronically, by post or at the person's place of business or delivering it personally to him.
- Every person shall submit a return or statement under any Revenue Law under an e-tax account provided by the Director-General or use a tax representative e-tax account.
- The E-tax account can be used to file a return, statement of income, make a payment or submit other document to the Director-General.

### Mode of service and transmission of documents (cont'd)

- A tax representative is a person who submits, on behalf of another person, a return or statement under any Revenue Law.



## Commencement Date

### Refund of Excess Tax

- Starting on 01 December 2020

### VAT Registration

- Starting on 02 September 2020

#### i. Appointment Notice

#### ii. Cargo Report

- On proclamation of the Act

### Refund of excess income tax

- Where a person makes a claim in respect of tax paid in excess of his tax liability, a refund shall be made within a period of 60 days of the due date for submission of the return or the date of the receipt claim, whichever is the later.

### VAT Registration via CBRIS

- A person can apply for VAT registration through Companies & Businesses Registration System (“CBRIS”).

### Notice of appointment

- The appointment of an administrator, executor, receiver or liquidator, by a taxable person, should be notified to the Director-General within 15 days of the date of the appointment.

### Cargo Report

- A penalty of Mur 500 per day up to a maximum of Mur 5,000 is imposed for the owner/authorised agent of an aircraft/ship who fails to give a cargo report in respect of the aircraft or ship, its cargo and passengers.
- An aggrieved person have a right of appeal against the penalty.



## 5. OTHERS





## Immigration Act

### Commencement Date

- Starting on 02 September 2020

#### Investment Floor to grant resident status

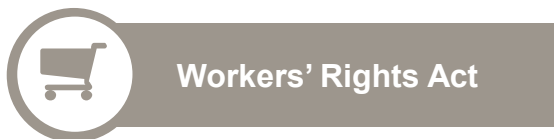
- The flooring amount to grant resident status to non-citizen of Mauritius on holding immovable property under the Integrated Resort Scheme, Real Estate Scheme, Investment Scheme, Property Development or Smart City Scheme is reduced from USD 500,000 to USD 375,000.
- In addition, the resident status is extended to parents of the person.

#### Occupation Permit

- The period of Occupation Permit (“OP”) for investor and self employed which is still valid as at 01 September 2020, is extended to 10 years.
- The validity period of the Resident Permit (“RP”) has been extended from 10 years to 20 years as from expiry of the RP or OP or issue date of the Permit of Residence.

#### Occupation Permit (Cont’d)

- An OP holder as a professional or RP holder as a retired non-citizen is allowed to invest in any business on conditions that:
  - he is not employed in the business;
  - he does not constitute in the management of the business;
  - He does not derive any salary or employment benefits from the business.



## Commencement Date

- i. **Extension to file Audited Financial Statement**
- ii. **Exemption to file Financial Statement**
- iii. **Termination of Employment**

- On proclamation of the Act

## Payment of a Special Allowance

- Starting on 01 January 2020

## Extension of the Period to File Audited Financial Statements

- Financial Services Commission (“FSC”) may extend the filing of the audited financial statements during an emergency period.

## Exemption to File Financial Statement

- A person may be exempted by FSC to file the annual financial statement if it is not practicable for the latter to comply with.

## Termination of Employment

- As from 01 June 2020, only an employer who has sought for the prescribed financial assistance schemes to financially sustain the consequences of COVID-19, may make his workers redundant temporarily or permanently by terminating their contract.

## Payment of a Special Allowance

- The Director-General may pay a category of worker a special allowance proportionate to his salary as prescribed and the latter is not entitled to the Negative Income Tax Allowance.



Human Resource  
Development Act



National Pension Act



MRA Circular Letter

## Commencement Date

### Training Levy

- Deemed to start on 01 July 2020
- i. **C.S.G.**
- ii. **Assessment by MRA**
- Starting on 01 September 2020

### Training Levy

- For the period 01 July 2020 to 30 June 2021, every employer shall pay the training levy at a reduced rate of 1%.

### Contribution Sociale Généralisée (“CSG”)

- The traditional pension scheme is being replaced by the CSG as from 01 September 2020. The rate to be applied in respect of CSG will be communicated once the Regulations are finalised.
- Every participant and the employer shall pay the CSG at the prescribed rate as from the month September 2020.
- Participant is described as such a category of:
  - An employee; or
  - A self-employed; or
  - Any other persons as prescribed to pay CSG.

### Assessment raised by Mauritius Revenue Authority (“MRA”)

- The Director-General may claim the unpaid amount of CSG by issuing a written assessment to the employer or participant.
- The employer or participant is required to pay the CSG amount or filed an objection in case of disagreement, not later than 28 days with respect to the date of the assessment was raised by the Director-General.

### Portable Retirement Gratuity Fund (“PRGF”)

- Employers are required to file monthly PRGF returns mand make payment of the contributions as from January 2020.

### Electronic Employer Declaration Form (“e-EDF”)

- The e-EDF is available on MRA website for employees to fill. The employees shall provide their National Identity Card Number, the card control number on the back of ID card, mobile phone number and the employers’ Registration Number (“ERN”). Employers shall use their ERN and password to download the an excel file of the deduction claimed by their employees on the e-EDF.



The Mauritius office benefits from the support of the global Mazars organisation in areas such as technical support, risk management and ongoing training from our offices in France and South Africa.

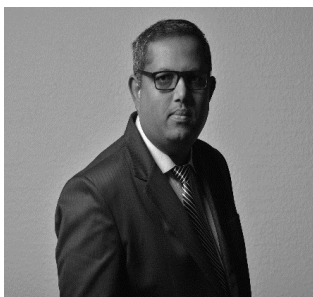
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### **Notice**

*All information is believed to be correct at the time of publication. This is not intended to be a comprehensive package of measures in the budget and should not be relied upon as such. The information presented in this document has been extracted from the Budget Speech delivered by the The Minister of Finance and Economic Planning and Development, Dr the Honourable RENGANADEN PADAYACHY to the National Assembly on 04 June 2020. Specific advice should be sought in any specific matter.*

**06 June 2020**

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