

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

## A. TAXATION AND TAX ADMINISTRATION

### Customs Duty

#### ➤ Abolition of Customs duty

Customs duty on the following imports is being abolished with immediate effect:

	<u>From</u>	<u>To</u>
○ Sinks, wash basins, baths and bidets	15%	0%
○ Toilets, flushing cisterns and mechanism	15%	0%
○ Sanitary towels (pads) and tampons	30%	0%
○ Steel electric poles	15%	0%
○ Jute bags	30%	0%
○ Television sets of diagonal width of over 82 cm (i.e. 32")	15%	0%

#### ➤ Tariff Policy

Where significant local production exists and to give greater certainty to businessmen and investors, changes in customs duty rates on products will be announced with a notice of at least 6 months.

#### ➤ Implementation on 1<sup>st</sup> January 2013 of Mauritius international commitments on customs tariffs

- **SADC Trade Protocol:** implementation of stage 3 of the four-stage tariff elimination on list of sensitive goods

	<u>From</u>	<u>To</u>
○ Black tea	24%	16%
○ Flour	9%	6%
○ Salt	9%	6%
○ Edible oil	9%	6%
○ Margarine	9%	6%
○ Electric filament and discharge lamps	30%	22%
○ Safety glass	15%	12%

	<u>From</u>	<u>To</u>
○ Toilet paper in rolls	24%	16%
○ Trays, dishes, plates, cups of paper	24%	16%
○ Dog and cat food	9%	6%
○ Tubes, pipes of iron and steel	15%	12%
○ Napkins and Napkins liners for babies	12%	8%

- **Interim Economic Partnership Agreement (EPAi)** with the European Union:

1<sup>st</sup> year of tariff liberalisation process involving –

- Raw materials and capital goods: Immediate liberalization
- Intermediate goods: phased reduction from 2013 to 2017 (5 years)
- Finished goods: phased reduction from 2013 to 2022 (10 years)

- **Bilateral Free Trade Agreement with Turkey:** covered under EPAi

#### ➤ **Imports by post and courier services**

- Customs duty and VAT exemption will apply on the first Rs 2,000 of the import value of the goods, instead of Rs 1,000. Such exemption does not apply to imports for sale, alcohol, tobacco products and illicit goods. This change will take effect immediately.
- Recourse to a Custom Broker will no longer be required to obtain delivery of personal goods arriving by post or courier services, if their value is below Rs30,000. The current limit is Rs10,000.

## **Business Facilitation**

The Customs Act will be amended to:

- remove the current restriction on shops operating under the “**Deferred Duty and Tax Scheme**” to sell only to tourists visiting Mauritius. They will now be able to export goods to customers outside Mauritius under Customs Control;
- eliminate the requirement to furnish a **security/bank guarantee** upon export of goods from bonded warehouses and goods taken as stores for aircraft or ship;
- extend the maximum period for re-warehousing of goods from 24 months to 30 months, that is by 6 more months. Normally, imported goods are allowed to be warehoused under Customs control (without payment of duty and tax) for a period of up to one year and re-warehoused (upon submission of a bank guarantee) for a further period of one year. Last year, the maximum period of re-warehousing was extended from one year to 2 years, in view of the economic crisis.

### ➤ **Enhancing fairness and transparency in customs administration**

- The **Customs Administrative Penalty (Compounding of Offences) System** will be made simpler, fairer and more transparent.
  - Under the present system, penalty may reach up to 3 times the value of imports + duties + taxes. Under the new penalty regime, the maximum penalty will be 3 times the duties and taxes short-paid.
  - In cases not involving duties and taxes, there will be a penalty of fixed amount.
  - There is also a perception by stakeholders that there is an excessive level of discretion in the administration of penalties.

The offences which may be subject to compounding as well as the sum to be compounded will be set out in a Schedule to the Customs Act.

- In other cases, where offences are not compounded, the amount of duties and taxes short paid will be claimed together with 25% penalty and 1% interest per month.
- An aggrieved person will also have the right to object to the claim, which will be dealt by the “Objections, Appeals and Dispute Resolutions” Department of the MRA. If he is still not satisfied, he may lodge a representation with the Assessment Review Committee.
- MRA will continue to have the possibility to send cases involving serious offences for prosecution.
- The Customs Act will be amended to make provision for MRA, upon an application, to issue an Advance Ruling on customs tariff classification and origin of goods.

## **Excise Duty**

### ➤ **Motorcycles**

Duty on motorcycles of cylinder capacity from 126 to 200 c.c. is being abolished with immediate effect. Currently, they attract duty at the rate of 45%. [Motorcycles below 125 c.c. are already duty-free since last Budget.]

### ➤ **Electric Cars**

Electric cars are currently taxed at the rate of 27.5% if the power rating is less than 57.5 kw and at 50% for those above 57.5 kw. The rate will henceforth be a flat **25%**.

➤ **Vintage or Classic motor cars**

The definition of “classic” motor car will be aligned on international standards, i.e. any motor car manufactured before 1970 (instead of 1948). With effect as from 1<sup>st</sup> January 2013:

- excise duty at importation of a “vintage or classic” car is being abolished (current rate is 55%).
- registration duty on transfer of the vehicle will be Rs 1,000 (instead of Rs 12,500 - 40,000).
- road tax will be Rs 1,000 (instead of Rs 3,500- 8,500).

➤ **Returning Residents**

In view of fraudulent practices, the 15% concessionary rate of duty granted to a returning resident on a motor vehicle will be applicable only on the first **Rs 1.5 million** import value. Normal rate of excise duty will henceforth be applicable to any value in excess of Rs 1.5 million.

➤ **Tobacco Products**

The rate of Excise Duty on tobacco products is being increased by 12%, with immediate effect, as follows:

	<u>From</u>	<u>To</u>
Cigars (Rs per kg)	10,925	12,236
Cigarettes (Rs per thousand)	3,160	3,540

➤ **Alcoholic Products**

The rates of Excise Duty on alcoholic products are being increased, with immediate effect, by 15%, except for fruit wine, island wine and whisky for which the rate of increase is 5%, as follows:

	<u>From</u>	<u>To</u>
Beer (Rs per litre)	29.75	34.20
Fruit wine (Rs per litre)	25.20	26.50
Made wine (Rs per litre)	54.00	56.70
Wine of grapes (Rs per litre)		
<i>In bulk for bottling purposes</i>	79.20	91.10
<i>In bottle</i>	139.00	160.00
Champagne (per litre)	660.00	760.00
Spirit cooler (per litre)	37.00	
42.55		
Rum (per litre of absolute alcohol)	390.00	
448.50		
Cane spirits (Rs per litre of absolute alcohol)	390.00	
448.50		
Whisky (Rs per litre of absolute alcohol)		
<i>In bulk for bottling purposes</i>	825.00	
866.00		
<i>In bottle</i>	1,320.00	
1,386.00		
Liqueur (Rs per litre of absolute alcohol)	264.00	
304.00		

➤ **Definition of “liqueur”**

The definition of “liqueur” is being aligned with international standards with elimination of the reference to an upper limit of alcoholic strength (set currently at 39 degree), thus removing an anomaly that might give

rise to unnecessary legal dispute with MRA on importation of such brands as Grand Marnier, Cointreau and Drambuie.

➤ **Excise stamps on alcoholic beverages**

As is the case for cigarettes, the Excise Act will be amended to provide for the affixing of excise stamps on alcoholic products having an alcoholic strength of 20% or more and in containers of 200 ml or more, i.e., rum, cane spirits, whisky and liqueur as from mid-2013.

➤ **Misuse of “alcool bleu” and “alcool blanc”**

Provision will be made for manufacturers of heating and lighting alcohol (“alcool bleu”) and power white alcohol (“alcool blanc”) to add prescribed denaturants in those products so as to give them a bitter taste and a strong smell and make them unfit for human consumption. It is proposed to use the same denaturant and concentration as recommended by the European Commission. This measure will take effect as from 1<sup>st</sup> March 2013.

➤ **Soft drinks and Sugar**

As from 1<sup>st</sup> January 2013, all soft drinks, whether imported or produced locally, will be subject to excise duty.

“Soft drink” will be defined as per the Food Act and Regulations. It will thus cover any **aerated beverage** (such as colas), any **“syrup”**, any **fruit squash, cordial or drink**. Bottled water and fruit and/or vegetable juice will be not concerned by that tax.

The tax will be levied on the basis of the sugar content of such soft drink. For each gram of sugar, a tax of **2 cents** will be leviable.

Concurrently, the present levy of Rs 1.50 charged by the CWA on each litre of locally produced soft drink, bottled water and fruit drink will be abolished.



➤ **Promoting Energy efficiency**

Modulated excise duty will be introduced on electrical appliances on the basis of their energy consumption in order to promote the use of more energy efficient types and models. Regulations will be made by February 2013 by the Ministry of Energy and Public Utilities under the Energy Efficiency Act to set energy efficiency standards, measurements and labeling requirements to be met by importers and producers of electrical appliances. In the first instance, the concerned appliances will be **household refrigerators, electric ovens and dishwashers**.

Upon making of those regulations, necessary steps would be taken to subject energy inefficient appliances to a modulated penalty levy of up to 25%.

➤ **Strengthening enforcement powers of MRA [Customs and Excises]**

- Amendments will be made to enable MRA to effectively seize a motor vehicle on which duty exemption has been granted in case of non-compliance with the conditions of the duty concession by the beneficiary.

**Value-Added Tax**

➤ **Removing VAT**

The following goods and services will become VAT exempt with immediate effect:-

- Infant cereals not containing milk
- Colostomy bags and urine bags
- Entrance fees to cinemas, concerts and shows
- Royalties on importation of film

➤ **Compulsory VAT Registration**

The annual **turnover threshold** for compulsory VAT registration which has remained unchanged at Rs 2 million since 2006 will be raised to **Rs 4 million**. This will remove some 1,300 small traders and businesses from the VAT register.

➤ **VAT Refund Scheme for agro-industry and fisheries**

- The VAT Refund Scheme for agro-industrial and fisheries sector, which became operational in 2012 wherein VAT paid on equipment is refunded to registered producers, is being extended for one additional year, i.e. 2013.
- This facility will be extended to producer cooperatives in agro-industry and fisheries
- The list of covered items is being extended to cover :-
  - Spare parts for agricultural machinery and equipment
  - Weed mats
  - Plastic mulch
  - Post-harvest equipment
  - Dryers for agricultural products
  - Weight scales
  - Refractometer
  - Industrial type chill room/cold room
  - Straw and fodder bailers
  - Honey Extractor
  - Tyres used for tractors

**Environment Protection Fee**

- The payment facility provided this year to loss-making hotels, guest houses and tourist residences in respect of the Environment Protection Fee will be extended for the next 2 years. Accordingly, the Environment Protection Act will be amended to allow payment of the fee within 4 months of the end of the period instead of monthly payment.

## **Gambling**

- The Gambling Regulatory Authority Act will be amended to transfer responsibility for the setting up and maintenance of the **Central Electronic Monitoring System (CEMS)** for the on-line recording, monitoring and control of lottery games, gaming, and betting transactions to the Mauritius Revenue Authority, in view of the latter's advanced IT resources and capability. The Gambling Regulatory Authority (GRA) will have on-line access to the CEMS for its regulatory functions.
- A Memorandum of Understanding (MoU) will be entered into by the GRA and MRA for joint and coordinated action against evasion of betting and gaming taxes and non-compliance to conditions of licensing.
- The GRA Act will accordingly be amended to empower MRA officers with the same authority as GRA officers to act as "inspectors".
- For better assessment and control, payment by the National Lottery operator of Government's share of the proceeds from lottery games, which is now made directly into the Consolidated Fund, will henceforth have to be effected to the Mauritius Revenue Authority, with an appropriate return.
- The GRA Act will be amended to specify that the tax point for bets placed with bookmakers of foreign matches, foreign horse-racing and other events (excluding local horse-racing) to be at the time the bet is accepted, and not the time the event takes place. This will ensure better control and compliance.
- Provision will be made for imposition of a penalty of 50% of the licence fee in case of late payment.

## **Advertising Structure (Billboard) Fee**

- Existing payment facility to licensed billboard owners for payment of the Advertising Structure Fee to the Mauritius Revenue Authority will now be made permanent. They will not be required to pay the full

amount at the start of the year, but can make the payment on a quarterly basis.

- The Advertisements Regulation Act and the Roads Act will be amended to strengthen the powers of the Road Development Authority and the Mauritius Revenue Authority to facilitate identification of advertising structures through affixation of registered marks and provide for the dismantling and removal of illegal advertising structures.

## **Income Tax**

### **➤ Relief for medical/health insurance premium**

Every person will be allowed to deduct from his net income as from 1 January 2013, premiums paid in respect of a medical or health insurance policy contracted for himself and his dependents.

The maximum allowable deduction per annum would therefore be as follows:

<u>Category of income taxpayer</u>	<u>Up to Rs</u>
A (no dependent)	12,000
B (one dependent)	12,000 for self + 12,000 for dependent
C (2 dependents)	12,000 for self + 12,000 for first dependent + 6,000 for second dependent
D (3 dependents)	12,000 for self + 12,000 for first dependent + 6,000 for second dependent + 6,000 third dependent
E (retired person with no dependent)	12,000
F (retired person having one dependent)	12,000 for self + 12,000 for dependent

Premiums paid under a combined medical and life assurance scheme will not be allowed as a deduction.

➤ **Car Benefit**

Value of benefit-in-kind for income tax purposes of a company or official car used for official or business and private purposes will be increased by 50% as follows:

<u>Cylinder Capacity</u>	<b>(Monthly Taxable amount)</b>	
	<u>From</u>	<u>To</u>
Up to 1600cc	Rs 6,000	Rs 9,000
1601 to 2000cc	Rs 6,750	Rs 10,125
Above 2000cc	Rs 7,500	Rs 11,250

**Accommodation Benefit provided by hotels**

Value of the benefits-in-kind for income tax purposes will be increased, as follows:

	<b>(Monthly Taxable amount)</b>	
	<u>From</u>	<u>To</u>
<b>Full Board and lodging</b>		
Single	Rs 10,000	Rs
11,000		
Married	Rs 14,000	Rs
15,000		
Managing and supervisory staff	Rs 4,000	Rs 4,200
Other staff	Rs 2,000	Rs 2,100

➤ **Accelerated depreciation for investment in manufacturing and in green technology**

To give a boost to manufacturing and in line with the MID agenda, the Schedule of Annual Allowances in the Income Tax Act will provide for accelerated depreciation in respect of investments made during 2013 and 2014 in manufacturing and in “green” technology equipment, as follows:

	<u>From</u>	<u>To</u>
<b>Capital Expenditure incurred on –</b>		
Industrial premises dedicated to manufacturing	5% (straight-line)	30% (reducing balance)
Plant or Machinery fully expensed (100% allowance)	< Rs 30,000	< Rs 50,000
Electronic and high-precision machinery (incl. computer hardware and software)	50% (reducing balance)	50% (straight line)
Plant and machinery by a manufacturing company	35% (reducing balance)	50% (straight line)
‘Green’ technology equipment	35% (reducing balance)	50% (straight line)
Scientific research	25% (reducing balance)	50% (straight line)
Renovation works incurred by hotels, restaurants and retail outlets	20% (reducing balance)	33 % (straight line)

➤ List of qualifying **‘green’ equipment’** eligible for 50% annual allowance on a straight-line basis-

- Renewable energy including solar-electric (photovoltaics) and solar thermal, wind and biomass, except for companies whose main business is the production of electricity.
- Energy-efficient equipment or noise control device.
- Water-efficient plant and machinery and rainwater harvesting equipment and system.
- Pollution control equipment or device, including wastewater recycling equipment.
- Effective chemical hazard control device.
- Desalination plant.
- Composting equipment.

- Equipment for shredding, sorting and compacting plastic and paper for recycling.
  - Landscaping and other earthworks for embellishment purposes undertaken in 2013 and 2014 (currently no allowance is given for such expenditure).
- Any unused annual allowance in a year including the new provisions may be carried forward indefinitely. Expenditure on passenger car will not be eligible to the accelerated annual allowance provision.

➤ **Alternative Minimum Tax (AMT)**

To allow for full impact of the new accelerated annual allowances measures, application of the Alternative Minimum Tax (AMT) will be suspended for manufacturing and hotel companies during fiscal years 2013 and 2014 [AMT sets tax payment of a liable company, after application of tax incentives provisions to 7.5% of its book profits or 10% of any dividends declared whichever is the lesser].

➤ **Global Business Sector**

- In order to attract global funds which do not require benefits under our Double Tax Avoidance (DTA) network, such funds will be allowed to be set up as a corporate body enjoying tax-free status.
- The Income Tax Act will be amended to enable MRA to charge a service fee for issuing Tax Residence Certificates.

➤ **Current Payment System (CPS)/Advance Payment System**

- The turnover threshold for operation of the CPS will be raised **from Rs 2 million to Rs 4 million**. As a result, a self-employed taxpayer with a turnover not exceeding Rs 4 million will no longer have to submit an income tax return to MRA every quarter but will do so only once a year.
- Likewise, a company with turnover below **Rs 4 million** will benefit from the same facility under the **Advance Payment System**.

### ➤ **Tax Deduction at Source (TDS)**

- TDS provisions applicable to public sector agencies (Ministries/Departments, Local Authorities, Rodrigues Regional Assembly and Parastatals) in respect of project contracts and procurement of goods and services will be fine-tuned as follows:
  - a de-minimis clause of Rs 500 will be introduced per payment;
  - TDS will not apply where there is continuity of service (example telephone, and postal services) and for air travel services; and
  - TDS will be applicable on payment of royalties.
- TDS is being extended to cover services provided by laboratory technicians.
- The rate of TDS in respect of interest payable to a non-resident is being increased from 10% to 15%.

### **Special and Solidarity Levies**

- The **Special Levy on banks** will be maintained as it is for another 2 years, i.e. for years of assessment 2013 and 2014.
- Likewise, the **Solidarity Levy on telephony service providers** will be extended for another additional year, i.e. for year of assessment 2014.

### **Corporate Social Responsibility (CSR)**

- Flexibility is being provided regarding use of CSR funds of companies as follows:
  - They will be allowed to spend up to 20% more than their statutory CSR obligation in any given year but not for more than 2 consecutive years and the excess CSR spending may then be offset in 5 equal consecutive annual instalments against future CSR liability. No offsetting will be allowed against income tax and special levies.



- They will also be allowed in a year, subject to the approval of the CSR Committee, to carry forward up to 20% of unused CSR funds instead of remitting same to MRA.

### **Other main amendments to Income Tax Act**

- A '*Société Commerciale*' and any other resident société deriving income will be required to file a return of income with the MRA.
- The basis of income taxation of companies engaged in long term insurance business will be reviewed to make their taxable income more commensurate with their income in their financial statements, after consultation with stakeholders. The new basis will take effect as from year of assessment 2014.
- Interest received by an individual in respect of debentures quoted on the stock exchange will be exempted from income tax.
- The two special income exemption thresholds granted to a retired pension are being extended to cover a disabled person.
- The tax exemption in respect of "Severance Allowance" will cover a negotiated compensation under section 42 of the Employment Rights Act. However, the amount of exemption will be limited to amount of severance allowance payable through the findings of a Court. The amendment will be backdated to 1 February 2009.
- "Lump sum received as commutation of pension" and "retiring allowance" will be exempted from income tax, in the aggregate, instead of being mutually exclusive, subject to the overall limit of Rs 1.5 million. The amendment will be backdated to 1 September 2012.
- The 4-year tax holiday granted to a small enterprise is being removed.
- As from 1<sup>st</sup> January 2013, taxpayers will be allowed an irrevocable option to be taxed on surplus arising from foreign exchange differences, on a realisation basis. The details will be set out in a Statement of Practice by MRA.

## Tax Amnesty Schemes

- The tax amnesty schemes, that is the **Voluntary Disclosure of Income Arrangement (VDIA)**, the **Voluntary VAT Registration Incentive Scheme (VRIS)** and the **Expeditious Dispute Resolution of Tax Cases (EDRTS)** introduced in last year's Budget are being reconducted with some fine-tuning, for voluntary declaration and speedy recovery of tax arrears. Those three schemes will operate for 9 months, from January to September 2013.
- A special scheme will also be devised for dealing with long outstanding tax arrears remaining in the books of the MRA, some of which date as far back as fifty years ago.

## Land Duties and Taxes

### ➤ **First-time buyer exemption**

The registration duty exemption scheme for first-time buyers of residential property will be modified and the upper limit of tax exemption for those households will be increased substantially as follows:

	<i>From</i>	<i>To</i>
<u>Bare residential land</u>		
million		
Value of the property	Rs 750,000	Rs 1
<u>Built-up residential property</u>		
million		
Value of the property	Rs 1.5 million	Rs 4

The duty exemption will not apply if the value of the property exceeds Rs 1 million for bare residential land and Rs 4 million for built-up residential property.

Moreover, presently, a person is considered to be a first-time buyer even if he or his spouse is or was the co-owner of a property acquired by

inheritance provided their share in the property is less than 10 perches. A person will also be considered to be a first-time buyer if his/her spouse is or was the co-owner of an immovable property prior to 9 November 2012 and their share in that property was less than 5 perches.

➤ **Construction of residences for the middle income group**

The incentive scheme introduced last year to promote construction of housing estates targeting the middle income group is also being improved. The minimum selling price of a unit is being increased from Rs 2.5 million to Rs 4 million for projects registered on or after 1 January 2013.

**Movable property as security**

Use of movables (such as plant and machinery, shares/securities, goodwill, intangibles and intellectual property rights) as collateral for obtaining credit will be facilitated and promoted, as another avenue for improving access to credit, especially for SMEs and start-ups. A committee of stakeholders will be entrusted with responsibility for making appropriate recommendations on required legislative and other changes.

➤ **Integrated Resort Scheme (IRS) and Real Estate Scheme (RES)**

Appropriate amendments will be brought to rationalise taxation of IRS and RES with taxation of other real estate for Mauritians and residents.

➤ **Documents registered by Global Business Companies**

With a view to facilitating business, the time limit for registration of all documents pertaining to global business activities at the Registrar-General's Department will be 3 months except for documents witnessing transfer of an immovable property or a movable property in Mauritius.

## Addressing loopholes in land duties and taxes

### ➤ **Transfer of immovable property via issue of shares**

Indirect transfer of immovable property via a change in control of a company through issue of new shares coupled with a reduction in its share capital already attracts registration duty and land transfer tax. Amendment will be made to also cover a change in control through issue of shares alone. For such issue of shares,

- an obligation will be imposed for same to be registered at the Registrar-General's Department.
- the tax base will be the value of the immovable property being transferred and no longer the lower of the value of shares and the value of the immovable property.

### ➤ **Transfer of immovable property on plan (especially in high rise-building)**

Where immovable property is being transferred directly or indirectly during construction of a floor in a high rise building), the tax base of registration duty and land transfer tax will be the value of the immovable property being transferred at the time of transfer. Indirect transfers of immovable property through companies acting as partners in a "*société d'attribution*" will also be covered.

### ➤ **Other loopholes**

Consideration will also be given to the following amendments, after consultation with stakeholders:

- Requiring all transfers of immovable property to be effected by way of a notarial deed, including transfers of mixed property (immovable and movable property being transferred jointly) i.e. disallowing transfer of immovable property by way of a document under private signature (Sous Seing Privé) or verbal agreement.

- Making counter-deeds invalid where it discloses that duty leviable on the transaction witnessed in a notarial deed has been evaded; or that one of the parties or parties in a notarial deed has acted as a “*prête-nom*”.
- Making it an obligation on sociétés (*‘société commerciale’*, *‘société civile’* and *‘société de fait’* engaged in business) to give publicity to their existence, in order to have a register for sociétés at the level of Registrar of Companies and issuing them a registration number.

### **Land Conversion Tax**

- No land conversion tax will be payable on the conversion of land from agricultural use for the purpose of:
  - constructing an 18-hole golf course
  - Setting up a manufacturing company as certified by BOI.
  - Setting up a power station for generation of energy using ‘green’/renewable sources.
  - Construction of a building to be used for provision of Technical & Vocational Education and Training (TVET).

However, for any particular project, the Land Conversion Permit and tax exemption will lapse if construction does not start within 6 months after the Building and Land Use permit has been obtained.

### **Rental on State lands leases**

#### **➤ Payment facilities for hotels in respect of accrued rental**

Payment facility in respect of rentals accrued as at 31 July 2012 from the date of the new industrial lease will be provided to any hotel that (i) has not distributed dividends in the last financial year and (ii) undertakes not to distribute any dividends during the repayment period.

As from January 2013, it will be allowed to pay those accrued rentals in 3 consecutive annual installments, with interest at 7.9% (Repo rate + 3 basis points). Such payment facility will not be available for next rentals due.

➤ **Rental for islets and sites with severe planning restrictions**

For islets and sites with severe planning restriction, provision will be made for higher reduction in rental, provided the site is held under a separate lease under the new industrial lease policy, as follows:

<i>Ratio of authorized development to plot area</i>	<i>Rental payable as a % of normal lease rental</i>	
	<i>From</i>	<i>To</i>
0 to 5%	50%	40%
5% to 10%	60%	50%
10% to 15%	70%	60%
15% to 20%	85%	75%

➤ **Facilities for hotel reconstruction and renovation**

Any hotel on State lands that closes to undergo renovation or reconstruction will benefit from a reduction of 50% in its rental payable in respect of its lease for a maximum period of one year provided that:

- (i) the renovation or reconstruction starts during the period from 1 January 2013 to 31 December 2014;
- (ii) the hotel has opted for a fresh lease under the new industrial lease policy; and
- (iii) the hotel safeguards employment, including the terms of service of all employees during the period of renovation/reconstruction.

➤ **Rental for new industrial leases**

The base rental amount per arpent for new industrial leases of State lands along the coast (i.e. letters of intent issued as from 9 November 2012) is being updated for this year's inflation (4.3% increase) as per table:

<u>Zone</u>	<u>From</u>	<u>To</u>
A	1,100,000	1,147,300
B	820,000	855,260
C	680,000	709,240
D	540,000	563,220
E	425,000	443,275

**Municipal Rates: self-assessment system**

- The key criterion for determining whether a building is fit for occupation and therefore falls under the scope of municipal rate will, as from 1st January 2013, be whether it is serviced with electricity by CEB ( unless it is exempted).
- In addition, there are some 7,100 properties that should be subject to municipal taxes but are not because their Net Annual Rental Value has not yet been determined by the Valuation Department. The Valuation Department is taking steps for completing the exercise expeditiously.
- For those categories of property, a system of self-assessment of the municipal rate payable is being introduced as from 1st January 2013. For that purpose, the Valuation Department is working out a simple valuation matrix based on average values per floor area of the building and by zones and type of property (residential and commercial).
- The matrix will provide a straight forward formula for arriving at the Net Annual Rental Value and the corresponding amount to be paid to

the local authority. A penalty will be imposed on persons who have not followed the guidelines.

- The Valuation Department will subsequently evaluate the actual net annual rental value of the property. Any rates payable above the amount actually paid under self-assessment will not be charged to the property owner/occupier in that year but in the subsequent year. Any rates paid in excess will be refunded with interest.
- Municipalities and the Valuation Department will use information from LAVIMS and CEB databases to update their rates register and will conduct systematic site visits to capture immobile properties in respect of which rates are payable.

### **Handicrafts and Cultural and National Heritage**

- The National Heritage Trust Fund Act will be amended to enable protection and control of importation of handicraft products associated with cultural or national heritage. (e.g. replica of the Dodo, the Solitaire, contours and other distinct landmarks of the Republic of Mauritius).

### **Firearms**

- The annual licence fee for firearms, including shotguns, rifles and pistols will be increased by 500% i.e., from Rs 1,000 to Rs 5,000.
- The quantum of other fees in the Firearms Act will also be increased 5 times, including import licence and game fees.

### **The Bank of Mauritius Act will be amended to**

- Allow commercial banks not using their full quota for SME financing to enter into agreement with another commercial bank which could have exceeded its quota, provided the Rs1 billion quota is met collectively instead of the banks transferring the quota to BoM and BoM grant the quota to other banks.



- Allow the Bank of Mauritius to provide an exit window for the Development of Secondary Market for the Government of Mauritius Securities.
- Allow the Bank of Mauritius to impose a cap on fees/ charges charged by Commercial banks.
- Bring under the purview of the Credit Information Bureau the WWMA, ICTA, telephone operators and such other services as may be specified by the Bank of Mauritius.

## **B. FINANCIAL SERVICES**

### **The Banking Act**

The Banking Act will be amended:

- To enable the BoM to issue guidelines/ instructions to prescribe the instances in which statements of accounts are to be issued to the guarantor.
- For commercial banks to rotate firm of auditors every 5 years; the same audit firm may come back after a lapse of 3 years.
- To make it mandatory for banks to issue their customers with statement of accounts on a regular basis and also to provide where an account is inactive, the bank may stop sending statement of accounts provided that the bank takes reasonable measures to obtain the correct address of the customer.
- For commercial banks to appoint an officer to deal with complaints and grievances from customers.

## **The Financial Services Act**

The Financial Services Act will be amended to:

- Redefine the term “*consumer of financial services*”.
- Encourage the setting up of global head-quarter administration and global treasury management activities in Mauritius.
- Enable FSC to issue directives to its licensees to any principles and practices of corporate governance laid down in the Code of Corporate Governance.
- Enable the FSC to specify economic substance requirements that Category 1 Global Business Companies will have to fulfill in order to be entitled to the benefits under the Mauritius tax treaties.
- Clarify the circumstances when a GBC can deal with residents.
- Enable the FSC to give a direction to a licensee where it is necessary or desirable to protect the interests of clients of another licensee.
- Empower the FSC to directly impose administrative penalties in cases of less serious breaches of the laws as specified in FSC Rules (*e.g late filing of documents, late payments of fees, etc.*).
- To review the contribution formula of FSC to the Consolidated Fund.

## **The Limited Partnerships Act**

- The **Limited Partnerships Act** will be amended to clarify the confidentiality provisions for LPs owned by the Global Business Company.

## **The Securities Act**

- **The Securities Act** will be amended to empower the FSC to specify in FSC Rules the percentage of voting right/ control in takeovers and to empower the FSC to make Rules concerning the recognition of remote participants on the CDS.

## **New Products**

- To further diversify the financial services sector, a new Limited Liability Partnerships Bill will be introduced.
- The Securities (Collective Investment Schemes and Closed –End Funds) Regulations 2008 will be amended to allow the setting up of special purpose funds for conducting investments outside Mauritius.

## **Companies Act**

The Companies Act will be amended:

- To revise the definition of “*last preceding accounting period*” in order to remove the confusion for submission of financial summary or financial statement.
- For directors and secretaries of companies to provide their usual residential address as well as the service address when a company is being incorporated. Same will apply to shareholders and one-member companies.
- For a resolution signed by shareholders holding more than 75 per cent of shares and entitled to vote on that resolution to be as valid as if it had been passed at a meeting of shareholders.
- For particulars of a charge be registered with the Registrar of Companies.

## **Financial Reporting Act**

Financial Reporting Act will be amended:

- To clarify the financial year of the Financial Reporting Council.
- To redefine Public Interest Entities.
- To provide for every licensed auditor, professional accountants, public accountants and member firm to comply with the guidelines issued by the FIU.
- To provide for licensed auditors to report on extent of compliance with Code of Corporate Governance by public interest entities and on whether the disclosure is consistent with the requirements of the Code.
- For the definition of “*material irregularity*”.
- To allow MIPA to publish the list of professional accountants, public accountants and member firms on its website instead of publishing in the Government Gazette and 2 newspapers.
- To provide that unregistered professional/public accountant/ member firm cannot use along his name, the title of his professional qualifications in any report, statement or other document or be employed in Mauritius.
- To provide for MIPA licensees to pay such fees as may be prescribed and to exempt Government employees, local authorities and Rodrigues Regional Assembly from paying same during the period of his employment.
- To provide for every public interest entity to submit to the FRC a statement of compliance with the Code of Corporate Governance and where there is no compliance, the statement shall specify the reasons for non-compliance.

- Public interest entities to submit their respective financial statements, annual report and report on corporate governance not later than 6 months after the closing of their respective accounting year.

### **Insolvency Act**

- The Insolvency Act will be amended to enable the Director of Insolvency Service to issue practice directions on procedures.

### **The Convention on the Recognition and Enforcement of Foreign Arbitral Awards Act 2001**

The Convention on the Recognition and Enforcement of Foreign Arbitral Awards Act 2001 will be amended:

- To enable the recognition and enforcement of all arbitral awards made in the territory of a State other than Mauritius, irrespective of whether there is such reciprocity between that State and Mauritius.
- For Awards made in English or French Language to be recognized as being made in the official language of Mauritius.

### **The Financial Intelligence and Anti-Money Laundering Act**

The Financial Intelligence and Anti-Money Laundering Act will be amended:

- To implement the recommendations of the FATF on anti-money laundering and combating the financing of terrorism with regards to the relevant professions and occupations namely: attorneys, lawyers, notaries, accountants, law firms, real estate agents, land promoters, etc.
- For the FIU to be empowered to issue guidelines on anti-money laundering to these professionals and for the respective supervisory bodies to take appropriate sanctions in case of non-compliance.
- To allow for the independence of the Director of FIU, the latter will be empowered to disseminate information to an investigatory body or a supervisory body without having to seek the clearance of the Board.

## **Protection of Consumers**

To better protect consumers of financial services the following New Bills/ Regulations will be introduced:

- Ombudsperson for Financial Services Bill.
- Deposit Insurance Scheme Bill.
- Insurance Industry Compensation Fund in cases of *hit and run* only.

## **C. OTHER MEASURES**

### **Personalized Registration Mark for Motor Vehicle**

- A Personalised Registration Mark scheme will be introduced whereby a vehicle owner will be given possibility to purchase a personalized alpha numeric plate consisting of up to 6 letters and a maximum of two numbers for a fee of Rs 100,000. There will be appropriate rules and restrictions to safeguard against offensive messages and facilitate enforcement. The details of the Scheme will be worked out by the National Transport Authority. Appropriate amendments will be brought to the Road Traffic Act. The scheme is expected to come into operation in March 2013.

### **Road Traffic Act**

- The **Road Traffic Act** will be amended to include hybrid and electric vehicles for registration purposes, to deal with cases of dishonoured cheques where vehicle owners refused to surrender license and settle account, and to restrict road tax concessions to double-cab pick-up only.
- The Road Traffic (Amendment No. 2) Act 2006 will be amended to uniformise and harmonise surcharge applicable to late payments of registration fees.

## **Pensions**

Appropriate amendments will be brought to the relevant enactments to give effect to the following:

- Setting up of a single Defined Contribution (DC) Pension Scheme to be made applicable in the Public Sector in respect of new entrants as from 01 January 2013.
- Setting up of a Committee on Pension Reform under the Chairmanship of the Financial Secretary and comprising the Public Sector representatives in the National Pension Fund Investment Committee to work out the implementation details in consultation with stakeholders including staff members.
- Government contribution into the dedicated Fund will be 12% of employee emoluments. The rate of contribution for new entrants shall be 6% of pensionable emoluments. The employee will have the possibility to increase his contribution.
- Consideration would be given to officers employed on a contractual basis to contribute to the Defined Contribution Pension Scheme. Government will not contribute in respect of contractual employees.
- The members of the NPF Investment Committee who are representatives of Government and Labour Unions will manage the Fund and set the modalities.
- Pending the establishment of a proper regulatory framework for investment of the contributions, the administration of the Fund will be entrusted to SICOM.
- Payment of lump sum will be similar to that in the current arrangements but modalities will be decided by the Committee set up to manage the Fund.

## **National Productivity and Competitiveness Council (NPCC) Act**

The NPCC Act will be amended to:

- Bring down the membership from 20 to 7 persons and accordingly remove the need for an Executive Committee as the full Board should now be able to make all decisions.
- Provide that, for new staff or upon expiry of any contract of employment, the terms and conditions of service be governed by the Pay Research Bureau (PRB).

## **Freeport Act**

The Freeport Act is being amended to:

- (i) clarify the existing mechanisms that authorize a third party freeport developer to provide bonded warehouse facilities for storage of goods in its freeport zone and to rent space in its freeport zone for holding exhibitions, trade fairs and other events;
- (ii) revise the annual fees applicable to private freeport developers and third party freeport developers from Rs 150,000 to Rs 200,000 and freeport operators from Rs 10,000 to Rs 20,000, with a view to mitigating the effect of inflation on revenue; and
- (iii) specified manufacturing and processing activities will be allowed in the Freeport provided there is no sale on the local market.

## **Competition Act**

- We are correcting an anomaly that provides immunity to individual members but not to the Commission.



## **Public Procurement Act**

We are refining our procurement framework to expedite the implementation of infrastructure projects. Several changes are being brought to the Public Procurement Act:

- a. To allow the use of framework agreements to select contractors for minor works of repetitive nature, including upgrading and renovations;
- b. Lifecycle costing will be introduced to ensure that greater value for money is achieved by integrating capital and recurrent costs while evaluating projects; and
- c. The Central Procurement Board to hire its own staff on contract.

Regulations will be passed to:

- a. Reduce the time taken for different steps in the processing of tenders;
- b. Reduce the time involved in the review by the Independent Review Panel (IRP);
- c. Increase security deposit when filing an application for review by the IRP from Rs75,000 to Rs100,000 for major contracts and for other contracts from Rs10,000 to Rs25,000;
- d. Introduce a Rs5,000 non-refundable processing fee for all cases submitted to the IRP; and
- e. Grant a 15% margin of preference to domestic bidders employing at least 80% local manpower.

## **Social Security Act**

We are correcting an anomaly so that the wives and orphans of persons who disappeared at sea or are missing can benefit from the same pensions payable to widows and orphans in the National Pensions Scheme.

## **D. ELABORATION OF MEASURES WHICH DO NOT REQUIRE LEGISLATIVE AMENDMENT**

### **Finance and Economic Development**

#### **Drug Interdiction Programme**

The Customs Department of the MRA will implement a Drug Entry Interdiction program for better drug detection at the borders in collaboration with ADSU, National Coast Guard and Passport and Immigration Office. The key features of the program include: investing in a new X-ray container scanner and other detection equipment; strengthening the K-9 Unit; greater intelligence sharing; designing a yacht and pleasure boats monitoring system; joint patrolling and installation of an Advance Passenger Information system.

#### **Service to Mauritius (STM) Programme**

Government will be recruiting some 300 new graduates under the successful STM programme. In addition, the programme will be enlarged to enable Government to offer positions to persons with disabilities and to allow central government to benefit from skills it requires from public sector bodies. The total number of STMs at any one time is expected to be about 400. This will include 30 persons with disabilities.

### **Business**

The functions of support institutions will be rationalised as follows:

- SMEDA will inform and assist SMEs in accessing government and private sector schemes and facilitate investment projects. It will also provide expertise in responding to tenders.
- The MBGS Unit will ensure coordination on technical assistance, start-ups and mentoring.
- The SME Partnership Fund and NRF Equity Investment Ltd will be placed under the same management.

- For leasing and factoring schemes, enterprises will apply directly to the private institutions concerned.

### **Regional Rodrigues Assembly (RRA)**

#### **Programme to protect sea turtles in Rodrigues**

Government in collaboration with the RRA will work with the Francois Leguat Centre and other civil society organisations to develop a programme to protect sea turtles nesting in Rodrigues. This can enhance Rodrigues as an eco-tourist destination and promote research on turtles. Appropriate nesting sites will be identified and the local population will be enlisted to help protect and mark nesting sites. Tourists will be encouraged to visit in coordination with the project organisers and using the local residents as guides. The programme will be elaborated by April 2013 and implemented by the end of 2013.

Once the Rodrigues programme has been established the project organisers will work with the Outer-Islands Development Corporation and the residents of Agalega to explore the possibility of a similar programme in Agalega. This could also enhance the viability of upgrading the airstrip in Agalega and provide opportunities to the residents to enhance their income whilst promoting environmental protection. The project organisers will make recommendations by July 2013. If the recommendations are positive, steps will be taken for implementation in early 2014.

## **E. CAPITAL INVESTMENT PROGRAMME**

Some of the major infrastructure projects:

- Harbour Bridge
- A1M1 Bridge from Chapman Hill to Soreze
- Port-Louis Ring Road (Phase II)
- Berth extension and strengthening at Mauritius Container Terminal
- Bagatelle dam and Treatment plant
- New Melrose prison
- Site infrastructure for housing development programme
- Construction of new university campuses
- Upgrading of Avenue des Tulipes