ANNEX 1

EXPLANATORY NOTES ON PROVISIONS TO BE INCLUDED IN THE FINANCE BILL AND THE ECONOMIC AND FINANCIAL MEASURES BILL AND REGULATIONS

1. Reduction in Customs Duties

	FROM	TO
BEAUTY CARE		
Perfumes, eau de toilette and deodorants	15%	0%
Lip and eye make up	15%	0%
Manicure and pedicure preparations (including nail polish, nail varnish remover)	15%	0%
Powders	15%	0%
Shampoos	15%	0%
Hair lacquers	15%	0%
Preparations for waving or straightening of hair	15%	0%
Hair removing appliances	15%	0%
Pre-shave, shaving or after shave creams, foams and lotions	15%	0%
Electric shavers	15%	0%
FOOTWEAR		
Shoes and other footwear (per pair)	Rs 7 - Rs 80	0
OTHERS		
Check-out counters	30%	0%
Tyres	30%	0%

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2. Changes in Excise Duties

(a) Mopeds and motorcycles

	FROM	TO
Up to 50 cc	15%	0%
Between 51 cc and 125 cc	30%	0%
Above 450 cc	45%	100%
Electric motor cycles of less than 3.75 kw	7.5%	0%
Paramedic (ambulance) motorcycles	45%	0%

(b) Lorries

	FROM	TO
Refrigerated lorries	10%	0%

(c) Outboard motors

	FROM	TO
Outboard motors of more than 140 hp	0%	50%

(d) Tobacco products

	FROM	TO
Cigars (per kg)	Rs 9,500	Rs 10,925
Cigarettes (pack of 20)	Rs 55	Rs 63.20

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(e) **Alcoholic products**

	FROM	TO
Beer (per litre)	Rs 22.80	Rs 29.75
Fruit wine (per litre)	Rs 8.40	Rs 25.20
Made wine (per litre)	Rs 18	Rs 54
Spirit cooler (per litre)	Rs 28.50	Rs 37
Rum (per litre of absolute alcohol)	Rs 300	Rs 390
Cane spirits (per litre of absolute alcohol)	Rs 300	Rs 390
Wine of grapes (per litre)		
In bulk for bottling purposes	Rs 72	Rs 79.20
In bottle	Rs 126	Rs 139
Champagne (per litre)	Rs 600	Rs 660
Whisky (per litre of absolute alcohol)		
In bulk for bottling purposes	Rs 750	Rs 825
In bottle	Rs 1,200	Rs 1,320

3. Income Tax

(a) Increase in Income Exemption Thresholds

	FROM	TO
Individual with no dependent	Rs 255,000	Rs 270,000
Individual with one dependent	Rs 365,000	Rs 380,000
Individual with two dependents	Rs 425,000	Rs 440,000
Individual with three or more dependents	Rs 465,000	Rs 480,000
Retired person with no dependent	Rs 305,000	Rs 320,000
Retired person with one or more dependents	Rs 415,000	Rs 430,000

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(b) Abolition of Solidarity Income Tax on dividends and interest income

	FROM	TO
Individual having taxable income, interest and dividends income above Rs 2 million	10% of dividends and interest income as from income year 2011	Nil as from income year 2012
Tax deduction at source on bank deposits exceeding Rs 5 million	10%	Nil as from January 2012

(c) Abolition of income tax on gains from sale of immovable property

Income tax on the gains derived from sale of immovable property introduced last year at the rate of 10% for individuals not engaged in the business of property dealings and 15% in other cases is being removed on transactions effected as from 5th November 2011.

(d) Review of taxation of fringe benefits (last changed in January 2007)

	(monthly taxable amount) FROM	TO
(i) **Car Benefit**		
A. Car is used for official or business and private purposes		(50% increase)
Up to 1600cc	Rs 4,000	Rs 6,000
1601 to 2000cc	Rs 4,500	Rs 6,750
Above 2000cc	Rs 5,000	Rs 7,500
B. Car is used exclusively for private purposes		
Up to 1600cc	Rs 12,000	Subsumed in category A above
1601 to 2000cc	Rs 13,500	
Above 2000cc	Rs 15,000	

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(ii) **Accommodation Benefit provided by hotels** A. Full Board and lodging Single Married B. Accommodation for Managing and supervisory staff Other staff	 Rs 5,000 Rs 7,000 Rs 2,000 Rs 1,000	 **(100% increase)** Rs 10,000 Rs 14,000 Rs 4,000 Rs 2,000
(iii) **Housing Benefit** Where property is rented by the employer Unfurnished Furnished	 15% of employee's total emoluments or actual rent paid whichever is the lower 20% of employee's total emoluments or actual rent paid whichever is the lower	 Actual rent paid Actual rent paid

(e) Current Payment System (CPS) – Business facilitation

Self-employed taxpayers having a turnover or deriving income from profession, vocation or occupation, not exceeding a threshold of Rs 2 million per annum, will no longer be required to file CPS returns and pay tax on a quarterly basis. They will pay tax annually at time of filing of their income tax return. This facility will apply equally to rental income not exceeding the annual threshold of Rs 2 million.

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Likewise, companies with turnover below the threshold of Rs 2 million per annum will be exempted from the requirement to file quarterly returns and pay tax under the Advance Payment System.

Moreover, self-employed taxpayers who did not have any tax to pay in their preceding income tax return will not be required to submit CPS returns. If the tax due in a CPS quarter, using the preceding income year as a basis, is less than Rs 500, no CPS return will be required and the tax will become payable at time of submission of the income tax return.

(f) Tax Deduction at Source (TDS)

Tax deduction at source will be extended as follows:

- in respect of contractors and sub-contractors, to cover other works apart from civil construction such as mechanical and electrical works;
- to services provided by doctors, dentists, attorneys, solicitors, barristers and legal consultants;
- to all payments made to non-residents for services performed in Mauritius except where such persons are exempted from tax under a double taxation avoidance agreement;
- to interest paid by persons other than financial institutions and companies in the Global Business sector to non-residents; and
- to cover rent collected by a tour operator or other intermediary on behalf of property owners.

Ministries, Departments, Local Authorities, the Rodrigues Regional Assembly and Parastatals apart from the normal TDS will also be required to effect deduction at source in respect of high-value contracts relating to implementation of projects and procurement of goods and services.

(g) Solidarity Levy on management companies in the Global Business Sector

The solidarity levy is being extended to cover, apart from banks and telecommunication companies, management companies in the Global Business Sector (Offshore Management Companies).

The levy will be 10% of chargeable income and will be applicable for 2 years in 2012 and 2013.

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(h) Extension of the Solidarity Levy on telecommunication companies

The solidarity levy on telecommunication companies is being extended for one additional year to end in 2013.

(i) Overseas marketing and promotional expenses

The double deduction for overseas marketing and promotional expenses granted to a company in the tourism sector or engaged in export activities will be abolished as from 1st January 2012. In the case of an SME, a grant will be provided up to a maximum of Rs 100,000 per year to finance its participation in international fairs.

(j) Freeport

The income tax exemption to freeport operators which will end in 2013 will continue to be granted indefinitely.

4. Value Added Tax

(a) Operation of a VAT Refund Scheme for the agro-industrial and fisheries sector in 2012 under which VAT paid on equipment purchased in 2012 by registered producers will be refunded by the MRA.

(i) Registered Planters/breeders/horticulturists/apiculturists

Agricultural and horticultural appliances for spraying liquids or powders
Smoking-out apparatus for bee-keeping
Ploughs
Harrows, weeders and hoes
Manure spreaders and fertiliser distributors
Harvesting and threshing machinery
Milking machines
Dairy machinery
Poultry incubators and brooders
Machines for cleaning, sorting or grading seed, grain or dried leguminous vegetables

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Machinery for the preparation of fruits, nuts or vegetables
Hand tools (incl. spades, forks, rakes, secateurs etc.)
Agricultural plastic crates
Heavy-duty high-pressure cleaning equipment
Heavy-duty water pumping equipment

(ii) Registered Fishermen

Outboard and inboard motors of less than 25 hp
VHF telecommunications radio
Equipment used in fishing vessels (off lagoon)

(b) Amendment to the VAT Act to provide for the following:

(i) Life Jackets

	FROM	TO
Life Jackets	15%	Exempt

(ii) Anti-smoking campaign

	FROM	TO
Anti-smoking gum	15%	Exempt

(iii) Cosmetic surgery

	FROM	TO
Cosmetic surgery	15%	Exempt

(iv) Social Housing

	FROM	TO
Construction of social housing by Housing Development Trusts	15%	Exempt

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5. Tax Amnesty and Speeding up Collection of Tax Arrears

The MRA will recruit some 50 additional officers for reinforcing its tax investigation and tax audit units and devote additional resources including its new information technology infrastructure in tracking tax evasion and fraud.

A last opportunity is being granted during the period January to June 2012 for regularisation of undeclared or under declared income in whatever form it has been kept or invested, including overseas assets, so that there is no cause for complaint as MRA intensifies its administrative efforts to track down tax evasion and fraud.

A **Voluntary Disclosure of Income Arrangement (VDIA)** will thus be operated by MRA from January to June 2012 and no penalties will be payable on income declared under the scheme. In addition, no interest will apply if the tax is paid before 30 June 2012.

An **Incentive Scheme for VAT registration** will be introduced running for the same period and targeting persons in business, service providers and professionals who have not registered themselves for VAT. They will have to pay VAT due only for the last 2 years from the date of registration after deduction of input tax thereon and no penalty will apply. Also, no interest will apply if the VAT is paid before 30 June 2012.

The MRA will also run two additional Schemes to recover tax arrears:

(i) The **Tax Arrears Settlement Scheme (TASS)** will operate until end of June 2012 and will target recovery of long outstanding arrears, prior to 1 July 2006, through full waiver of collecting penalties and 75% waiver of assessing penalties.

(ii) The **Expeditious Dispute Resolution of Tax (EDRT)** will target settlement of tax debts by a special unit set up within MRA to review the amount of tax assessed where a taxpayer was unable to dispute the tax claim due to failure to pay the 30% of tax assessed on objection, non-production of full records or non-attendance. Penalties will be waived.

6. Registration Duty and Land Transfer Tax

(a) Reduction in cost of borrowing

Registration duty ranging from Rs 1,000 to Rs 10,000 is being removed on registration of secured loans where the amount borrowed does not exceed Rs 1 million.

Reduction of registration duty on secured loans

Loan Amount (Rs)	**FROM**	**TO**
0 – 300,000	Rs 1,000	Nil
300,000 – 500,000	Rs 3,000	Nil
500,000 – 1 million	Rs 10,000	Nil
For information: no change for loans above Rs 1 million		
1 million – 5 million	Rs 30,000	
Above 5 million	Rs 50,000	

Abolition of inscription fee

The inscription fee of Rs 200 payable on registration of secured loans is being removed.

Therefore, only stamp duty of Rs 1,000 will be payable as user fee on registration of a secured loan not exceeding Rs 1 million.

Renewal of inscription

In addition, the 'Code Civil Mauricien' will be amended to extend the time limit for renewal of inscription in respect of a fixed and floating charge in connection with a secured loan from 10 years to 40 years thereby reducing further the cost of borrowing.

(b) Exemption from land transfer tax

Financial institutions will be exempted from payment of land transfer tax on the sale of immovable property in connection with debt realisation provided that the property is being sold within a period of 12 months from its acquisition date.

(c) Incentives for construction of residences for the middle income group

Construction projects of housing estates of at least 5 units where the selling price of a unit does not exceed Rs 2.5 million will benefit from the following incentives:

On purchase of land for the project:

- Seller exempted from land transfer tax (5%/10%)
- Buyer exempted from registration duty (5%)

On sale of residential unit:

- Seller exempted from land transfer tax (5%/10%)
- First time buyers exempted from registration duty (5%)

The scheme will run from 1 January 2012 to 31 December 2013 for registration of projects under the scheme.

Construction must be completed within 2 years from acquisition of land or from date of registration of projects where land is already available.

Sale of residences must be effected within 1 year from end of construction. Sale prior to construction by way of 'Vente en Etat Future d'Achèvement- VEFA' will be allowed.

Incentives will be clawed back in case of non compliance.

7. Other Tax and Revenue Measures

(a) Abolition of Tenant's Tax

The rate of Tenant's Tax ranges from 10% to 20% of the amount of rent payable. The tax is payable by tenants and occupiers of business and commercial premises located in Municipal areas. This tax is being abolished with effect from 1st January 2012.

(b) Rental for new industrial leases on State lands

The annual rental values for new industrial leases of State lands along the coast which were set in July 2008 are being updated to reflect current market values based on a valuation exercise carried out by the Valuation Department, subject to a maximum rental increase of 40%. The new rental amounts will apply to letter of intents in respect of industrial leases issued after the date of the Budget Speech, that is, as from 5 November 2011.

The base rental amount per arpent for new industrial leases along the coast will therefore be increased as follows:

Zone	FROM (Rs)	TO (Rs)	% increase
A	800,000	1,120,000	40%
B	640,000	896,000	40%
C	560,000	785,000	40%
D	480,000	600,000	25%
E	400,000	450,000	13%

(c) Environment Protection Fee

The Environment Protection Act will be amended to provide for the payment of the Environment Protection Fee (EPF), in respect of the period 1 January 2012 to 31 December 2012, by a hotel, guest house or tourist residence within 4 months after the end of its accounting period, instead of monthly as it is at present. The EPF will be payable only by profitable hotel, guest house or tourist residence.

(d) Levy on Messaging Services

A levy of 10 cents on each SMS, MMS and ZMS is being introduced as from 1st January 2012.

(e) Advertising Structure (Billboard) Fee

The Advertising Structure Fee will be collected by the MRA instead of Local Authorities and a "vignette" will be affixed to each billboard to ensure compliance control. The new fee amounts will become effective as from 1st January 2012.

(f) Tourism Fund

The Tourism Fund will be wound up. The surplus balance of the Fund and future contributions made by promoters of tourism development projects on State lands will be credited to the Consolidated Fund.

(g) Corporate Social Responsibility (CSR)

The basis for computation of the CSR amount will be changed from 'adjusted book profits' to 'chargeable income'.

The composition of the CSR committee will be broadened to include one additional member from (i) Civil Society, (ii) Private Sector and (iii) the Ministry of Housing and Lands.

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(h) Simplification and strengthening of tax administration, removal of anomalies and improved taxpayer services

The main changes are:

- The rate of donation duty is being aligned with that of registration duty at 5%.

- Payment of land conversion tax will be allowed in 4 consecutive equal 6-monthly instalments, the 1st instalment at a time the authorisation is granted. The remaining instalments to be secured by way of a bank guarantee or an inscription being taken on the land by the Registrar-General.

- A Protected Cell Company will be required to file financial statements with the Registrar of Companies for each cell and pay tax on a cell basis.

- Apart from US dollar, Euro and GB pound sterling, companies in the Global Business sector will be allowed to pay income tax in Singapore dollar, South African rand, Swiss franc, and any other approved convertible foreign currency. This facility will also be extended to other companies.

- Imposition of administrative penalties in addition to fines for non submission of the annual tax returns to MRA.

- Allow MRA to raise assessments on persons not withholding/remitting tax deduction at source.

- To clarify that the taxation of Board director's remuneration is on an accrual basis.

- Individuals whose annual total income exceeds Rs 2 million will be required to file their income tax return electronically.

- A Board Member of the MRA will be required to be present on interview panels only for filling of posts of Section Head and above. Other staff will be interviewed by a panel of 3 MRA Directors.

- Excess corporate tax paid will be allowed to be set off against future tax liability under the Advance Payment System.

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- Executive directors in a private company will become accountable and liable for non-payment of VAT to MRA as in the case of Income Tax.

- To extend the power of MRA for temporary closure of a business in case of non payment of VAT/income tax to cases where claims have remained unpaid.

- Companies submitting electronic VAT returns will be required to submit particulars of sales to traders.

8. <u>Financial Services Framework</u>

(a) Asset Recovery

The Asset Recovery Act is being amended for a Restraining Order to have effect until the conclusion of the criminal process including any appeal in respect of that offence where a Restraining Order was made on the basis that the alleged offender was the subject of a criminal enquiry and the alleged offender has been charged with an offence/s as a result of that enquiry.

(b) Compliance with the International Organisation for Securities Commission (IOSCO)

To enable the Financial Services Commission to sign the IOSCO Memorandum of Understanding (in line with our commitments to the Financial Stability Board to be a well regulated financial Centre), the Bank of Mauritius Act will be amended to allow it to disclose information to the Financial Services Commission. Amendments will also be made to the Financial Services Act and the Securities Act.

(c) Improving Financial Sector Governance

(i) The **Banking Act** will be amended in order to:

- allow financial institutions not having a website to publish financial statements in at least 3 daily newspapers;

- bring it in line with the Borrowers Protection Act regarding disclosure of information on credit facilities granted to a person;

- bring it in line with the Companies Act regarding appointment of auditors at each annual meeting of a financial institution;

- allow service providers to make declaration of confidentiality;

- include "*The Enforcement Authority*" set up under the Asset Recovery Act 2011to allow financial institutions to disclose information to the Enforcement Authority;

- allow the central bank to apply penalties on non-bank deposit taking institutions; and

- be in line with the cheque truncation system. In addition, the Bills of Exchange Act will be amended to give effect to the Cheque Truncation System.

(ii) The '**Code Civil Mauricien**' will be amended to provide for an appropriate framework which will govern leasing of both immovable and movable property, especially finance lease. This will establish a clearer parameter for any institution engaged in leasing operations and regulate the leasing business whilst at the same time enable leasing of immovable property under a finance lease. This provision is meant to facilitate access to credit and will also boost entrepreneurship. The Registrar-General will create a new register to record and give publicity to the rights of both the lessee and lessor of immovable and movable property under a finance lease.

(iii) The **Borrower Protection Act** will also be amended to give banks the option of issuing loan statements electronically.

(iv) The **Courts Act** will be amended to allow the issuance of certificates from a bank officer as sufficient evidence of the facts instead of the person having to attend the Court as witness.

(v) The **Limited Partnerships Act** will be amended to clarify that a limited partnership can operate in or outside Mauritius or both.

9. <u>Improving Procurement</u>

(a) Public Procurement Act amended

The Public Procurement Act will be amended to allow procurement to be undertaken:

i. pursuant to an agreement or arrangement entered into by Mauritius with a foreign country for the purposes of benefiting from the development experience of that foreign country, provided that the procurement is undertaken through a Government agency of that foreign country.

ii. where such procurement is in respect of an information and communication technology project and due to confidentiality of sensitive information and potential risks in the execution of Government projects which require interfacing with existing different systems, it is considered necessary, in order to protect the safety or interests of Mauritius, that the project be executed by a company or firm which has initially developed the systems currently in operation.

iii. under a framework agreement for bulk purchases.

(b) Registration of foreign consultants and contractors

The **Construction Industry Development Board Act** will be amended to make operational the registration of foreign consultants and contractors and enable them to offer their services in Mauritius.

10. <u>Business Facilitation</u>

(a) Permits for the importation of fish will be abolished by amending the **Fisheries and Marine Resources Act**. A processing fee will be collected by the MRA.

(b) To facilitate the process for change of name, the **Civil Status Act** will be amended to allow for cash payment instead of using stamps.

(c) BOI will henceforth promote and facilitate the development of a film industry and regulations under the **Mauritius Film Development Corporation Act** will be repealed.

(d) Declarants at Customs will henceforth not submit the accompanying documents of a Bill of Entry but instead keep these for inspection by MRA on demand.

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11. <u>Public Finance</u>

(a) The **Public Debt Management Act** will be amended to bring clarification to the provisions relating to the submission of a 3-fiscal year financing plan, and to make the Director of the Office of Public Sector Governance a member of the committee set up to assess the risk level of public enterprises; and

(b) The time period of 2 months for submission of the Annual Report of a Statutory Body is extended to 3 months in the **Statutory Bodies (Accounts and Audit) Act**.

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