

BUDGET HIGHLIGHTS 2009

INTRODUCTION

The main focus of the **2009 Budget** is on saving jobs, controlling budget deficits and preparing the path for recovery after the recession blues. The balance of payments will record a deficit compared to a surplus of 4.6 billion rupees (\$141.1 million) in 2008. The 2009 Budget is a six month budget up to November 2009 but its measures goes beyond this period.

The Budget has clearly set its priorities and will build on the **Additional Stimulus Package** to fight the difficult prevailing economic conditions. The main priorities of the Government seem to be:

- Massive investments in public infrastructure including the construction of a new airport and new roads which will create employment, absorb redundancies to some extent and ease traffic congestions
- New financial schemes to build and sell hotels & IRS villas
- Assist SMEs', Micro Enterprises and planters
- Training of workforce

The Government has slapped new levies on profitable banks and phone companies to reduce the budget deficit as the economic downturn hits tax receipts. All profitable companies will have to spend 2 percent of their profits on corporate social responsibility projects, in addition to paying the normal corporate tax of 15%.

The Mauritius Revenue Authority will be required to provide information to foreign tax authorities upon request on Global Business Companies.

We are pleased to present the **key facts** from Minister of Finance, Honorable Rama Sithanen's six-month budget introduced on 7 April 2009.

CORPORATE TAX

- A solidarity levy of 5% of profits and 1.5% of turnover of profitable companies providing fixed and mobile telephony services for the next two financial years.
- The solidarity levy on profitable banks will be increased to 1% of turnover and 3.4% of profits for the next two financial years.
- All profitable companies will either have to spend 2% of their profits on corporate social responsibility activities approved by the Government or alternatively transfer funds to the Government to be used in the fight against poverty.
- The limit on Freeport Operators for transactions on the domestic market has been increased from 20% to 50%. Profit derived from domestic sales will be subject to tax at the normal rate of 15%.

INDIVIDUALS

- Tax year to be aligned with calendar year as from 2010.
- Personal income tax for transitional period July to December 2009 payable by 5 April 2010.

LAND TRANSFER TAX, EXCISE DUTY AND OTHER TAXES

- A single rate for land transfer tax of 5% is applicable until the end of December 2010.
- For IRS/RES promoters, land transfer tax is payable 25% at the time of signature of the contract, with the remaining balance in 3 equal instalments over a period of 18 months.
- Taxes including excise duties, road tax and registration fees will be reduced by half on electric cars.
- An excise duty of Rs 1.00 applicable on aluminum cans used for soft drinks and alcoholic drinks.
- Facilitation of the micro enterprises into corporate bodies to be able to benefit from various schemes and duty exemption on transfer of immovable properties.

IRS, RES, AND CONSTRUCTION

- Purchasers of Real Estate Scheme (RES) worth at least USD 500,000 will be eligible for permanent residency status.
- Removal of the 5 year ownership requirement for development under the RES.
- Acquisition of property under IRS and RES can now be made in any hard convertible currency.
- Set registration duty payable on acquisition of an IRS residence to the higher of USD 70,000 and 5% of property value.
- Land Transfer Tax and registration duty has been suspended for the period 1 Jan 2009 to 31 Dec 2010 subject to conditions.
- Land Transfer Tax can be deducted for income tax purposes as from 01 Jan 2009.
- Reduction of duty on iron bars in coils imported by registered contractors from 15% from 01 Jan 2009.

FINANCIAL SERVICES

- The creation of a Financial Stability Committee, comprising of the BoM, FSC and MoF to review on a regular basis the financial system
- Development of sovereign debts which are Shari'ah compliant.
- GBL2 companies will require to disclose more information on their owners and the filing of financial summaries
- Coordination between MRA and FSC to efficiently answer queries from foreign authorities on GBL companies
- Various amendments in Income Tax Act and other legislations to allow the exchange of information and to discourage money launderers

HOTELS

- For hotels whose rentals have recently been increased under the new industrial lease policy and which wish to reconstruct/renovate until December 2010, a Hotel Reconstruction Scheme (“HRS”) will be set up where the Government will refund either:
 - *50% of the wage bill; OR*
 - *the difference between the old rental and the new rental on the condition that no workers are laid off.*
- An alternative financing approach to be set up to allow individual foreign and Mauritian investors also, besides hoteliers, to acquire the hotel rooms and villas on State Land and these must obligatorily be leased back to hotel operators.
- No rental increase for the period up to December 2010 for hotels on less than one hectare of land and with less than 50 bedrooms.
- Arrears in rental for small hotels will be rescheduled and payments will be effected as from January 2011 in 5 equal yearly instalments. For other hotels, the arrears will be rescheduled over a period of 3 years with no moratorium.