



**Nexia
Baker & Arenson**

**Key Tax Measures of the
Finance Act 2017**

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▪ **Reduced tax rate on income derived from exportation of goods**

Chargeable income attributable to the export of goods shall be taxed at the rate of 3 per cent.

▪ **Corporate Social Responsibility ('CSR')**

The percentage of CSR Fund to be remitted to the MRA has been amended as follows:

CSR Fund set up	Percentage remitted to the MRA
on or after 01 January 2017	50%
on or after 01 January 2019	75%

The amount of CSR fund remitted to the MRA shall not be reduced although a company intends to spend the amount in an approved CSR programme.

▪ **Tax losses**

Manufacturing company shall be allowed to carry forward its unrelieved tax losses even when there is more than 50 per cent change in its shareholding provided that certain conditions are satisfied.

For other companies, unrelieved tax losses cannot be carried forward when there is a change of more than 50 per cent in shareholdings.

▪ **Double deductions on expenditure**

A company shall be allowed to claim 200% deduction on:

- expenditure incurred on deep ocean water air conditioning for 5 consecutive years; and
- acquisition and setting up of a water desalination plant. However, no annual allowance shall be claimed in this respect.

▪ **Annual Allowance**

Annual allowance shall now be claimed on the following capital expenditure:

- acquisition of a solar energy unit; or
- capital expenditure incurred on research and development, including innovation, improvement or development of a process, product or service.

- **Pay as You Earn ('PAYE') withheld by employer**

An exempt person or a person deriving:

- any pension in relation to his past employment or that of his spouse;
or
- annuity, pension or similar payments

may make a voluntary request to receive pension, annuity or similar payments net of PAYE.

- **Tax Deducted at Source ('TDS')**

- **Payer**

The threshold of 6 million rupees shall not apply to a company, société or succession which awards contracts for construction works and shall be required to withhold TDS at time of payment.

- **Royalties**

There shall be no TDS on payments of royalties in respect of artistic or literary work made to a citizen.

- **Fees in lieu of director's fees**

TDS shall be withheld on fees paid by a company to its director other than an individual (i.e. to a company).

- **Return of dividends by companies**

An electronic return shall be submitted to the Mauritius Revenue Authority ('MRA') by 15 August where a company has made dividend payments above MUR 100,000 to an individual, société or succession.

- **Statements of financial transactions by:**

- **Bank and other deposit taking institutions**

A statement summarizing financial transactions in respect of:

- An individual, a société or a succession who has made a deposit exceeding MUR 500,000 or aggregate deposits exceeding 4 million rupees in the preceding year; or
- A person, other than an individual, a société or succession who has made a deposit exceeding 1 million rupees or aggregate deposits exceeding 8 million rupees in the preceding year.

- **Statements of financial transactions by: (continued)**

The statement shall not apply to a non-resident individual, a global entity and a listed company, its subsidiaries and associates.

- **Statements of financial transactions by:**

- **Holder of a money changer licence or exchange dealer licence**

A statement summarizing financial transactions of any person other than a government body or global entity who have bought, sold or transferred foreign currency amounting to MUR 200,000 or more per transactions during the preceding year.

- **Life assurance business**

A statement showing the amount of life insurance premium paid to a person exceeding MUR 500,000 during the preceding year.

The above financial transactions statements shall be submitted electronically by 15 August in every year.

- **Exempt income**

- **An exemption of 8 years shall apply on income derived by:**

- a company incorporated on or after 01 July 2017 carrying out innovation-driven activities for intellectual property assets developed in Mauritius from start of its activities;
 - a company incorporated after 08 June 2017 engaged in manufacturing of pharmaceutical products, medical devices and high-tech products from the income year operation has started; or
 - a company from exploitation and use of deep ocean water for providing air conditioning installations, facilities and services.

- **Interest income on debentures or bonds**

Interest income derived from debentures or bonds issued by a company to finance renewable energy projects that has been approved by the MRA subject to terms and conditions, shall be exempted from tax.

- **Tax credit**

A new rate for tax credit shall apply to a company deriving income either exclusively from export of goods or from export of goods and other activities.

- **Qualifying expenditure on research and development during 01 July 2017 to 30 June 2022:**

- 200% deduction incurred on expenditure directly related to the activities of a company carried out in Mauritius provided that no annual allowance has been claimed on same; and
- 100% deduction incurred on expenditure not directly related to the existing activities of the company subject to approval of the MRA.

- **Contributions to superannuation fund**

No contribution will be allowed where the superannuation fund has been set up principally to provide tax benefits to selected employees and their dependents.

- **Solidarity levy**

An additional tax at the rate of 5 per cent shall be paid by a Mauritian resident on his leviable income above 3.5 million rupees.

Leviable income includes chargeable income and dividend received from resident company and co-operative society.

- **Annual Allowance**

Annual allowance shall be claimed on:

- acquisition of a solar energy unit; or
- capital expenditure incurred on research and development, including innovation, improvement or development of a process, product or service.

- **Income Exemption Threshold ('IET')**

- An increase in the threshold for each category of IET; and
- An IET for 4 dependents or more can be claimed under Category E.

	Income Year 30 June 2017	Income Year 30 June 2018
Category A (Individual with no dependent)	295,000	300,000
Category B (Individual with 1 dependent)	405,000	410,000
Category C (Individual with 2 dependents)	465,000	475,000
Category D (Individual with 3 dependents)	505,000	520,000
Category E (Individual with 4 or more dependents)	N/A	550,000
Category F (Retired/ Disabled person with no dependent)	345,000	350,000
Category G (Retired/ Disabled person with no dependent)	455,000	460,000

- **Relief on Medical and Health Insurance Premium**

Increase in allowable premium as follows:

- From MUR 12,000 to MUR 15,000 for the tax payer and first dependent; and
- From MUR 6,000 to MUR 10,000 for the second and third dependent.

▪ **Deduction for household employees**

An individual or couple who has made contributions under the National Pensions Act and National Savings Fund Act in respect of his household employees shall be allowed an aggregate deduction of MUR 30,000 or the actual wages paid, whichever is lower.

▪ **Statement of assets and liabilities by individuals**

A Mauritian tax resident whose net income, including exempt income, exceed 15 million rupees or owns assets, together with his spouse and dependent children, exceeding 50 million rupees shall submit a statement of assets and liabilities.

An asset costing less than MUR 200,000 shall be excluded from the above calculation.

There is no requirement to file the statement annually unless the total cost of the assets have increased by 15 per cent.

▪ **Exempt income**

Interest income derived from debentures or bonds issued by a company to finance renewable energy projects that has been approved by the MRA subject to terms and conditions, shall be exempted from tax.

Invalid basic pension, contributory invalidity pension and carer's allowance payable under the National Pensions Act shall be exempted from income tax.

Exemption of income derived from within Mauritius by a Mauritian diaspora under the Mauritian Diaspora Scheme shall be limited to specific employment, business, trade, profession or investment.

▪ **Negative Income Tax**

Applicable to a Mauritian citizen deriving monthly earnings of less than MUR 9,900 and satisfying the below conditions:

- Full time employment, working for a minimum of 30 hours in a week over at least 5 days;
- Continuous employment for a period of 6 months;
- Annual total income, including dividend and interest of both the individual and spouse, does not exceed MUR 390,000;
- Compliant with the National Pensions Fund.

Negative income tax will be applicable on a date to be fixed by proclamation.

▪ **Registration of employees**

An employee shall provide his National Identity Card to his employer at the time of taking up employment. In case of non-citizens, the identification number issued by the immigration officer shall be used.

▪ **Compulsory electronic filling of returns**

PAYE return, TDS return and annual tax returns should be submitted electronically.

▪ **Personal tax return**

An individual not deriving taxable income is no longer required to file a tax return where he has:

- acquired an immovable property exceeding MUR 5 million rupees;
- acquired a motor vehicle exceeding MUR 2 million or registration duty of MUR 75,000 has been paid;
- acquired a pleasure craft exceeding MUR 1 million; or
- paid the required contribution declared under section 17C of the National Pensions Act to the MRA.

▪ **Tax Ruling**

No tax ruling will be issued on a matter which is subject of an objection, representations before the Assessment Review Committee or an appeal to Supreme Court.

▪ **Tax Arrears Settlement Scheme ('TASS')**

100% waiver of penalty and interest on payments of tax arrears outstanding as at 08 June 2017.

This scheme shall apply to tax arrears relating to an assessment issued or return submitted on or before 30 June 2015 and the case is not pending at the ARC or any higher court.

Application under TASS and payment of taxes should be made by 31 May 2018.

▪ **Registered Tax Agents**

A tax payer requiring assistance shall appoint a registered tax agent to assist him in fulfilling his tax obligations or represent him vis a vis MRA.

The conditions set out in the MRA Act should be satisfied for a person to qualify as a registered tax agent which will be valid for a period of 5 years and renewable afterwards.

The effective date will be fixed by proclamation.

▪ **Expeditious Dispute Resolution Tax Scheme ('EDRTS')**

Under EDRTS, a tax payer can benefit from a reduced percentage of penalties and interests on assessment which has been raised before 01 July 2015.

EDRTS shall apply where the taxpayer was not satisfied with the assessment and:

- has not lodged an objection to MRA;
- has lodged written representations to the ARC; or
- has appealed to Supreme Court; and

the representation or appeal is still pending.

The percentage of penalties and interests waived shall be as follows:

Condition	Percentage waived
Payment of full assessed amount of tax	100% penalties and interest waived provided tax due are paid within one month as from the date of determination of his case by the EDTRS panel
Reach an agreement on items in dispute	75% penalties and interest waived provided tax due are paid within one month as from the date of determination of his case

▪ **Representations to ARC**

Written representation made to ARC shall now be accompanied by a statement of case and a signed witness statement.

The chronological order of a representation to ARC is now as follows:

No	Action	Submitted within
1.	Written representation made by tax payer or its tax agent	28 days from date of notice of determination of objection
2.	Reply and comments from the party served with written representation	21 days from date of receipt of item 1 above
3.	Reply and comments from the tax payer or its tax agent	21 days from date of receipt of item 2 above
4.	Hearing date	2 months from the representation
5.	ARC decision	4 weeks from date of last hearing

- **VAT liability prior to date of registration**

A VAT registered person who should have registered for VAT on a date earlier to the date of his registration should submit the due VAT returns within 30 days from his date of registration.

The maximum period to submit due VAT returns has been revised from 5 years to 4 years.

- **Time limit to raise VAT assessment**

VAT return are now open for assessments for a period of 4 years instead of 3 years from the date the return was due for submission.

- **Output tax and Input tax adjustment**

Adjustment on bad debt in the VAT return shall be made only when it has been proved to have become bad and actually been written off as bad debt.

- **Exempt bodies or persons**

As per the amendments brought in the VAT Act, specified bodies or persons that are exempted from VAT on payments made in relation to the construction of a purpose-built building for the provision of tertiary education approved by the Tertiary Education Commission or for a private hospital, nursing home or residential care home shall proportionately claw back the VAT if within 20 years following completion of the building the building:

- Is no longer being used for the specified purpose; or
- Is sold or transferred and is no longer used for the specified purpose.

The MRA should be informed of any change in purpose.

- **Compulsory VAT registration**

Effective as from 01 October 2017, any person carrying out activity of a wholesale dealer in liquor and alcoholic produce shall compulsorily register for VAT.

▪ Exempt goods or services

The following shall now be exempted from VAT:

- Sterile water used before, during and after operation of H.S Code 2201.90.20; and
- Goods imported by post for a value not exceeding MUR 3,000.

▪ Zero-rated goods or services

- Fees payable for examination of vehicles under the Road Traffic Act up to 30 June 2018;
- Burglar alarm systems and sensors including patrol and monitoring; and
- Sanitary towels (pads) and tampons.

▪ VAT Rulings

No VAT ruling will be issued on an issue which is subject of an objection, representations before the Assessment Review Committee or an appeal to Supreme Court.

▪ Tax Arrears Settlement Scheme ('TASS')

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This scheme shall apply to VAT arrears relating to a VAT assessment issued or VAT return submitted on or before 30 June 2015 and the case is not pending at the ARC or any higher court.

Application under TASS and payment of VAT should be made by 31 May 2018.

This newsletter is a summary of the key tax measures contained in the Finance Act 2017. You are therefore cautioned to consult with your tax advisor or ourselves prior to any action being taken. In any event, we neither make any representations, nor shall we have any liability, including claims for damages of any nature, to any parties in respect of this newsletter.

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