



BUDGET HIGHLIGHTS

2021-2022

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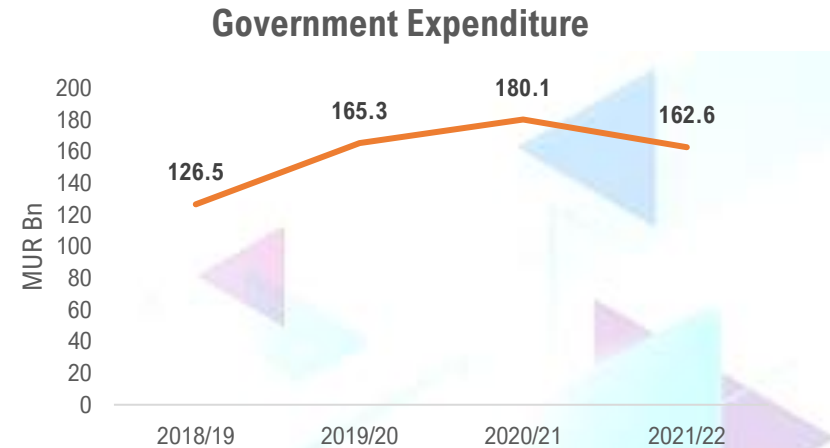
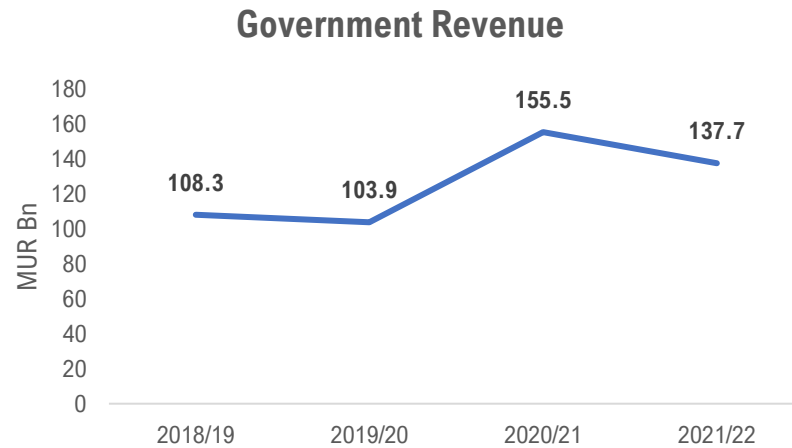
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FOREWORD

The Mauritian Budget 2021-2022 was presented by the Dr. the Hon. Renganaden Padayachy, Minister of Finance, Economic Planning and Development on Friday, 11th June 2021. With a focus on recovery, revival and resilience, the new strategy put forward rests on 3 main pillars, namely, boosting investment, shaping a new economic infrastructure and restoring confidence.

With a planned investment of around MUR 65 billion in priority projects over the forthcoming 3 years and through the various measures spelt out in the budget, the Government is aiming at generating around MUR 27 billion of private investment. Further impetus is being provided to boost private sector investment through schemes such as the Investment Certificate and Premium Investor Certificate. Additionally, through new growth poles such as green energy and biotechnology and pharmaceuticals as well as measures aimed at facilitating business and trade while ensuring business continuity, the Government has set an ambitious path towards a sustainable and inclusive recovery of the Mauritian economy.

BUDGET FINANCIALS



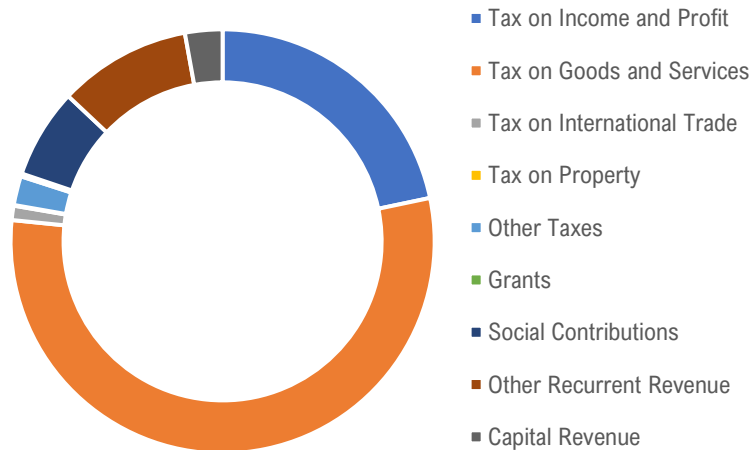
Source: Budget Estimates 2021-2022

Total government revenue for the current fiscal year (FY) is expected to increase by around 49.7% to MUR 155.5 billion following a drop of 4.1% during the FY 2019-2020. This significant increase is on account of an exceptional contribution of MUR 33 billion from the Bank of Mauritius. As such, for FY 2021-2022, government revenue is expected to fall by 11.4% despite revenue from taxes going up by MUR 27.2 billion, that is, by 32.8%.

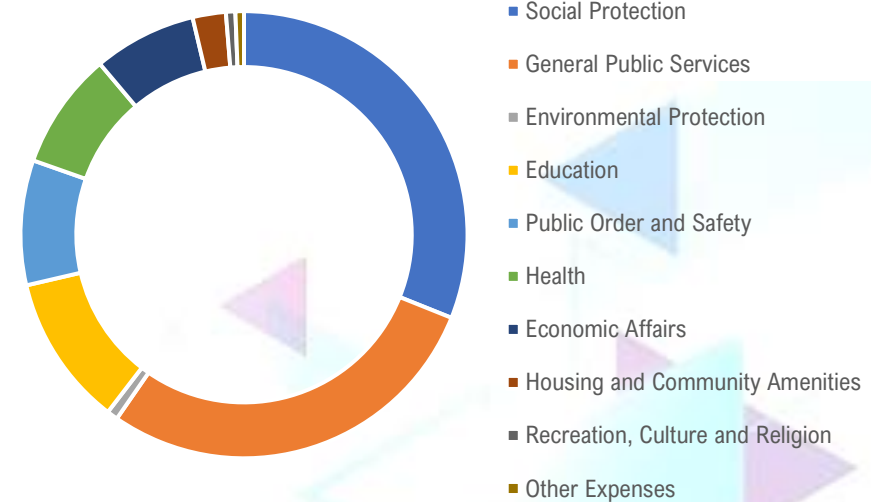
COVID-19 also led to a 30.7% increase in government expenditure during the FY 2019-2020 compared to the previous FY. For FY 2020-2021, government spending is estimated to further increase by around 9%. Such increases are expected to be largely due to the continued provision of financial support to individuals and businesses impacted by the pandemic.

The budget deficit as a percentage of GDP, therefore, stands at 5.6% for the current FY 2020-2021 and is expected to be around 5% during FY 2021-2022.

Government Revenue (Jul 21 - Jun 22)



Government Expenditure (Jul 21 - Jun 22)



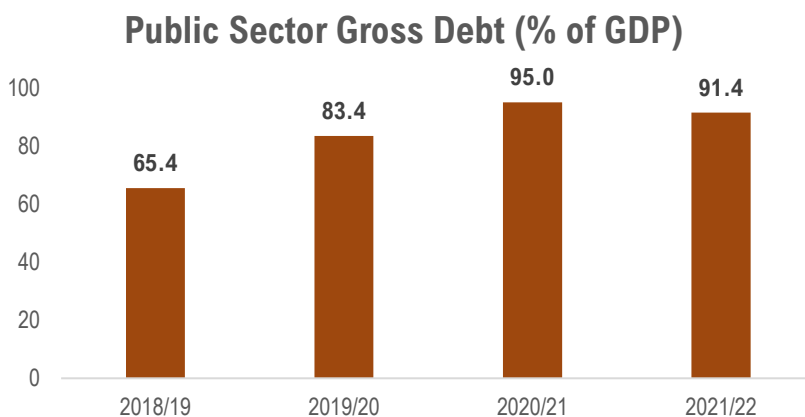
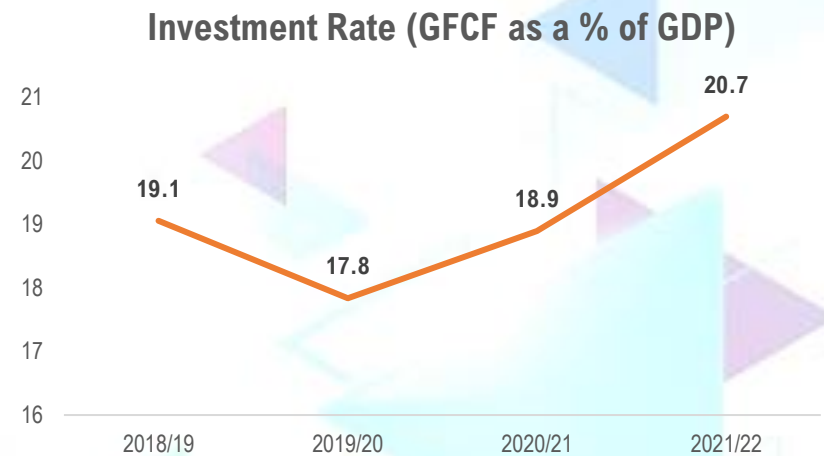
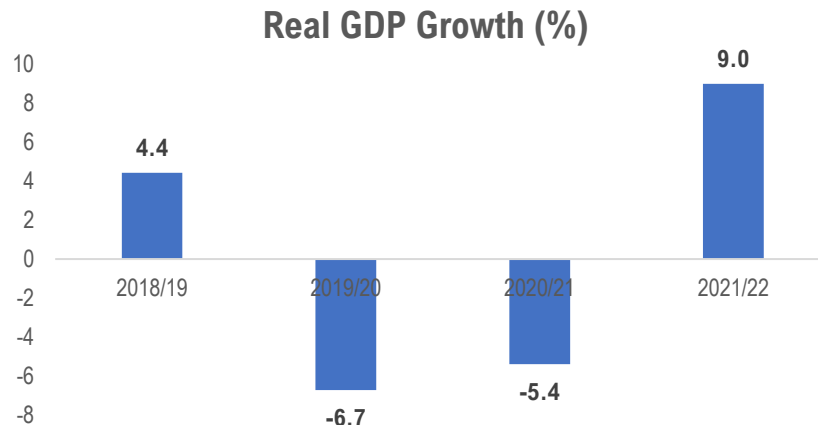
Source: Budget Estimates 2021-2022

Barring FY 2020-2021, tax revenues have accounted for more than 80% of government revenue over the last few years. For FY 2021-2022, after a fall in the contribution of tax revenue to 53.3% of total revenue during the current FY 2020-2021, a 35.5% (MUR 19.9 billion) increase in revenue from VAT is expected to drive government revenue. Notable increases are also expected in other recurrent revenue driven by a MUR 9.6 billion rise in property income compared to FY 2020-2021.

Government expenditure, while expected to be lower for FY 2021-2022 compared to FY 2020-2021, would still be above pre-pandemic levels. A significant decline is estimated for expenditure on general public services while spending on public order and safety (police services), education and social protection are estimated to be higher compared to FY 2020-2021.

ECONOMIC OUTLOOK

Growth for the FY 2021/2022 is projected at 9%. This is expected to be driven by a recovery of the tourism sector, planned infrastructure projects and potential business and trade developments from recent trade agreements (AfCFTA, India and China).



Source: Budget Estimates 2021-2022 & MCCI Estimates

GFCF as a percentage of GDP is expected to rise on account of MUR 65 billion worth of public sector investment projects which, in turn, are likely to generate private sector investment together with schemes such as the Investment and Premium Investor Certificates. In contrast, while public sector debt as a percentage of GDP rose over the last 3 FYs, largely owing to 2 GDP contractions, it is expected that GDP growth during FY 2021-2022 would lead to a decline in the debt to GDP ratio.

BETTER TOGETHER: HIGHLIGHTS



EASE OF DOING BUSINESS

❖ Business Facilitation

1. Streamlining 16 incentive schemes under 3 certificates issued by the EDB: Investment Certificate, Export Development Certificate and Premium Investor Certificate.
2. Setting up of a Business Support Facility at EDB.
3. Regulatory Reforms:
 - a) Regulatory Impact Assessment (RIA) Bill requiring regulatory bodies to submit an impact assessment of upcoming regulations on the business environment.
 - b) Set up of an RIA office under the purview of the PMO.
 - c) Setting up of a Business Regulatory Reform Council (BBRC).
 - d) Insolvency (Amendment) Bill to factor in new developments in insolvency practices.
 - e) Review of the Mauritius Fire and Rescue Service (Fire Safety Plan and Fire Certificate) Regulations 2018.
 - f) Recognition of private food testing laboratories accredited either by MAURITAS or international accrediting bodies in the Food Act.
4. Review of court procedures in view of expediting commercial disputes.
5. Automation of Public Service Delivery:
 - a) New Companies and Businesses Registration Integrated System.
 - b) Development of a Notice-Based registry under the Mauritius E-Registry system.
 - c) Introduction of electronic business registration card.

d) Implementation of online application systems by the CEB and CWA.

❖ Trade Facilitation

1. 50% reduction in port dues and terminal handling charges for export extended for 2 more years.
2. Trade fee will become due 2 financial years after registration of a business.
3. Trade fees will not be applicable for any person holding a Tourist Enterprise License and Global Business Companies not having a physical office in Mauritius.
4. Provision to allow operators importing/exporting via post and courier services to submit a consolidated Bill of Entry for goods imported/exported by air during a month.
5. Provision will be made to allow electronic submission of bill of lading and other documents for clearance of goods.
6. Trusted Trader Programme – importers with good history of compliance can register for a Certificate allowing them to import without the need for permits for each import.
7. Single application will be required for all excise licences.
8. Manufacturers of sugar-sweetened products allowed to submit consolidated Bill of Entry for goods warehoused and cleared during a month.
9. Electronic clearance by MRA to departing aircraft/ship to reduce cost and dwell time.
10. For certain controlled goods requiring a pre-shipment import clearance, relevant legislations will be amended to provide for release of goods where, under exceptional or justifiable cases, those goods had been shipped prior to the pre-shipment clearance provided that those goods meet standard requirements.

STRENGTHENING MAURITIUS' INDUSTRIAL BASE

❖ Boosting Emerging Sectors

(i) Biotechnology and Pharmaceutical Industry

1. MUR 1 billion seed capital from the Government to the Mauritius Institute of Biotechnology to set up a manufacturing plant for the local production of COVID-19 vaccines and other pharmaceutical products.
2. Full tax credit on the costs of acquisition of patents for Biotechnology and Pharmaceutical companies.
3. Companies in the medical, biotechnology and pharmaceutical sector will be taxed at 3% instead of 15%.
4. Encourage private companies to build factories for pharmaceutical and medical device manufacturing and clinical and pre-clinical trials with exemption from registration duty and land transfer tax, land conversion tax and VAT on construction.
5. Premium Investor Certificate for companies engaged in the manufacture of pharmaceuticals and medical devices.

(ii) Green Energy Industry

1. Set up of National Biomass Framework with MUR 3.50 per kWh bagasse remuneration for all planters and producers.
2. CEB to invest MUR 5.3 billion over the next 3 years to support the phasing out of coal and production of 60% of the country's energy needs from green sources by 2030.
3. Feasibility study on implementation of offshore windfarms, setting up of mini hydro power plants and the safe disposal and recycling of used solar panels and batteries.
4. CEB's "Centre de Formation et de Perfectionnement Professionnel" to become an accredited centre for training in the fields of Renewable Energy and Energy Efficiency.
5. CEB will allow for integrated green energy projects, combining the use of biomass, wind and solar energy.

❖ Fostering Resilience

1. Creation of the Industrial Financial Institution (IFI) by merging ISP Ltd and SME Equity Fund.
2. MUR 5 billion Modernisation and Transformation Fund managed by the IFI to cater for industries in manufacturing, agriculture and fisheries amongst others.
3. Reduction in annual interest rate of the Leasing Equipment Modernisation Scheme.
4. Setting up of an agro-processing zone for processing, food testing and warehousing with the facilities being available to SMEs, cooperatives and businesses.
5. Double tax deduction for manufacturing companies for expenditure incurred on market research and product development targeting the African market. Extension of R&D tax incentive scheme (double deduction) by 5 years to June 2027.

❖ Promoting Exports and Local Production

1. Setting up of various commissions by the EDB to remain abreast of business and economic developments.
2. Setting up of a Trade Development and Intelligence Cell at the EDB.
3. Introduction of Export Development Programme by the EDB to improve export-readiness of firms, especially in light of the recent trade agreements.
4. E-export directory launched by the EDB to display Mauritian products globally.
5. Export Development Certificate issued by the EDB with incentives such as 3% corporate tax on export of goods and preferential port and handling charges amongst others.
6. Freight Rebate Scheme extended until June 2022.

7. Minimum shelf space for locally manufactured products increased from 10% to 40% within 1 year.
8. Bid price preference for products such as tea, fruit juices, margarine and medical gas produced locally increased from 20% to 30%.
9. Adopting a Mauritius First policy for the procurement of sanitisers, masks, PPEs, medical devices and gas amongst others.
10. Maximum refund under Export Credit Guarantee Scheme increased from 0.2% to 0.5% up to June 2022.
11. Freeport:
 - a) Freeport Act amended to allow third-party freeport developers to provide space to an enterprise outside the Freeport zone for manufacturing and storage of goods.
 - b) Display showrooms will be added to the list of authorised Freeport activities.
 - c) Freeport Act amended to empower the MRA, in consultation with the EDB, to extend the warehousing period of 24 months for goods imported into the freeport zone for a further maximum period of 36 months under such terms and conditions as MRA may determine.
 - d) Export Credit Insurance Scheme extended to Freeport Operators heavily impacted by the pandemic up to June 2022.

❖ Encouraging Investment

New certificates issued by the EDB with the following incentives to boost investment:

- a) Investment Certificate:
 - New companies can benefit from 8-year tax holiday and exemption from payment of registration duty and land transfer tax for the purchase of immovable property for business purposes.

- Payment of VAT on plant, machinery and equipment as well as construction of purpose-built building and plant and equipment (excluding vehicles) for R&D are zero-rated in case of provision of healthcare, nursing and residential care services and are exempt for others.
 - 5% tax credit over 3 years for capital expenditure on new plant and machinery (manufacturing company only) until 30th June 2023.
 - Eligible for schemes and services offered by the IFI (leasing).
 - Sectors/Activities concerned: Aquaculture, Industrial fishing, Seafood processing, High-tech manufacturing, Pharmaceutical research and manufacturing, Agro-processing, Food processing, Healthcare, biotechnology and life sciences, Nursing and residential care, Digital technology and innovation, Marina, Tertiary education, Seeds production and others (approved by the EDB).
- b) Premium Investor Certificate
- Incentives under this scheme are to be negotiated with the EDB, recommended by the Technical Committee and approved by the Minister of Finance, Economic Planning and Development.
 - Incentives can be land and buildings, infrastructure and public facilities, supply of utilities and telecommunications facilities, fiscal incentives, labour requirements (including foreign labour), permits and licences, training grants and other taxes, duties, fees, charges and levies.
 - To be eligible for this certificate, a minimum investment of MUR 500 million is required except for pharmaceuticals.

SMALL AND MEDIUM ENTERPRISES (SMEs)

1. Exemption on trade fees not exceeding MUR 5,000 extended for an additional 5 years.
2. Amnesty on trade fees and related penalties and interests due before 1st January 2020.
3. Tax Arrears Settlement Scheme extended up to December 2021.
4. Refund of salary compensation paid to employees up to a maximum of MUR 375 per employee per month for the January – June 2021 period.
5. Total maximum grant across all schemes provided by SME Mauritius increased from MUR 150,000 to MUR 200,000.
6. To encourage large manufacturers to procure from SMEs, a 110% deduction on taxable income for the direct expenditure incurred on the purchase of products manufactured locally by SMEs will be allowed.
7. Credit Guarantee Scheme (CGS) extended for SMEs to cover 5% of the default amount on leases contracted from private leasing companies.
8. DBM Ltd to provide rebate of up to 30% on annual rental of industrial space to SMEs in the manufacturing sector over the next 3 years.
9. DBM Ltd to construct SME industrial parks and allocate 20% of space rent-free to start-ups for the first 3 years of operation.
10. SMEs will also be eligible for different loan schemes at concessional rates at DBM Ltd.
11. EDB to set up an online marketplace for start-ups to showcase their products/services.
12. Unutilised contribution of training levy with HRDC can be used to finance external business advisory services up to a maximum of MUR 50,000 per annum for 2 years.
13. SME Graduate Scheme for around 1,000 students which will also cover vocational training.

SUSTAINABILITY AND ENERGY EFFICIENCY

❖ Sustainable Development

1. Setting up of the National Environment Cleaning Authority (NECA)
2. Introduction of Sustainable Public Procurement Framework to ensure public bodies consider the environmental and social impact of their procurement decisions.
3. Promotion of circular economy through installation of eco-bins, setting up of composting plants and investment in three additional Civic Amenity Centres
4. Car wash operators to benefit from concessional financing of up to MUR 1 million from DBM to invest in water recycling and rainwater harvesting systems.
5. Guidelines to be established under the Environmental Protection Act for better management of electronic and electrical wastes together with the private sector.

❖ Energy Efficiency

1. Economic Recovery Programme includes renewable energy projects (installation of solar panels on rooftops of government buildings and provision of solar water heaters to 2,000 households).
2. Owners of electric vehicles allowed to install a PV system not exceeding 10 kW to charge their vehicles and export any surplus to the grid.
3. Promote uptake of electric vehicles to support the transition to zero emission road transport through a scheme to encourage private investment in fast charging infrastructure points across the island.

4. Grant of 50% (maximum of MUR 400,000) on the cost of purchase and installation of solar-powered cold rooms by registered planters cultivating on a minimum of 1 hectare.
5. Companies and individuals allowed to provide renewable energy directly to the CEB if the price is below the maximum tariff set.
6. Energy Efficiency Management Office to issue guidelines for the proper installation and maintenance of air conditioners.

KEY SECTORAL MEASURES

❖ Tourism

1. Re-opening of borders as from 15th July 2021 with restrictions (14-day stay in hotel only) and as from 1st October 2021 without restrictions subject to certain pre-conditions.
2. Funds allocated to the MTPA for promotion and destination marketing, organisation of cultural tourism events, e-promotion and joint marketing with tour operators and airline companies.
3. Desk at EDB to attract at least 50,000 foreign retirees during the next financial year
4. Dedicated portal for foreign retirees to be launched
5. Extension of Wage Assistance and Self-Employed Assistance Schemes to tourism-related companies up to September 2021.
6. Deferment of lease payment on state lands to June 2022.
7. Waiving of rental fee of counters by hotels and operators at the airport for the April-September 2021 period.
8. Registration tax on transfer of lease of state lands reduced from 20% to 10% for hotels for 2 years.
9. Tourism Business Continuity loan by DBM for SMEs at 0.5% interest rate per year.
10. Amendments to Invest Hotel Scheme to attract longer-term visitors.
11. Public Service Vehicle Licence fee for buses, minivans and contract cars waived and licence extended until June 2022 to provide relief to destination management and car rental companies.

❖ Financial Services

1. Setting up of Financial Crimes Division at the Supreme Court and Intermediate Court.
2. Financial Crime Commission to be established.
3. Introduction of Securities Bill and Securitisation Bill.
4. Enactment of new legislation for virtual assets.
5. Tax holiday for Family Offices and Fund and Asset Managers extended to 10 years.
6. Bank of Mauritius (BoM) to roll-out a Central Bank Digital Currency (Digital Rupee) and introduce a national QR code to facilitate digital payments.
7. BoM and FSC to, respectively, set up an Open Lab for banking and payment solutions and a FinTech Innovation Lab to promote entrepreneurship.
8. BoM and FSC to launch 1-year training programme on AML and related matters.
9. Launch of the FSC One platform as an online licensing portal as from 1st July 2021.

❖ Digital Transformation

1. Digital Industries Academy set up by the EDB with stipend for trainees shared equally between HRDC and private sector.
2. Digital transformation initiatives and business advisory services considered eligible under the HRDC training fund.
3. Introduction of mobile and contactless payment by the Government.
4. Setting up of the Emerging Technologies Council to broaden the research landscape in Mauritius in areas such as Blockchain, AI and IoT.

DUTIES AND TAXES

1. Levy of MUR 2 per litre of Mogas and Gas Oil applicable as from 1st July 2021.
2. Excise duty increased by 10% on Alcohol and Tobacco products
3. Tax of 6 cents per gramme of sugar on locally manufactured and imported non-staple sweetened products effective as from 1st July 2022. Exemptions will be made for sugar-sweetened products with total sugar content of up to 4 grammes per 100 grammes or 4 grammes per 100 millilitres and for fruit purées for infants.
4. Excise duty rebate scheme on motor vehicles and the customs duty rebate on buses extended up to 30th June 2022.
5. Clarification to be made that preparation and supply of dumplings to final consumers is zero-rated for VAT purposes.
6. Zero-rating of VAT and exemption of import duties on animals for the purpose of training, breeding and re-export. These activities will also be exempted from registration duty.
7. Removal of 5% excise duty on electric vans of up to 180kW used solely for the transport of goods.