

31 July 2024

Alert

THE FINANCE (MISCELLANEOUS PROVISIONS) ACT 2024

This Alert provides an analysis of the changes brought by the Finance Miscellaneous Provisions Act 2024 (“FMPA 2024”) to the Economic Development Board Act (“EDBA”), Income Tax Act (“ITA”), Mauritius Revenue Authority Act (“MRAA”), Social Contribution and Social Benefits Act (“SCSBA”) and Value Added Tax Act (“VATA”).

We regret to note that no meaningful debates were held which resulted in nominal amendments to the Finance (Miscellaneous Provisions) Bill (the “Bill”) before it was successfully voted. The Bill went through its second reading, committee stage and third reading on 23 July 2024 on which date it was voted by a majority of the members of the National Assembly. The Bill received Presidential Assent on 26 July 2024 and was gazetted on 27 July 2024.

Despite the strong comments made by various stakeholders, excluding members of the Parliament, on the Corporate Climate Responsibility Levy (“CCRL”), we are disappointed to note that the mechanism of the CCRL and its effective date have not been reviewed. The material departure from the object and purpose announced in the Budget Speech has undermined the predictability of our fiscal regime. The change in the nature of the CCRL cannot be said to have been imposed by international organisations, like the Organisation for Economic Cooperation and Development.

Companies may resort to various strategies to mitigate the impact of the CCRL. The Mauritius Revenue Authority (“MRA”) may seek to invoke the general anti-avoidance section on transactions designed to avoid income tax. In our view, any savings in CCRL resulting from the implementation of any *bona fide* commercial decisions should not be within the scope of the general anti-avoidance section. Though such cases appear to be straightforward, the various documents underpinning such transactions should be kept in the “safe custody” of the involved parties. This will ensure that any response to the MRA is dealt within a minimum delay.

If you require any further information, please do not hesitate to contact us.

Yours faithfully

Ryaad Owodally
Partner
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A. PERSONAL TAX

1. Donation to charitable institutions

Section 41(c) of the FMPA 2024

Affected persons	Resident and non-resident individuals
Paragraph reference in Budget Speech (“BS”)	417
Paragraph reference in Explanatory Notes (“EN”)	Not mentioned
Effective date	Year of assessment 2024/2025
Section reference in ITA	27DA

An individual will be allowed a maximum deduction of Rs 100,000 on donations made through electronic means to an eligible charitable institution.

The impact of this change on the tax liability of the individual depends on the applicable tax rate of the individual.

The deduction will not apply if the charitable institution has not filed a statement of donation received unless the individual has retained the requisite evidence of the donation made.

2. Annual maximum deduction of Rs 30,000 for employment of a carer for parent/grandparent

Section 41(d) of the FMPA 2024

Affected persons	Resident and non-resident individuals
Paragraph reference in BS	503
Effective date	Year of assessment 2024/2025
Section reference in ITA	2 and 27DC

This change aims at encouraging individuals to take care of their respective parent/grandparent through the employment of a carer, though the appointment of a carer generally does not depend on any tax or other financial incentives.

Though the contractual relationship with the carer may vary, relevant disclosures should be made to the MRA. The individual is required to comply with his obligations under the SCSBA 2021 and the National Savings Fund Act (“NSFA”) to benefit from this deduction. The deduction is limited to Rs 30,000 and is based on the wages paid.

3. Increase in maximum exemption from Rs 2.5 million to Rs 3 million on lump sum

Section 41 (m)(i)(A) of the FMPA 2024

Affected persons	Resident and non-resident individuals
Paragraph reference in BS	504
Effective date	7 June 2024
Section reference in ITA	Item 6 of Sub-Part A (6) of Part II of the Second Schedule

The lump sum and severance allowance should be calculated in accordance with the relevant legislation, namely the NSFA and the Workers’ Rights Act, as the case may be.

The effective date of this measure is 7 June 2024 so that it should apply to any qualifying payment received on or after 7 June 2024 by the individual.

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4. Tax treatment of allowances received from the Government

Section 41(m)(iii)(D) of the FMPA 2024

Affected persons	Individuals
Paragraph reference in BS	Not mentioned
Effective date	26 July 2024
Section reference in ITA	Item 60 of Sub-part C of Part II of the Second Schedule

The following allowances will be considered as exempt income.

- (i) *Revenu minimum garantie* allowance;
- (ii) Equal chance allowance;
- (iii) Child allowance;
- (iv) School allowance;
- (v) Maternity allowance;
- (vi) Independence allowance; and
- (vii) Pregnancy care allowance.

Such a measure confirms Government's policy to optimise the financial benefit of the above allowances. However, the allowance may impact on the deduction for dependent spouse and children on the basis that the various allowances are considered as exempt income. To that extent, one may argue that the financial benefit of this measure could have been enhanced if the allowances are not considered to determine the exempt income of the relevant dependent.

5. Annual deduction of Rs 60,000 per child attending fee paying private school

Section 41(n) of the FMPA 2024

Affected persons	Individuals with dependent children
Paragraph reference in BS	458
Effective date	Year of assessment 2024/2025
Section reference in ITA	New paragraph 4 in Part I of the Third Schedule

This change will increase the disposable income of resident individuals with children attending a private school. It will benefit families with average income wishing to provide higher quality education to their children.

B. BUSINESS TAX

1. Corporate Climate Responsibility Levy

Section 41(e)(iii) of the FMPA 2024

Affected persons	Companies and partnerships
Effective date	Year of assessment 2024/2025
Financial impact	Low to high
Extent of financial impact	Additional charge of 2% of taxable profit
Paragraph reference in BS	218
Section reference in ITA	New Sub-Part AE in Part IV

The CCRL also applies to resident and non-resident partnerships. It should not apply to an economic entity pursuant to section 2 of the VATA.

The yearly exempt income should be considered to determine whether the gross income of the company or partnership exceeds Rs 50 million. It is essential that transactions that are outside the ITA are clearly identified and reported in the tax return to avoid any unnecessary audit from the MRA.

2. **Recycling activities classified as manufacturing activity**

Section 41(a)(i)(B) of the FMPA 2024

Affected persons	Companies engaged in recycling activities
Effective date	Year of assessment 2025/2026
Section reference in ITA	2

“Recycling of waste” has been replaced by “recycling activities”. This amendment seeks to widen the scope of manufacturing companies so that it is not confined to the recycling of waste. The recycling of any materials or products will qualify as manufacturing activities.

This will allow more companies to benefit from the tax and non-tax incentives applicable to manufacturing companies: investment tax credit on new plant and machinery is an example of such tax incentives.

3. **Sale of virtual assets and virtual tokens**

Section 41(a)(ii) of the FMPA 2024

Affected persons	Resident and non-resident persons
Effective date	1 July 2024
Section reference in ITA	2

The definition of securities now includes virtual assets and virtual tokens so that any trading profits on such virtual assets and virtual tokens are exempt from income tax as from 1 July 2024.

4. **Manufacturing companies engaged in medical, biotechnology or pharmaceutical sector**

Section 41(e)(i) of the FMPA 2024

Affected persons	Relevant manufacturing companies
Effective date	Year of assessment 2025/2026
Section reference in ITA	New subsection 2 in section 44D

The chargeable income from intellectual property assets held by a manufacturing company engaged in medical, biotechnology or pharmaceutical sector will be taxed at a rate of 15% instead of 3%.

Practical challenges may arise in the computation of the chargeable income from an intellectual property asset and any attribution exercise for this purpose should be carefully documented.

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5. **Double deduction on sponsorship cost of registered professional in arts**

Section 41 (e)(v) of the FMPA 2024

Affected persons	Companies supporting registered artists
Paragraph reference in BS	187
Effective date	26 July 2024
Section reference in ITA	New section 65C

A company will be able to deduct any expenditure to support an artist registered under the Status of the Artist Act 2023, which appears to apply irrespective of the fact that the expenses may not be deductible under section 18 of the ITA.

It would appear that only expenses that would qualify for a deduction for the professional would qualify for a deduction under the new section 65C of the ITA, which may place an unreasonable burden on the company.

6. **Triple deduction for donation to NGOs involved in specific activities**

Section 41(e)(vi) of the FMPA 2024

Affected persons	Companies
Effective date	26 July 2024
Paragraph reference in BS	416
Section reference in ITA	New section 66A

A company may benefit from a triple deduction on any donations made through electronic means to an NGO involved in combatting drug abuse, prevention of gender-based violence or poverty alleviation up to a maximum of Rs 1 million per year. The NGO should be registered with the MRA on such terms and conditions as may be determined by the MRA for the deduction to apply.

Tax losses arising on the extra deduction can be carried forward for a maximum of 5 years so that the incentives may eventually be lost.

The interaction between the triple deductions and the liability to CSR should be evaluated to optimise the tax position.

7. **Tax credit on cost of setting up child day care centres and corporate nurseries**

Section 41(e)(vii) of the FMPA 2024

Affected persons	Companies
Effective date	26 July 2024
Paragraph reference in BS	402
Section reference in ITA	New section 67(s)

A company will be allowed a tax credit of 25% on any capital expenditure relating to the cost of setting up a Child Care Centre or a crèche for the benefit of its employees.

Any excess of the tax credit over the tax liability of the company may be carried forward for a maximum of 5 consecutive years. A proportionate amount of the credit will be withdrawn if the company either ceases the operation of the Child Day Care Centre/crèche or transfers the Child Day Care Centre.

This tax credit is in addition to either the annual allowances on the capital expenditure or the double deduction which may apply on the setting up cost of a childcare centre.

8. Statements of financial transactions

Section 41(h) of the FMPA 2024

Affected persons	Banks and non-bank deposit institutions
Paragraph reference in BS	Not mentioned
Paragraph in reference EN	A.8(a)(v)
Effective date	26 July 2024
Section reference in ITA	123D

Banks and non-bank deposit institutions under the Banking Act are now required to submit a separate statement of financial transactions to the MRA with regards to credit card accounts or prepaid card accounts. The threshold is a single deposit exceeding Rs 100,000 for an individual, society or succession and in the case of a person other than an individual a single deposit exceeding Rs 250,000 or deposit exceeding Rs 2 million in the preceding year.

9. Change in scope of the Prime à L'Emploi Scheme to include part-time employees

Section 41(k) of the FMPA 2024

Affected persons	Eligible employers
Paragraph in reference BS	69, 71 and 72
Effective date	17 November 2023
Section reference in ITA	150F

The *Prime à L'Emploi Scheme* (the "Scheme") has been extended to employees who work for a minimum of 20 hours a week and employees who are under 62 years old between 17 November 2023 and 30 June 2024.

The period of unemployment for qualifying employees has been reduced from a year to 3 months which will increase the number of individuals eligible for the Scheme.

The allowance (the "base allowance") to the employer for employees working on a part-time basis is equivalent to the basic wage or salary of the employee up to a maximum of Rs 7,500 as from the month the individual is employed and the subsequent 23 months. The maximum allowance is Rs 15,000 for an employee working on a full-time basis.

Employment starting on 1 July 2024 and ending on 31 December 2024

The additional sum for the month of December 2024 is equivalent to one twelfth of the base allowance for the six months ended 31 December 2024. For the month of December 2025 and December 2026, the additional sum is equivalent to one twelfth of the base allowance for the 12 months ending in the month of December. For example, the additional sum for the month of December 2025 will be computed in accordance with the base allowance for the month of January to December 2025.

Employment starting as from 1 January 2025

The additional sum for the month of December 2025, December 2026 and December 2027 is equivalent to one twelfth of the base allowance in the 12 months ending in the month of December. For example, the additional sum for the month of December 2027 will be computed in accordance with the base allowance for the month of January to December 2027.

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10. Investment tax credit on Artificial Intelligence and patents

Section 41(l) of the FMPA 2024

Affected persons	Manufacturing companies
Effective date	1 July 2024
Paragraph reference in BS	131
Section reference in ITA	161A(58A)

Expenditure on Artificial Intelligence (“AI”) and patents now qualifies for the investment tax credit.

The term AI is not defined for this purpose and is defined as follows in the Financial Services (Robotic and Artificial Intelligence Enabled Advisory Services) Rules 2021:

“artificial intelligence” means algorithms designed by individuals that, given a goal, act in the physical or digital world by perceiving their environment, interpreting the collected structured or unstructured data, reasoning on the knowledge derived from this data and deciding the best action to take, according to pre-defined parameters, to achieve the given goal

Section 65B and section 67K of the ITA enable a company to benefit from a double deduction on expenditure incurred on specialised software and patents respectively. Where a company applies the double deduction, it is not eligible to compute annual allowances on those assets. We consider that a manufacturing company will still be able to benefit from the investment tax credit where the double deduction is applied.

11. Compensation paid by the Government due to a natural disaster

Section 41(m)(i)(B) of the FMPA 2024

Affected persons	Any person
Effective date	1 January 2024
Section reference in ITA	New item 20 in Sub-part A of Part II of the Second Schedule

Any sum from the Government or public sector body as compensation for losses directly or indirectly suffered as a result of a natural disaster is exempt from income tax as from 1 January 2024. Whilst this change may appear to be targeted to individuals, it may theoretically also apply to a company.

12. Exempt interest income on bonds issued by public sector companies

Section 41(m)(ii) of the FMPA 2024

Affected persons	Any person
Effective date	26 July 2024
Section reference in ITA	New item 3B in Sub-part B of Part II of the Second Schedule

Interest on bonds issued by a public sector company to finance infrastructure projects is exempt from income tax if approved by the Minister of Finance, Planning and Development.

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13. Change in effective date of tax holiday for captive insurers

Section 41(m)(iii)(A) of the FMPA 2024

Affected persons	Captive insurers
Effective date	26 July 2024
Section reference in ITA	Item 28 of Sub-Part C of Part II of the Second Schedule

The 10-year income tax holiday applicable to a captive insurer will now apply as from the date the company started its activities instead of the date of introduction of the Captive Insurance Act 2015.

14. Clarification that management company will not benefit from the 80% exemption regime applicable for CIS administrator

Section 41(m)(iii)(B) of the FMPA 2024

Affected persons	Management companies
Effective date	26 July 2024
Section reference in ITA	Sub-section 41(aa) in Sub-part C of the Second Schedule

This change corrects a legal anomaly to the exemption introduced by section 38(ag) (iii)(II) of the Finance (Miscellaneous Provisions) Act 2023 for a CIS manager, CIS administrator, investment adviser, investment dealer or asset manager as the case maybe.

15. Exemption for a company holding a Payment Intermediary Services licence

Section 41(m)(iii)(E) of the FMPA 2024

Affected persons	Relevant companies licensed by the FSC
Paragraph reference in BS	162(a)
Effective date	Year of assessment 2025/2026
Section reference in ITA	New Item 61 in Sub-part C of Part II of the Second Schedule

Companies holding a Payment Intermediary Services (“PIS”) licence issued by the FSC will benefit from an 80% exemption from income tax, subject to compliance with the prescribed conditions. We hope that the regulations will consider the impact of the increase use of technology: otherwise, we may end up with prohibitive conditions.

16. Exemption for a company holding a Robotic and Artificial Intelligence Enabled Advisory Services licence from the FSC

Section 41 (m)(iii)(E) of the FMPA 2024

Affected persons	Relevant companies licenced by the FSC
Effective date	Year of assessment 2025/2026
Section reference in ITA	New item 62 in Sub-part C of the Second Schedule

With this amendment companies holding a Robotic and Artificial Intelligence Enabled Advisory Services licence issued by the FSC will benefit from an 80% exemption from income tax, subject to compliance with the prescribed conditions. Here also, we hope that the regulations will consider the impact of the increase use of technology: otherwise we may end up with prohibitive conditions.

C. TAX ADMINISTRATION

1. Submission of amended income tax return

Section 41(f) of the FMPA 2024

Paragraph reference in BS	N/A
Paragraph reference in EN	A.8 (a)(iv)
Effective date	26 July 2024
Section reference in ITA	Section 116B of the ITA

Given the approach of the MRA, it would have been useful to clarify the instances where an amended tax return is required. We regret to note that the stance of the MRA is one which is detrimental to taxpayers.

A person will not be allowed to submit an amended return for a particular year where a notice of assessment has been issued by the MRA for that year if the amendments relate to the subject matter of the assessment. The above is contradictory to the budget proposal which provided that an amended return may not be submitted if either an objection has been lodged or representations made to the Assessment Review Committee.

A person will also not be able to submit an amended return in a year where the MRA has notified the taxpayer of its intention to issue an assessment for that year.

To the extent that a person wishes to submit an amended return in respect of matters other than those relating to the assessment issued, the person will be required to make a written declaration to the MRA. The MRA shall, within 6 months of the date of declaration inform the taxpayer of the outcome of the declaration. We note that the person is not allowed to challenge the decision of the MRA if the declaration of the person is not entertained by the MRA.

The changes are not applicable where the MRA is not contemplating to issue an assessment, even if the MRA is conducting an audit.

This measure is unfair to cases where the amended tax return is based on authentic changes, some of which may be beyond the control of the person. For example, a person may not receive Deduction of Tax at Source statements in a timely manner and the MRA denies any amount claimed as tax withheld where appropriate certificates are not produced. This is further exacerbated by the fact that penalties may also be imposed on incorrect claims for refund.

Where the issue in dispute revolves around cross border transactions and foreign tax credit, the fact that an amended tax return is not possible may lead to an outcome where an income is taxed in both Mauritius and another country with no corresponding relief.

2. Publication of names of companies failing to submit returns

Section 41(g) of the FMPA 2024

Affected persons	Companies failing to submit returns
Paragraph reference in EN	A.8. (a)(iii)
Effective date	26 July 2024
Section reference in ITA	122A (1)

The ITA has been amended such that the timeframe for publication of names of companies not submitting returns has been reduced from 5 months to 3 months. This measure is aimed at encouraging companies to file their returns timely to avoid being named and shamed.

3. Assistance for payment of national minimum wage and salary compensation 2024

Section 41(j) of the FMPA 2024

Affected persons	Eligible employers
Paragraph reference in EN	A.1. (h)
Effective date	January 2024
Section reference in ITA	New section150EB

This measure seeks to assist certain employers on their employment cost that is the direct result of the increase in the National Minimum Wage (“Wage Assistance”) and the additional remuneration under the Worker’s Rights (Additional Remuneration) (2024) Regulations (“Remuneration Assistance”).

Employers who may benefit from the assistance include export enterprises, manufacturing companies with a turnover of less than Rs 500million for the year of assessment 2022/2023 (“relevant year of assessment”), Small and Medium Enterprises (“SME”), bus operators providing public transport, charitable institutions, religious bodies, an entity that operates in the business process outsourcing (“BPO”) sector with a turnover of less than Rs 750million for the relevant year of assessment, an entity engaged in security or cleaning services with a turnover of less than Rs 750million for the relevant year of assessment, an entity engaged in the construction industry with a turnover of less than Rs 750million for the relevant year of assessment, trade unions, a non-government organisation registered with and eligible for grants from the National Social Inclusion Foundation and such other category of employers as may be prescribed.

The financial assistance is limited to the 2024 calendar year, with varying durations and amounts depending on the category of employers. The amount of the assistance will depend on the following: (a) turnover of manufacturing company, SME, entities engaged in the BPO sector, security or cleaning services, construction industry for the relevant year of assessment; (b) accounting profit or loss of the employer; (c) impact of additional remuneration and increase in National Minimum wage on the accounting profit for the relevant year of assessment. We wish to emphasise that the required adjustment is based on the additional employment cost for the calendar year ending 31 December 2024.

The maximum amount of the Wage Assistance and the Remuneration Assistance applies is equivalent to Rs 2,000 and the full amount of the additional remuneration for export enterprises operating in the textile or apparel industry, and manufacturing companies with a turnover of less than Rs 100million for the relevant year of assessment that has an accounting loss.

Where the company has an accounting profit for the relevant year of assessment, the maximum wage assistance and the remuneration assistance should still apply if the accounting profit for the relevant year of assessment would be reduced by more than 50% (the “cut-off point”) if the additional remuneration and the increase in the National Minimum Wage as from January 2024, for individuals in employment as at December 2023, were borne by the company. A similar mechanism applies to other instances except that the cut off point is 10% in other instances.

Where the employer is a manufacturing company with a turnover of less than Rs 100million for the relevant year of assessment and an accounting profit that would be reduced by more than 10% if the additional remuneration and increase in the National Minimum Wage as from January 2024 for employees in employment as at December 2023, were borne by the company the two allowances are reduced by 50%.

We wish to highlight the fact that not all employers are required to prepare their financial statements in accordance with International Financial Reporting Standards (“IFRS”) so that there may be practical challenges in such cases.

We hope that the MRA will adopt a stand that treats all the qualifying employers on an equal footing and do not deny the assistance on the basis that the financial statements have not been prepared in accordance with IFRS.

4. **Renewal of the Tax Arrears Settlement Scheme**

Section 53(h) of the FMPA 2024

Affected persons	Persons with tax arrears
Paragraph reference in BS	57
Effective date	26 July 2024
Section reference in MRAA	28

This measure is designed to encourage the settlement of tax arrears and is welcomed where the taxpayer is agreeable to the pure tax. The Tax Arrears Settlement Scheme (“TASS”) will apply to tax outstanding as at 30 June 2024 so that this would also cover tax arrears under any notice of assessment issued by the MRA during the month of June 2024.

The tax within the scope of the TASS includes any tax arrears under the Gambling Regulatory Authority Act, ITA and the VATA.

Taxpayers having tax arrears should implement the TASS by 31 March 2025 and pay the pure tax by 26 June 2025 to benefit from the full waiver of the interest and penalties.

We consider that the TASS should have applied to cases where the MRA has agreed to revise the pure tax. That would have been the better approach. The Director-General of the MRA may still use his discretionary power to waive the interests and penalties under section 128 of the ITA.

5. **Introduction of a Contribution Arrears Settlement Scheme**

Section 53(h) of the FMPA 2024

Affected persons	Employers and self-employed
Paragraph reference in BS	57
Effective date	26 July 2024
Section reference in MRAA	28

The Contribution Arrears Settlement Scheme (“CASS”) will apply to contributions outstanding as at 30 June 2024 and a full waiver of interest and penalties and a full waiver of any surcharge would apply to contributions outstanding under the SCSBA and to the training levy outstanding under the Human Resources Development Act respectively.

A 75% waiver of any surcharge would apply to contributions outstanding under the National Pension Act or the NSFA.

Employers and self-employed individuals having contributions arrears should implement the CASS by 31 March 2025 and pay the contributions due by 26 June 2025 to benefit from the waiver of the interest, penalties and surcharges, as the case may be.

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D. ECONOMIC DEVELOPMENT BOARD ACT

1. Introduction of expert Occupation Permit

Section 23(a)(ii) of the FMPA 2024

Affected persons	Foreign nationals
Paragraph reference in BS	Item 163 (a)
Paragraph in reference EN	Not mentioned
Effective date	26 July 2024
Section reference in EDDBA	Item 3 of Part I in the First Schedule

This measure is designed to facilitate the employment of highly qualified professional in the field of wealth management, family office, virtual assets, and virtual tokens.

The minimum monthly basic salary is Rs 50,000.

2. Reduction in minimum basic salary for the purposes of the Occupation Permit

Section 23(d)(i) of the FMPA 2024

Affected persons	Foreign nationals
Paragraph reference in BS	Item 75
Effective date	26 July 2024
Section reference in EDDBA	Item 3 of Part I of the First Schedule

The salary threshold for professionals to apply for an Occupation Permit is now Rs 22,500 instead of Rs 30,000

E. VALUE ADDED TAX

1. Voluntary registration

Section 92(b) of the FMPA 2024

Affected persons	Persons registered for VAT on a voluntary basis
Paragraph reference in BS	Not mentioned
Paragraph in reference EN	A.8 e(i)
Effective date	26 July 2024
Section reference in VATA	16(3)

The effective removal of the words “Subject to this Act” in section 16(3) of the VATA would appear to indicate that any input tax paid on the acquisition of goods and services subsequent to the registration of the person is deductible, irrespective of the fact that the invoices have been issued before the registration date.

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2. **VAT invoice in foreign currency**

Section 92(c) of the FMPA 2024

Affected persons	Registered persons
Paragraph reference in BS	Not mentioned
Paragraph in reference EN	A.8 e(ii)
Effective date	26 July 2024
Section reference in VATA	New sub-section (2) (fa) in section 20

A registered person will be obliged to specify the rate of exchange in the VAT invoice if the value of supply is expressed in a foreign currency. The exchange rate was already included by registered persons further to discussions held with the then Commissioner for VAT back in 1998. We are surprised to note that this amendment is made after more than 25 years of the coming into force of the VAT law.

3. **Time limit for the MRA to require information or issue an assessment**

Section 92(d) and 92(f) of the FMPA 2024

Affected persons	Taxable persons
Paragraph reference in BS	Not mentioned
Paragraph in reference EN	A.8 e(iii) and A.8 e(iv)
Effective date	26 July 2024
Section reference in VATA	28A (1) and 37(3)

The proposed amendment seeks to clarify the fact that the time limit for the MRA to request for information or raise an assessment is 4 years from the last day of the taxable period in which the VAT return was submitted instead of when the tax liability arose. This measure confirms our understanding on the computation of the statute of limitation period for VAT purposes. For example, if the VAT return for the month of May 2024 was submitted in the month of July 2024 (instead of June 2024 when the tax liability arose), the return will be open for enquiry up to the month of July 2028.

4. **Refund of VAT to persons other than VAT registered persons**

Section 92(g)(i) and (ii) of the FMPA 2024

Affected persons	Certain non-VAT registered persons
Paragraph reference in BS	Not applicable
Paragraph in reference EN	A.8 e(v)
Effective date	26 July 2024
Section reference in VATA	65A(3)(c) and new subsection (3)(d)

This amendment seeks to correct an anomaly in the law on equipment imported by the persons listed in section 65A(2) of VATA where the evidence is the Bill of Entry and not the supplier invoice.

5. **VAT incurred by diplomatic missions and agents**

Sections 92(h) and (k) of the FMPA 2024

Affected persons	Diplomatic mission and agents
Paragraph reference in BS	Not applicable
Paragraph in reference EN	A.6(e)
Effective date	26 July 2024
Section reference in VATA	65B(1) and item 9 of the Ninth Schedule

VAT incurred by diplomatic missions and agents on services would be refunded provided that the purchase price is at least Rs 3,000 and is supported by a VAT invoice. There are no restrictions on the nature of services.

Alternatively, no VAT would apply on any services purchased from a VAT registered person subject to the presentation of the VAT Exemption Card and conditions therein.

6. Entrance fees to digital art galleries

Section 92(i)(ii) of the FMPA 2024

Affected persons	Registered persons and final customers
Paragraph reference in BS	Not applicable
Paragraph in reference EN	A.6(d)
Effective date	26 July 2024
Section reference in VATA	Item 72 of the First Schedule

Entrance fees to digital art galleries are included in the First Schedule as exempt services and aligns the VAT treatment to the entrance fees to concerts and shows.

7. Maximum amount of exemption motor car or double space cabin vehicle for use as taxi

Section 92(i)(iii) of the FMPA 2024

Affected persons	Qualifying taxi owners and final customers
Paragraph reference in BS	Not applicable
Paragraph in reference EN	Not applicable
Effective date	1 August 2024
Section reference in VATA	Item 96(b)(i) in the First Schedule

The maximum exemption on VAT on a motor car or double space cabin vehicle for use as taxi will be Rs 120,000 of VAT as from 1 August 2024.

8. Change in VAT status of vegetable seeds, fruit and flower seeds, bulbs and plants, used for sowing and planting

Section 92(i)(i) and 92(j)(i)(C) of the FMPA 2024

Affected persons	Registered persons and final customers
Paragraph reference in BS	Not applicable
Paragraph in reference EN	A.6 (b)(i)
Effective date	26 July 2024
Section reference in VATA	New item 2(ga) of the Fifth Schedule

Vegetable seeds, fruit and flower seeds, bulbs and plants used for sowing and planting are no longer exempt and are zero rated as from 26 July 2024

9. Roasted coffee

Section 92(j)(i)(A) of the FMPA 2024

Affected persons	Registered persons and final customers
Paragraph reference in BS	Not applicable
Paragraph in reference EN	A.6 (b) (v)
Effective date	1 March 2024
Section reference in VATA	New item 2(eea) in the Fifth Schedule

Roasted coffee of H.S Code 09.01 is deemed to be taxed at the zero rate as from 1 March 2024.

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10. Seedling trays, plant pots, agricultural sprayers and baby lotions

Section 92(j)(i)(C) and 92(j)(iii) of the FMPA 2024

Affected persons	Registered persons and final customers
Paragraph reference in BS	Not applicable
Paragraph in reference EN	A.6 (b) (ii), A.6 (b)(iii), A.6 (b)(iv) and A.6 (b)(vi)
Effective date	1 August 2024
Section reference in VATA	New item 2(ga), (gb), (gc), (gd) and 50A of the Fifth Schedule

The following are zero-rated goods as from 1 August 2024:

- Seedlings trays of H.S Code 3926.90.91
- Plant pots of H.S Code 3926.90.92
- Agricultural or horticultural sprayers of H.S. Codes 8424.41.00 and 8424.49.00
- Baby lotions of H.S Code 3304.99.20

11. Live animals used for human consumption

Section 92(j)(i)(B) of the FMPA 2024

Affected persons	Registered persons and final customers
Paragraph reference in BS	Not applicable
Paragraph in reference EN	Not applicable
Effective date	26 July 2024
Section reference in VATA	Item 2(be) of the Fifth Schedule

The amendment seeks to narrow the scope of the live animals treated as zero rated supplies so that only live animals used for yielding or producing food for consumption are zero rated. Any animals not treated as zero rated supplies may still be exempt from VAT under item 4 of the First Schedule to VATA.

12. Services provided by a holder of a management licence

Section 92(j)(ii) of the FMPA 2024

Affected persons	Registered persons, certain foundations and trusts
Paragraph reference in BS	Not applicable
Paragraph in reference EN	Not applicable
Effective date	26 July 2024
Section reference in VATA	Item 6(b) of the Fifth Schedule

Services provided by a holder of a management licence to trusts whose settlor and majority of beneficiaries are non-residents and foundations whose founder and most of the beneficiaries are non-resident are now zero rated for VAT purposes.

Section 92(j)(iii) of the FMPA 2024 refers to item 6(2)(a) of the VATA; however, item 6 of the Fifth Schedule has subsection a and b only; we presume that the FMPA 2024 is in fact referring to item 6(b) of the Fifth Schedule. Furthermore, the Financial Services Development Act has already been repealed and we presume that reference is being made to the Financial Services Act.

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13. Procurement of goods, works, consultancy services and other related services

Section 92(k)(ii) of the FMPA 2024

Affected persons	Certain approved persons
Paragraph reference in BS	Not applicable
Paragraph in reference EN	A.6(a)
Effective date	26 July 2024
Section reference in VATA	Item 18 of the Ninth Schedule

The affected person would be exempt from VAT in respect of “*procurement of goods, works, consultancy services and other related services*”.

To benefit from the exemption, the approval of the Minister is mandatory and at least 50% of the project value must be from grant or concessionary financing as approved by the Minister.

14. Persons engaged in pre-primary and technical and vocational education and training

Section 92(k)(iii) of the FMPA 2024

Affected persons	Person engaged in the provision of pre-primary and technical and vocational education and training
Paragraph reference in BS	Not applicable
Paragraph in reference EN	A.6(f)
Effective date	18 September 2023
Section reference in VATA	Item 27 of the Ninth Schedule

The exemption from VAT has been extended to persons engaged in the pre-primary and technical and vocational education and training in respect of the construction of a purpose-built building, certain plant and machinery and information and technology system and information related materials and equipment for the purpose of on-line education. The exemption also applies to the construction of a purpose-built building to be leased to a person engaged in pre-primary and technical and vocational education and training. To benefit from the exemption, the service provider should hold an Investment Certificate issued by the EDB.

15. Construction of social housing units under a contract with the New Social Living Development Ltd

Section 92(k)(iv) of the FMPA 2024

Affected persons	Persons engaged in the construction of social housing
Paragraph reference in BS	Not mentioned
Paragraph in reference EN	A.6(g)
Effective date	1 August 2023
Section reference in VATA	Item 30 of the Ninth Schedule

The exemption from VAT has been extended to procurement of vehicles in respect of the construction of the social housing units under a contract with New Social Living Development Ltd.

To benefit from the exemption, the approval of the Minister is mandatory.

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F. CASH ALLOWANCES TO INDIVIDUALS

1. School allowance

Section 83 (b)(vii) FMPA 2024

Affected persons	Individuals
Paragraph reference in BS	27.b
Effective date	26 July 2024
Section reference in SCSBA	New section 30CA

An eligible child who is a Mauritian national and is tax resident in Mauritius will be entitled to the school allowance of Rs 2,000 between from 1 July 2024 to 30 June 2025. The MRA has been tasked with administering the payment of the allowance. The FMPA 2024 has provided for an additional monthly allowance for the month of December 2024.

We note that the FMPA 2024 gives room for further eligibility criteria to be prescribed both with respect to the eligibility of the children and parents/guardians. The school allowance is an exempt income and may impact on the deduction for dependent child.

2. Maternity allowance

Section 83 (b)(vii) FMPA 2024

Affected persons	Pregnant women
Paragraph reference in BS	397
Effective date	26 July 2024
Section reference in SCSBA	New section 30CB

Like the school allowance, the benefit only applies if the woman is a Mauritian national and tax resident in Mauritius.

A monthly allowance will be paid during the last 3 months of pregnancy and for the first 6 months following childbirth. This allowance will be payable only between July 2024 and June 2025 but will not be payable to women who have reached the third trimester of their pregnancy before 7 June 2024.

The MRA has been tasked with administering the payment of the allowance which will be paid directly into the mother's bank account, a joint account with her spouse, mother or father or any relevant person appointed by the MRA or a Court of a competent jurisdiction.

The eligible woman will need to provide a medical certificate proving her pregnancy. It appears that other criteria might be added at later stage via regulations.

Making false claims for the maternity allowance can lead to fines up to Rs 50,000 and imprisonment for a term not exceeding two years.

The allowance is exempt from income tax and may impact on the deduction available to the spouse.

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3. Pregnancy care allowance

Section 83 (b)(ix) FMPA 2024

Affected persons	Pregnant women
Paragraph reference in BS	395
Effective date	26 July 2024
Section reference in SCSBA	New section 30E

Here also, the allowance only applies to a tax resident woman who is a Mauritian national.

A one-off pregnancy care allowance of Rs 3,000 will be paid to an eligible woman where she has completed at least 6 medical check-ups during her pregnancy. To benefit from this allowance, the sixth check-up must fall between 7 June 2024 and 30 June 2025. There are provisions for other criteria to be prescribed to benefit from this allowance.

The eligible woman will need to provide a medical certificate proving her pregnancy. Similar rules and conditions as the maternity allowance would apply, including recovery of erroneous payments and penalties for false declarations.

The applications for pregnancy and maternity allowances must be submitted by 31 December 2025.

Given the fact that the allowance will be exempt from income tax, it may impact on the deduction available to the spouse.

4. Monthly income allowance

Section 83 (b)(iv) FMPA 2024

Affected persons	Individuals
Paragraph reference in BS	534
Effective date	26 July 2024
Section reference in SCSBA	Part I of the Seventh Schedule

The monthly income allowance (the "allowance") will no longer be a fixed amount of Rs 2,000 and will instead depend on the monthly aggregate income of the individual as depicted in the below table:

<u>Monthly aggregate income</u>	<u>Rs</u>
Less than Rs 20,000	3,000
Between Rs 20,001 and Rs 25,000	2,500
Between Rs 25,001 and Rs 30,000	2,000
Between Rs 30,001 and Rs 50,000	1,500

The allowance may be a factor employers and employees will consider, particularly given the fact that the allowance is exempt from income tax and may reduce the overall cost of the employer.

5. Revenu Minimum Garantie Allowance

Section 83 (b)(v) FMPA 2024

Affected persons	Resident individuals
Paragraph reference in BS	576
Effective date	26 July 2024
Section reference in SCSBA	New section 30BA

Eligible employees would receive a monthly allowance between July 2024 and June 2025 to ensure their income reaches Rs 20,000. The maximum monthly allowance is Rs 500. Given that the national minimum wage is of Rs 16,500, the *Revenu Minimum Garantie* Allowance combined with the monthly income allowance would ensure that eligible employees have minimum revenue of Rs 20,000 per month.

There are provisions for other criteria to be prescribed to benefit from this allowance.

6. Equal Chance Allowance

Section 83 (b)(v) FMPA 2024

Affected persons	One person per household
Paragraph reference in BS	576
Effective date	26 July 2024
Section reference in SCSBA	New section 30BB

A monthly Equal Chance Allowance will be paid to one adult member of a household if the household earnings do not exceed Rs 20,000. The payments will be made from July 2024 to June 2025, with an additional payment in December 2024.

To determine the Rs 20,000 threshold, the income from wages, business income, social aid, pensions, and allowances will be considered.

It is the MRA that will decide the family member who will benefit from this allowance if more than one of the household members make an application for the allowance.

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