



SPECIAL EDITION e-NEWSLETTER

BUDGET 2022/23

FISCAL MEASURES

HIGHLIGHTS



**Partners in
Progress**

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The information in this guide has been extracted from the budget speech delivered by Dr. the Hon. Renganaden Padayachy, Minister of Finance, Economic Planning and Development, to the National Assembly on 07 June 2022. Some measures announced have taken effect on the following day.

Budget proposals regarding the recent fiscal measures will be effective once the Finance Act has been enacted.

This guide is intended to give an overview on the subject matter and should not be considered as a basis for ascertaining liability to tax, entity or any corporation.

The Budget **2022/2023** was presented by the Dr. the Hon. Renganaden Padayachy, Minister of Finance, Economic Planning and Development on Tuesday 07 June 2022.

This special edition of MRA E-newsletter sheds light on the recent budgetary announcements. Some measures are already effective on 08 June 2022, while the fiscal measures have to be legislated under the Finance Act.

Likewise, to support the local economy amid the current challenging environment, the Minister proposed several budgetary measures like excise duty rebate scheme, introduction of a New Tax Rate, 8-year income tax holiday, excise duty, Tax Arrears Payment Scheme, etc. This Special Edition e-newsletter provides a summary of these fiscal measures.

More detailed information will be communicated after that the Finance Act is passed

We wish you a pleasant reading.





INDIVIDUAL TAXATION

Introduction of a New Tax Rate

At present, an individual earning annual net income of up to **Rs. 650,000 (i.e. Rs. 50,000 per month)**, is being subject to income tax at the rate of **10%**. But when an individual earning annual net income is above Rs. 650,000 up to Rs. 700,000, he/she can also benefit from the reduced rate of 10% through a tax credit mechanism provided certain conditions are met.

As from the income year 2022-2023 (i.e 01 July 2022 to 30 June 2023), new tax rates on annual net income will apply as follows:

Annual Net Income	Tax Rate
Rs. 700,000 (Between Rs. 25,000 to Rs. 53,846 monthly)	10%
Rs. 975,000 (Between Rs. 53,846 and up to Rs. 75,000 monthly)	12.5%
Above Rs. 975,000 (Solidarity Levy may apply where the annual leviable income exceed Rs 3 M)	15% and Solidary Levy, if applicable.

Tax Deductions

The budget paves the way towards other amendments in regard to reliefs for personal income tax, as follows:

► **Additional Deduction for Tertiary Education**

The additional deduction in respect of a dependent child who is pursuing tertiary studies will be raised from **Rs. 225,000 to Rs. 500,000** and covers both undergraduate and postgraduate courses.

► **Relief for Medical or Health Insurance Premium**

The maximum allowable deduction for medical insurance premium will be increased as follows:

(A) **Rs. 20,000 to Rs. 25,000** for an individual and his first dependent; and

(B) **Rs. 15,000 to Rs. 20,000** for every other dependent.

► **Donations to Charitable Institutions**

The maximum allowable deduction for donations made to an approved charitable institution including a religious body will rise from **Rs. 30,000 to Rs. 50,000**.

► **Contribution to Approved Personal Pension Schemes**

The maximum allowable deduction in respect of contributions made by a taxpayer to a personal pension scheme for the provision of a pension for himself will increase from **Rs. 30,000 to Rs. 50,000**.

► **Deduction for Dependent who is a Bedridden Next of Kin**

A taxpayer may now claim his/her spouse as a bedridden next of kin irrespective of any financial assistance provided to the bedridden spouse under the National Pensions Act.



Summary

	Year ending 30 June 2022 (Rs.)	Year ending 30 June 2023 (Rs.)
Dependent child undertaking Tertiary Education	225,000 (Undergraduate courses)	500,000 (Undergraduate & Post-Graduate courses)
Medical Insurance Premium:		
-First Dependent	20,000	25,000
-Every Other Dependent	15,000	20,000
Donation to Charitable Institutions	30,000	50,000
Contribution to Approved Personal Pension Scheme	30,000	50,000

▶ Travelling Allowance

The maximum allowable deduction for petrol or travelling allowance paid to an eligible employee using his private car for the performance of his duties will increase from **Rs. 11,500 to Rs. 20,000**.

▶ Solidarity Levy - PAYE

An individual who is subject to the Solidarity Levy and receives a pension or director's fees may be subject to Pay As You Earn (PAYE) for the Solidarity Levy at a decreased rate of **10%**.

There has been no change in the Income Exemption Threshold (IET).



CORPORATE TAXATION

Additional deduction: Procurement from Small Enterprises

Presently, a large manufacturer (having annual turnover exceeding Rs. 100 million) is granted an additional deduction of 10% on the amount incurred to buy locally manufactured products from a small enterprise. The rate of additional deduction will be increased from 10% to 25%.

Income Tax Holiday- Freeport Companies

8-year income tax holiday will be allowed to a newly set up Freeport operator or developer making an investment of at least Rs. 50 million and provided it:

- Starts its operations on or after 1 July 2022
- Conforms to the substance requirements set by the Organization for Economic Co-operation and Development (OECD).

Waiver of Income Tax Penalties for Small and Medium Enterprises (SMEs)

Amendment to the Income Tax Act : As stated in the budget, it will be modified to implement the decision of Government to waive penalties imposed on Small and Medium Enterprises (SMEs), remaining outstanding as at 25 March 2022, for late submission of income tax returns and late payment of income tax during the years 2020 and 2021. Moreover, the Income Tax Act will be amended to implement the decision of Government to refund to

an SME, in addition to the salary compensation 2021, the salary compensation 2022 paid to its employees up to 30 June 2022. The amendment will be effective as from 1 January 2022.

Accordingly, the Mauritius Revenue Authority (MRA) is, in relation to salary compensation for year 2022, paying to a non export-oriented SME an amount of

- Rs. 500 monthly per employee having a basic wage not exceeding Rs. 13,500.
- Rs. 400 monthly per employee deriving a basic wage exceeding Rs. 13,500 up to Rs. 50,775.

SME Act

The SME Act will be amended to review the definition of SMEs:

- Micro-Enterprise from a turnover of Rs. 2 million to Rs. 10 million.
- Small Enterprise from a turnover above Rs. 10 million and up to Rs. 30 million.
- Medium Enterprise from a turnover above Rs. 30 million and up to Rs. 100 million.

All companies with a turnover of up to Rs. 100 million will henceforth be categorized as SMEs instead of Rs. 50 million currently.



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INDIRECT TAX

VAT • EXCISE DUTY • CUSTOMS DUTY

VALUE ADDED TAX

VAT Refund on residential building

Provision will be made for a VAT refund on a residential building, house or apartment to be effected not later than 30 days from the date of receipt of all documents in support of an application for refund instead of 30 days from the date of receipt of the application.

One of the conditions to be eligible to make an application for VAT refund on a residential building, house or apartment is that the cost should not exceed Rs. 3 million. This will no longer be applicable and will be replaced by the condition that the covered area constructed should not exceed 1,800 square feet.



Other VAT related measures

A list of all VAT-registered persons will be published on the website of the MRA to avoid fraudulent practices. The list will be updated on a quarterly basis. The MRA will be empowered to compulsorily register a person who is required by law to be registered, or has been directed by the MRA to compulsorily register for VAT, but has failed to do so

If a taxable person fails to submit a return, MRA will accordingly be empowered to publish electronically, 3 months after the due date, the name and address of the taxable person and his directors and the taxable period in respect of which the return has not been submitted. However, the taxable person will be notified prior to the publication.

In case an aggrieved person makes an objection against a decision of MRA but fails to submit information, books or records requested by MRA within the required time frame, MRA may determine that the objection has lapsed. Where an appeal is then made to the ARC on this matter, these information, books or records will not be allowed to be submitted before the Committee.

The MRA will come up with a roadmap by December 2022 for a phase-wise implementation of the e-invoicing system. This system will allow the online recording, authentication and monitoring of all invoices issued in the course of a business activity.



EXCISE DUTY

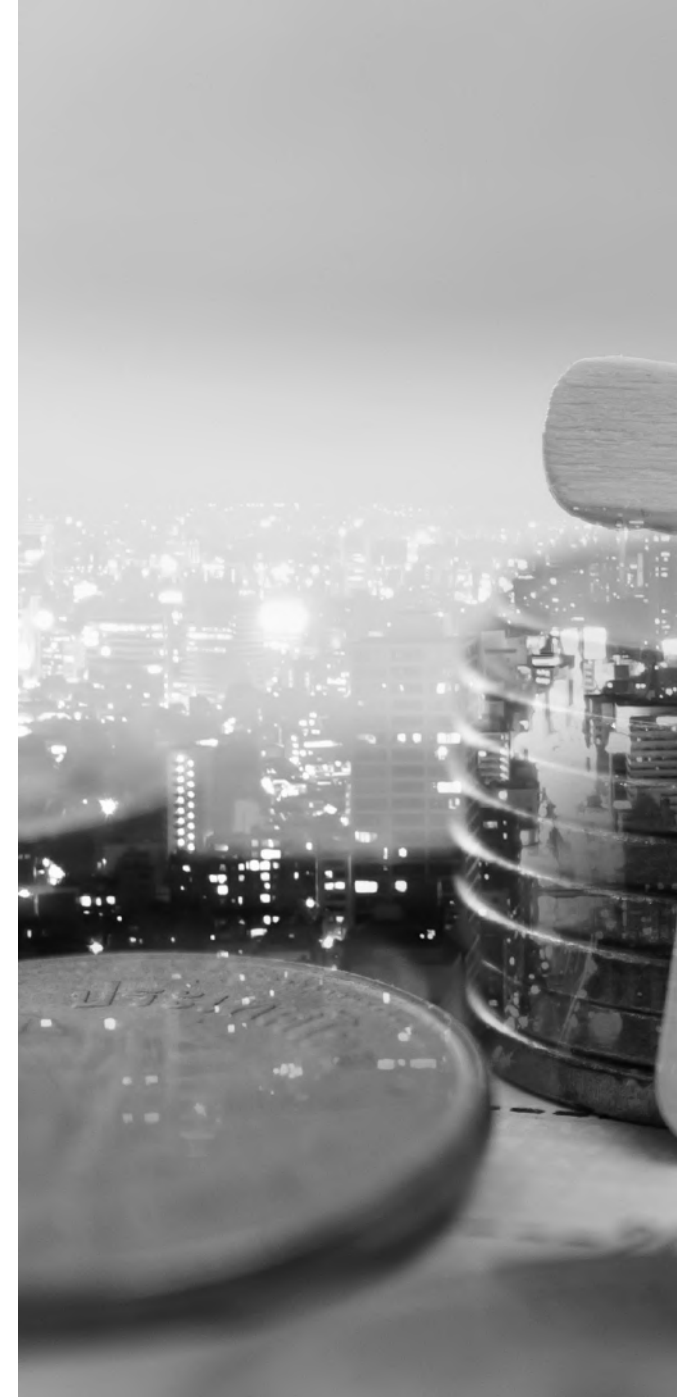
As announced in the budget, the definitions of “document” and “risk management” will be introduced in line with the Customs Act.

Entries for excisable goods made by a manufacturer in respect of goods deposited in an excise warehouse or removed from a factory or a consolidated bill of entry for excisable goods to be warehoused or cleared during a month will be deemed to be a self-assessment. **It is important to highlight that, where the Objection Directorate at Mauritius Revenue Authority (MRA) allows an objection by a stakeholder claiming refund of excise duty paid in excess, the refund will be made together with interest.**

Provision will be made with retrospective effect to allow a distiller-bottler of alcohol to sell at his factory fusel oil (a by-product of the distillation process) for use as biofuel.

MRA will be empowered to carry out “controlled delivery” of excisable goods such as cigarettes and tobacco with a view to gathering evidence on the smuggling chain.

The opening hours for the sale of alcoholic products in restaurants and pubs will be extended to 2 a.m. everyday. The requirement to affix excise stamps will be extended to cover beer and wine in cans and other types of packaging.



Excise Duty on Alcoholic and Tobacco products

Effective as from **Wednesday 08 June 2022**, the following rates of excise duty on alcoholic and tobacco products are applicable:

Product	Current (Rs.)	As from 08 June 2022
Beer*		
Up to 9 degrees	43.60	48.00
Above 9 degrees	60.60	66.65
Spirit cooler*	56.90	62.60
Fruit wine*	35.30	38.85
Made wine*	75.70	83.30
Wine of grapes*		
In bulk for bottling purposes	121.70	134.00
In bottle	213.40	234.75
Champagne*	1,016.40	1,118.00
Rum**	598.40	658.25
Cane spirits**	598.40	658.25
Whisky**		
In bulk for bottling purposes	1,156.00	1,271.60
In bottle	1,848.00	2,032.80
Liqueur**	406.60	447.25

* Per litre

** Per litre of absolute alcohol

Tobacco

Product	Current (Rs.)	As from 08 June 2022
Cigars (per kg)	19,430	21,373
Cigarillos (per thousand)	11,345	12,480
Cigarettes (per thousand)	5,625	6,188



Excise Duty on Motor Vehicles

The current excise duty rebate scheme on motor vehicles will be extended for a further period of one year up to 30 June 2023:

Type	Capacity and Specifics	Rebate on Excise Duty
Motor Car	up to 1,000 cc	40%
Motor Car	above 1,000 cc, double/single space cabin vehicle, van and an electric vehicle	30%

All hybrid and electric vehicles will be duty-free, effective as from 01 July 2022.

Introduction of a negative excise duty scheme of 10% up to a maximum of Rs. 200,000 on the purchase of electric vehicles by individuals.

A provision will be made to grant customs duty, excise duty and Value Added Tax (VAT) exemption on cars (and spare parts) and automobilia imported for the purpose of exhibition in a motor museum.

Excise Duty on Sugar Sweetened Products

The implementation of the excise duty of 6 cents per gramme of sugar on locally manufactured and imported non-staple sweetened products will be effective on 01 July 2025.





**TAX
ADMINISTRATION**

Reintroduction of the Tax Arrears Settlement Scheme (TASS)

TASS provides for full waiver of penalties and interest where tax arrears, outstanding under the Income Tax Act, the Value Added Tax Act and the Gambling Regulatory Authority Act, are paid in full by 31 March 2023 and provided that the taxpayer registers himself under the Scheme by 31 December 2022. Alongside, taxpayers with assessments pending at the Assessment Review Committee (ARC), the Supreme Court or Judicial Committee of the Privy Council, and who wish to take advantage of the Scheme, may do so by withdrawing the case before these institutions in order to avail of the scheme.

Tax Deduction at Source

The rate of tax deduction at source (TDS) is as follows:

	Current rate	New rate
Services provided by professionals	3%	5%
Rent paid to a resident	5%	7.5%

The scope of TDS has also been extended to the below payments and the applicable TDS rate is 3%:

- Consultancy fees;
- Security Services and cleaning services;
- Pest Management Services;
- Payment of fees made by insurance companies to motor surveyors and mechanics for repairs of motor vehicles of policy holders.

The term “consultancy” may cover a broad range of consultancy services.

Solidarity Levy - Pay As You Earn

Upon the request of an individual deriving pension or director's fees, the employer may withhold PAYE at the rate of 10% for solidarity levy, if applicable.

However, at the time of filling the annual individual income tax return, the individual should calculate any applicable solidarity levy at the rate of 25% subject to the 10% cap and reduced by the amount already withheld under PAYE.

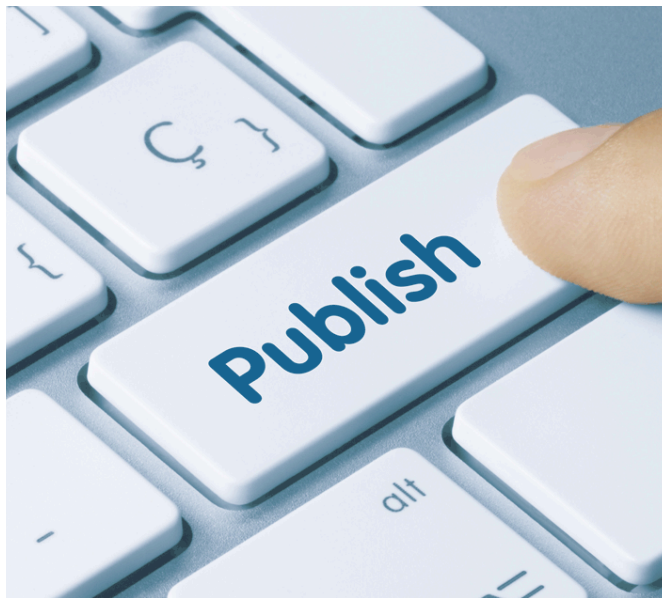


Sharing of information with the MRA

The MRA will be allowed to request information from a Foundation or Trust to enable the Authority to:

- Make an assessment;
- Collect tax; or
- Comply with any request for the exchange of information under a Double Taxation Avoidance Agreement.

The MRA will be allowed to share information with the Gambling Regulatory Authority (GRA) to enable the latter to determine whether an applicant is a fit and proper person prior to issuing a personal management license.



e-Publication of names of companies not submitting returns

The Director-General of the MRA will be allowed to publish the name of a company which has not filed its income tax return on the website of the MRA instead of publishing same in the newspapers. Moreover, the notification to the company regarding the publication may be made electronically.

Additionally, the Income Tax Act will be amended in order to allow Mauritius to enter into international arrangements for:

- Alternative dispute resolution to resolve cross border tax disputes.
- Implementing the internationally agreed standards to avoid base erosion and profit shifting.



CUSTOMS

Customs

In line with the Provisions of the Revised Kyoto Convention, a definition of “audit-based” control under Customs Laws will be introduced. In compliance with the World Customs Organisation blueprint for modern and efficient customs procedures, the Excise Act will have a similar clause.

Currently, when items are purchased by a departing citizen of Mauritius free of taxes under the Deferred Duty and Tax Scheme and the goods are imported back by him within 6 months of the date of his departure, taxes become payable on the goods. In future, taxes will no longer be payable.

Besides, where a payment instruction is given by an importer for taxes to be paid electronically to MRA Customs, the payment will have to be credited within 3 working days. This will ensure that payments are effected in a timely manner so as to provide clarity on the time of application of late payment penalty and interest.

At the present time, the requirement to furnish a security by bond with adequate surety to cover the amount of taxes in case of default or in compliance with Customs Laws differs under various

provisions of the Customs laws. The provisions will be harmonized and at least one adequate surety will be required in all cases.

As highlighted in the budget, the penalty provision for failure to submit a Bill of Entry for the clearance of goods within 5 working days after the time an aircraft has landed or a vessel has been berthed will be suspended up to 30 June 2023.

The implementation of the penalty provision applicable upon failure by a master/agent to make amendments to his aircraft/vessel manifest within 5 working days after the aircraft has landed or the vessel has been berthed will be deferred until 30 June 2023.

Moreover, provision will be made to allow a stakeholder to make an objection to a decision of MRA Customs electronically. Similar provision will be made in the Customs Tariff Act and Excise Act.

It is interesting to mention that an objection by a stakeholder to a decision of MRA Customs should be made in the approved form and not by way of a letter. Similar provision will be made in the Customs Tariff Act and Excise Act.

As underlined in the budget, provision will be made to allow a refund of taxes by MRA Customs in cases where a stakeholder objects to a tax assessment and the Objection Directorate at MRA allows the objection.

Additionally, provision will be made to allow MRA Customs to communicate valuation information to Ministries/Departments upon request provided an authorization is obtained from the Minister of Finance.

The Industrial Property Act has made provision for the protection of the Intellectual Property Rights of an owner of a utility model, layout design, breeder's right, trade name and geographical indication. Consequential amendment will be made to the Customs Act for the protection of these rights at the border and in the local market.



Penalty

A penalty of Rs. 5,000 per day of non-compliance up to a maximum of Rs. 50,000 will be applicable where the proprietor/occupier of a bonded warehouse fails:

- To keep records of goods received into and delivered from his/her warehouse. If this offence is committed more than three times in a calendar year, his/her authorization to operate a bonded warehouse may be revoked or altered.
- The record entries in real time on the approved computerized warehouse management system and give MRA Customs online access in cases where he/she has been authorized to operate his/her warehouse without Customs locks and the presence of Customs officers. If this offence is committed more than three times in a calendar year, his/her authorization to operate a bonded warehouse may be revoked or altered.
- Equip his /her bonded warehouse with a CCTV system and/or does not give online access to MRA Customs. In case of non-compliance within a period of six months, his/her authorization to operate a bonded warehouse may be revoked or altered.
- Submit a 12 months statement of stock duly certified by an auditor within one month after the end of the month in which the stocktaking was carried out. His/her authorization to operate a bonded warehouse may also be revoked or altered. There will be a right of appeal against the penalty. Consequential amendment will be made in the MRA Act regarding appeal at the level of the ARC. It will therefore be clarified that, where an order approving a bonded warehouse is revoked, taxes on all the warehoused goods will have to be paid by the proprietor/occupier within two months of the date of revocation.



- Furthermore, Provision will be made to allow the master/agent or representative of a vessel to submit a consolidated Bill of Entry in respect of bunker fuel loaded during a month on vessels bound for the high seas to decrease the administrative burden. For instance, if a broker or Freight Forwarding Agent informs MRA Customs that he/she has ceased or intends to cease operation, MRA Customs will thus be empowered to revoke his/her authorization to act as broker or Freight Forwarding Agent.
- Where a broker or Freight Forwarding Agent has committed a breach entailing suspension but the breach relates to a specific function, MRA Customs will be empowered to allow the broker or Freight Forwarding Agent to continue carrying out those functions where there has been no breach.

As mentioned in the budget, customs enforcement will be carried out in a secured manner to ensure efficiency gains. For example, MRA Customs will be empowered to prohibit the use of electronic communication devices within a customs area or an area where goods or persons are under customs control.

Failure to comply will constitute an offence and an offender will be liable, upon conviction, to a fine not exceeding Rs. 100,000.





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