



Grant Thornton

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# The Finance Act 2017


## Summary of Tax Measures

07 August 2017



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The Finance (Miscellaneous Provisions) Act 2017 (“The Finance Act 2017”), was gazetted on 24<sup>th</sup> July 2017. It has brought various amendments to tax provisions while at the same time providing clarity on the existing provisions.

The Finance Act 2017 incorporates the measures announced by the Honourable Minister of Finance, Pravin Kumar Jugnauth, in his budget speech.

This alert highlights the key tax measures and amendments in the Finance Act 2017, which we hope you will find helpful.

Please note that this brief is for information purposes only. It is, therefore, important to seek professional advice before taking any decisions based on these measures.

# Corporate Tax

Salient measures



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# Corporate Tax

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## Reduced corporate tax rate on export of goods

Effective from 01 July 2017, the profits of companies engaged in the export of goods shall be taxed at the rate of 3%.

The profits attributable to export of goods shall be computed as follows:

$$A/B \times C$$

Where:

A - is the gross income derived from the export of goods.

B - is the gross income derived from all the activities of the company.

C - is the chargeable income of the company for that income year.

## Return of dividends by companies

A company paying dividends of more than Rs 100,000 to an individual, société or succession in a year must submit a return electronically for the previous year not later than 15 August annually.

The following information needs to be disclosed on the return:

- o Name and surname of every shareholder;
- o NIC number of shareholders, non-citizens should provide their identification number;
- o The amount of dividends paid.

## Deep ocean water air conditioning

Effective from 01 July 2017, companies may claim a double tax deduction, i.e. 200% on expenditures incurred in respect of deep ocean water air conditioning over a period of 5 consecutive years.

Moreover, the time limit of 5 years will not be applied on tax losses arising on expenditure on deep ocean water air conditioning. As such, these losses may be carried forward indefinitely.

## Research and Development

During the period 01 July 2017 to 30 June 2022, businesses may claim a double deduction for qualifying expenditures on research and development incurred in Mauritius. These expenses should directly relate to the companies' trade and no deduction should have been previously claimed thereon.

Furthermore, the MRA may also consider claims on expenditures not directly related to the entity's business.

These qualifying expenditures include:

- o Innovation, improvement or development costs of a process, product or service;
- o Staff costs;
- o Consumable items;
- o Computer software directly used in R & D; and
- o Subcontracted R & D.

## Water desalination plant

Effective from 01 July 2017, companies may claim a double tax deduction for expenses incurred with respect to the acquisition and setting up of a water desalination plant.

Tax losses arising on the above capital expenditures shall be carried forward indefinitely.

## Tax rulings

An application for a tax ruling will not be entertained in cases where the issue is subject to an objection, representations before the Assessment Review or an appeal before the Supreme Court or Privy Council.

## Tax Arrears Settlement Scheme (TASS)

Effective from 01 July 2017, the TASS is applicable on tax arrears outstanding as at 08 June 2017. A 100% rebate is applicable on interest and penalties where any tax arrears are paid before 31 May 2018.

Tax arrears mean tax and penalty due under an assessment issued or a return submitted on or before 30 June 2015.

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# Corporate Tax (Cont'd)

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## Statement of financial transactions

As from 01 July 2017, banks and non-banks deposit taking institutions will be required to submit, on or before 15 August in every year, a statement of Financial Transactions with regards to:

- a deposit exceeding Rs 500,000 or aggregate deposits exceeding Rs 4 million in the preceding year for individuals, sociétés or successions; or
- a deposit exceeding Rs1 million or aggregate deposits exceeding Rs 8 million rupees in the preceding year for companies.

Every bank, money changer or exchange dealer will be required to submit, on or before 15 August in every year, a Statement of Financial Transactions in respect of every person (except for government bodies, statutory bodies and global companies) having bought, sold or transferred foreign currency of more than Rs 200,000 in one transaction.

Every company licensed by the Financial Services Commission to carry on life insurance business will be required to submit an annual statement of life assurance in respect of life insurance premium paid in excess of Rs 500,000.

## Expeditious Dispute Resolution Tax Scheme Panel (EDRTS)

The EDRTS will review assessments issued by the MRA under the Income Tax Act, Value Added Tax Act or Gambling Regulatory Authority Act following an application made in writing to the Director-General of the MRA. The application shall be subject to certain conditions being met.

Where a tax payer agrees to the amount of tax assessed by the EDRTS, all penalties and interest will be waived provided he settles the tax due within one month from the date of the determination by the EDRTS.

Where an agreement is reached on items in dispute, 75% of penalties and interest applicable on the revised tax payable will be waived by the EDRTS panel provided that the tax liability is settled within one month from the date of determination.

Any representations made to the ARC, appeal to the Supreme Court/Privy Council shall be withdrawn following any agreement reached with the EDRTS.

## Registered Tax Agents

Unless a person is duly registered as Tax Agent in accordance with the MRA Act, he shall not be able to:

- prepare and sign the annual return of a tax payer;
- represent a tax payer before the Authority;
- represent a tax payer before the ATDR Panel;
- represent a tax payer before the Assessment Review Committee;
- transact any business on behalf of any person in respect of the person's rights or obligations under any Revenue Law.

To be able to register as a Tax Agent under the MRA Act, certain specific criteria need to be satisfied.

# Personal Tax

Salient measures



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# Personal Tax

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## Income Exemption Threshold

As from the income year commencing on 01 July 2017, the Income Exemption Threshold ("IET") will be as follows:

<b>Individual</b>	<b>IET</b>
Category A –individual with no dependent	Rs 300,000
Category B –individual with one dependent	Rs 410,000
Category C –individual with two dependents	Rs 475,000
Category D –individual with three dependents	Rs 520,000
Category E –individual with four or more dependents	Rs 550,000
Category F –Retired or disabled person with no dependent	Rs 350,000
Category G –Retired or disabled person with one dependent	Rs 460,000

## Relief on Medical and Health Insurance premium

The maximum allowable deduction for medical or health insurance policies premium has increased to Rs 15,000 in respect of the taxpayer and his first dependent.

Furthermore, with respect to each two additional dependents, the relief has increased to Rs 10,000.

## Deductions for household employees

An individual employing one or more household employee can deduct from his annual net income the wages paid to the latter or Rs 30,000 whichever is the lower.

Where both spouses employ household workers, the total deduction should not exceed Rs 30,000.

However, this will be applicable if the individual/couple has contributed under the National Pensions Fund Act and National Savings Fund Act.

## Exempt income

Invalid's basic pension, carer's allowance and contributory invalidity pension received by disabled persons under the National Pensions Act will be exempt from income tax as from the year of assessment commencing 01 July 2017.

Interest income derived from debentures or bonds issued by a company to finance renewable energy projects which have been approved by the MRA will be exempt from income tax as from 01 July 2017.

## Statement of Assets and Liabilities by individuals

A person deriving net income and exempt income exceeding Rs 15 million or who owns assets (including assets owned by his spouse and his children), costing more than Rs 50 million is required to submit to the MRA a statement of assets and liabilities at the time of submission of his income tax return.

The person shall not be required to submit another statement of assets and liabilities where there has been no increase of more than 15% in the costs of the assets owned by himself, his spouse and dependent children.

A person may exclude assets costing less than Rs 200,000 from his statement of assets and liabilities. Further, a non-Mauritian citizen or a citizen who is not tax resident in Mauritius is not required to submit the statement of assets and liabilities.

## Liability to solidarity levy

Effective from 01 July 2017, a Mauritian resident individual will pay a solidarity levy of 5% on his leviable income (i.e. chargeable income plus dividends received from a resident company) in excess of Rs 3.5 million.

## Mauritian Diaspora Scheme

The 10 year tax holiday will apply only to local source income derived from specific employment, business, trade, profession or investment.



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# Personal Tax (Cont'd)

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## Negative income tax allowance

As from 01 January 2018, Mauritians with a monthly earnings of Rs 9,900 or less, will receive a Negative Income Tax allowance.

In order to be eligible for the allowance the following criteria must be satisfied:

- The individual must be a full- time employee, working for a minimum of 30 hours in a week over at least 5 days;
- The individual must have been employed for a continuous period of 6 months before the month in which the allowance is payable;
- The total annual net income, including dividend and interest, of a couple must not exceed Rs 390,000;
- Both the employee and the employer are compliant with National Pensions Fund Act and National Savings Fund Act.

The table below details the earnings and the applicable negative income tax allowances:

<b>Earnings</b>	<b>Allowance</b>
Rs 5,000 or less	Rs 1,000
Rs 5,000 – Rs 7,000	Rs 800
Rs 7,000 – Rs 9,000	Rs 500
Rs 9,000 – Rs 9,750	Rs 250
Rs 9,750 – Rs 9,900	Rs 100

# Value Added Tax

Salient measures



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# Value Added Tax

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## VAT arrears

Rebate on interest and penalties of 100% will be available on payment of VAT arrears outstanding as at 30 June 2015 if payment is made before 31 May 2018.

## Zero rated supplies

The following items will be classified as zero rated supplies:

- Patrol and monitoring equipment;
- Sanitary towels (pads) and tampons.

## VAT Refund Scheme

The list of specific equipment used by the following persons below will qualify under the VAT Refund Scheme:

- Tea Cultivator:
  - Hand-held plucking shear
  - Hand-held pruning machine
  - Motorised tea harvester
- Planter or horticulturist
  - Sarlon shade, green house and shadegreen
  - Fertigation pump
  - Irrigation equipment
  - Hydroponic filter
  - Water tank
- Pig breeder
  - Farrowing/gestation/nursery crate
  - Heat lamp/hot blast
  - Incubator
  - Pig feeder/drinker
  - Cooling fan
- Other breeders
  - Feed grinder
  - Ventilation fan
  - Chicken crate
  - Cages and coops
  - Water tank

## Tax liability prior to date of registration

A person who ought to have been registered at a date prior to the date of his registration shall submit information for a maximum period of 4 years instead of 5 years prior to his date of registration.

## Penalty for failure to join electronic system

The penalty for failure to join electronic filing and payment has been doubled, i.e. there has been an increase from Rs 50,000 to Rs 100,000.

## Representations to Assessment Review Committee ("ARC")

A person whose objection is deemed to have lapsed may appeal to the ARC, however prior to the date being fixed, must:

- comply with objection requirements;
- inform the ARC in writing that he wishes his objection to be reconsidered afresh by the MRA; and
- withdraw his appeal from the ARC.

## Exempt bodies or persons

An exempt person will pay VAT proportionately, based on the period of non-ownership on the following items below, if that building or part of that building is put to another use before the end of the 20th year from the date the construction is completed:

- a building or part of a building built for tertiary education;
- private hospital,
- Nursing home, or
- Residential care home.



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# Our services

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## Valuation Services

Grant Thornton's valuation team delivers thorough, independent and unbiased valuations.

Buying, selling, merging, borrowing, settling disputes, tax planning – in short, situations when you are called upon to put a value on your business. When these circumstances arise, you need an independent, formal valuation opinion.

## Transaction Advisory

Our specialists use their depth of market knowledge to steer you through the transaction process.

Our Grant Thornton approach seeks to identify key business issues through a rigorous and tailored risk and business analysis process. The objective is to create value from the transaction advisory process rather than simply confirming what may already be known. Our team adopts a hands-on approach that supports you through every step of the transaction process, from initial investigation through to completion. Transaction advisory services include traditional financial and tax due diligence but also extend into a wider range of other services throughout the transaction life-cycle.

## Assurance Services

At Grant Thornton Mauritius, we provide audit services for statutory or regulatory reasons associated with the filing of their annual and periodic financial information. We are constantly making significant investments in our people, structures and processes to maintain and deliver quality of service and to meet if not exceeding the expectations of our clients. We deal with companies of all sizes and in most of the sectors both locally and internationally. Our strengths are our people and our global network support from Grant Thornton firms in other countries. We provide a high quality audit by assigning the appropriate team to address the most complex issues, using a proven audit methodology and deploying high quality auditing tools. Our objectives at the end of the day are to gather sufficient appropriate audit evidence to be able to form an audit opinion on the financial statements.

## Business Risk Services

Every company is faced with strategic, financial, operational and technological risks which can be seen as threats or opportunities. If you think risk management is about taking the most cautious route you are missing the point. It is about planning for potential threats and opportunities, which in turn ensures that you realise the achievement of the goals of your organisation. This is where the proactive disciplines and solutions offered by Business Risk Services make the difference. Our services range from an objective, in-depth examination and evaluation of your organisation's ability to manage strategic, financial, operational and technological risk, through to the recommendation of corrective processes, procedures and control. Our main areas of business include:

- Internal audit
- Corporate governance
- Forensic accounting & investigations
- Risk management
- ScamStop fraud reporting hotline

## Tax Services

Our teams have the know-how to advise you and your business on your overall tax exposure and to guide or work with you on dealing with the complexities of both the local and international tax systems.

Our specialists service high net worth individuals, small and medium sized companies and others with their tax planning and compliance obligations.

Grant Thornton's private client business is a genuinely holistic personal advisory service dedicated to protecting and maximising personal and family wealth in all its guises.

Our advisers can assist with all aspects of tax including Income and Corporation Tax, Pay As You Earn, Value Added Tax, Tax Deduction at Source, Financial Planning, Business Restructuring, FATCA and CRS. We can also draw on the skills of our international network.

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# Our services (Cont'd)

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## Recovery and Reorganisation

We focus on identifying and resolving issues affecting profitability, protecting enterprise value and where necessary, recovering value for stakeholders. Our assignments vary from financially robust companies seeking to acquire underperforming competitors, to distressed business requiring an urgent solution. Our services include Independent Business Reviews (IBRs) & strategic performance reviews, Debt advisory, Corporate restructuring, Corporate simplification and Exit strategy.

## Corporate Insolvency

Our corporate investigation and recovery teams focus on identifying and resolving issues affecting profitability, protecting enterprise value and facilitating a full recovery where possible. We undertake all types and size of corporate insolvency appointments for creditors and other business stakeholders, including:

- Administrations
- Company voluntary arrangements (CVAs)
- Administrative receiverships
- Compulsory liquidations and creditors' voluntary liquidations (CVLs)
- Support in other formal and informal insolvency proceedings.

Our firm has tax specialists whose expertise covers the whole range of tax services. They advise large multinationals, privately held businesses or individuals on a range of services. The market for tax services to the corporate market place is changing dramatically. Regulations and attitudes have changed. Many turn to Grant Thornton for specialist services such as corporate and international tax. What they find is something quite different. Our clients find that we have both breadth and depth of tax expertise; a wealth of relevant experience; a focus on client service; the backing of the Grant Thornton International member firms; and that we deliver on a partner led service.

## Information Security Assessment / IS Audit

Information Security Assessment is a thorough assessment of all security and other applicable controls in the existing IT Infrastructure across the organisation/departments as per industry best practices and in line with standards like ISO 27001/ BS 7799 and COBIT.

The work includes review of:

- Physical Controls
- Logical Access Controls
- Application Security Controls
- Vulnerability Assessment & Penetration Testing
- Operating System
- Database Network Review
- Data Security Controls

## Training

We provide various types of training from basic to advanced courses, seminars and workshops for finance and non-finance people to cope with dynamic changes in our economy.

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# Contact us

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Sattar heads the practice development of Grant Thornton Mauritius as its CEO and has been the Transaction Services Partner since its launch in 1999. He has over 35 years' experience in accounting, audit and consultancy assignments.

Sattar has also gathered over the years a very rich experience in the field of insolvency and liquidation.

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Mariam joined Grant Thornton Mauritius in September 2012 and in her role as Tax and Advisory partner advises a range of companies in diverse industries.

Prior to joining GT, she worked in the Banking and Capital Markets team at Pricewaterhouse Coopers, London. Mariam also delivers training courses both in-house and externally to clients.

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Yusoof is a fellow member of the ACCA UK and reckons more than 25 years experience in auditing. He started his career at KPMG and later joined Coopers and Lybrand.

Yusoof, throughout his career has been involved in the audit of companies, both public and private, engaged in various fields like investment funds, hospitality sectors, call centres/ BPO, fishing industry, construction, manufacturing, banking and other financial activities, offshore activities and brokerage.