

# The Finance Act 2021 Series

## Part 1 – Taxation

Key legislative amendments

**axis**  
TRUSTED FIRST

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## 01 | Introduction



The Finance (Miscellaneous Provisions) Act 2021 was gazetted on 05 August 2021 and it brings into force a number of amendments to the legislations in Mauritius. This first segment of the joint Axis and BLC Robert Finance Act series sets out the key amendments made to the Income Tax Act, the Land (Duties and Taxes) Act, the Mauritius Revenue Authority Act and the Value Added Tax Act.

## 02 | Income Tax Act 1995 (the “ITA”)

We have set out the main amendments made to the ITA under two sections: namely, corporate taxes and personal taxes:



### A. Corporate taxes

- a) The provision on application of arm’s length principle in the ITA has been amended to state that it shall apply to all business or income earning activities carried out in or from Mauritius, thereby clarifying that this principle shall also apply to global business companies.
- b) Trusts and foundations which were previously eligible to claim tax exemption under the ITA by depositing a declaration of non-residence to the Mauritius Revenue Authority (the “MRA”) shall no longer be able to do so.

A grandfathering period has been provided up to the year of assessment 2024-2025 to any trust or foundation which was set up before 30 June 2021, with restrictions on specific assets and incomes.

- c) Commencing 01 July 2022, income derived from investment in shares shall be deemed as income derived from Mauritius only where the said shares are in a company resident in Mauritius.

## 02 | Income Tax Act 1995 (the “ITA”) - Continued

### d) The following tax incentives have also been introduced

#### i. Manufacturing industry

- As from 01 July 2022, a manufacturing company engaged in medical, biotechnology or pharmaceutical sector shall now be liable to income tax at the rate of 3%, provided that the company holds an Investment Certificate issued by the Economic Development Board (“EDB”) and that it also satisfies the substance requirements prescribed in relation to its activities and has not yet claimed partial exemption. It shall also as from 01 July 2021 receive a tax credit of 100% of the capital expenditure incurred in the acquisition of patents.
- As from 01 July 2021, a manufacturing company (whose annual turnover exceeds MUR 100 million) which incurs any expenditure on the direct purchase of products manufactured locally by SMEs (whose turnover does not exceed MUR 50 million) shall be allowed, an additional deduction of 10% of the amount of expenditure so incurred in that income year.

ii. As from 01 July 2022, Higher Education Institutions set-up in Mauritius, registered under the Higher Education Act, shall be liable to income tax on their chargeable income at the rate of 3%.

iii. A company incorporated on or after 1 July 2021 and holding an Investment Certificate issued by the EDB will benefit from a tax holiday for a period of 8 succeeding years from its incorporation date.

iv. The companies set out below can now claim as a deduction twice the amount of specified expenditure incurred as follows:

- a health institution under the Private Health Institutions Act with respect to expenditure on international accreditation;
- a company with respect to expenditure made on specialised software and systems; and
- a manufacturing company with respect to expenditure incurred on market research and product development for the African market.



### B. Personal taxes

a) Where an individual holding a ‘premium visa’ as issued by the EDB works remotely from Mauritius and whose income is remitted in Mauritius, that income shall be deemed to be derived in Mauritius. The individual shall be liable to income tax on their deposits in a bank account in Mauritius unless they have paid tax on said deposits in their country of origin. However, where a holder of premium visa spends money in Mauritius through the use of his foreign credit or debit cards, the amount so spent shall be deemed not to have been remitted in Mauritius. This amendment will be backdated to take effect as from 1 November 2020.

b) Commencing on 1 July 2021, where an individual has contributed to a personal pension scheme approved by the Financial Services Commission under the Insurance Act, he shall be entitled to deduct from his net income for that income year, the amount contributed or MUR 30,000, whichever is lower.

c) Commencing on 1 July 2021, where an individual has made a donation through electronic means to a charitable institution, he shall be entitled to deduct from his net income for that income year, the amount donated or MUR 30,000, whichever is lower.

**The MRA will also, only consider a charitable institution to be one, if its objects meet the following criteria –**

- are of a public character;
- do not yield any profits to its members;
- are exclusively for –
  - the advancement of religion;
  - the advancement of education;
  - the relief of poverty, sickness and disability;
  - the protection of environment;
  - the advancement of human rights and fundamental freedoms;
  - the promotion of any other public object beneficial to the community; and
- are carried out either in or outside of Mauritius.

### 03 | Land (Duties and Taxes) Act 1984

a) The Land (Duties and Taxes) Act 1984 has been amended to clarify that any registration duty or tax levied on the transfer of leasehold rights in State-owned land shall be levied on the value of a property or leasehold rights exclusive of any value added tax.

b) It has also been clarified that land transfer tax at the standard rate of 5% shall not be applicable upon the resale of an IRS/RES property.

c) The leasehold tax on transfer of leasehold rights in State-owned land has been reduced to 10% (from 20%), for built-up hotels on State-owned land for a period of two years as from 01 July 2021.

d) It has also been clarified that the tax on transfer of leasehold rights in State land shall apply according to the percentage of shares transferred in a company which holds such rights.

e) In addition, the delay for the Registrar-General to notify a transferor or transferee of the reassessed value and additional duty or tax payable has been extended from 3 months to 5 months, where the delay falls during or 3 months from the end of the confinement period.

f) There are also new exemptions which have been introduced in respect of the payment of duties or taxes, which include:

i. exemption from the payment of registration duty on the acquisition of land or of land and building, provided the purchaser used the immovable property for training or breeding of animals to be sold locally or for export;

ii. exemption from the payment of registration duty and land transfer tax on the acquisition of land for the construction or expansion of a student campus or a building which is used primarily as a student campus or as an expansion to a student campus;



iii. exemption from the payment of registration duty and land transfer tax on the acquisition of land by a company for the construction of a purpose-built factory for the manufacture of pharmaceutical products or medical devices or uses the building for conducting clinical and pre-clinical trials;

iv. exemption from the payment of tax on transfer of leasehold right on the sale of a residential unit in a project developed on State-owned land under the Property Development Scheme relating to senior living; and

v. exemption from the payment of registration duty and land transfer tax on the acquisition of land to be used for the construction of a building or use the land and building to carry out activities as per the conditions set out in the Investment Certificate issued by the Economic Development Board.



## 04 | Mauritius Revenue Authority Act 2004

Any tax arrears outstanding as at 31 October 2020 (11 June 2021 for SMEs) under the ITA, the VAT Act and the Gambling Regulatory Authority Act that are fully paid on or before 31 December 2021 (28 June 2022 for SMEs), any penalty and interest included in the tax arrears shall be reduced by 100%, provided that an application for the reduction is made to the MRA on or before 30 June 2021 (31 December 2021 for SMEs).

## 05 | Value Added Tax Act 1998 (the “VAT Act”)

a) The changes brought to the VAT Act have mostly impacted the VAT refund that an individual engaged in the first-time construction of a residential property or the acquisition of an apartment was entitled to. The actual maximum refund has been reduced from MUR 500,000 to MUR 300,000. The criteria to benefit from such refund has also been revised downward from an individual earning a maximum of MUR 3.5M to MUR 1M.

b) The list of zero-rated supplies has been extended to include the following items:

- i. Live animals for training or breeding purposes;
- ii. Live poultry generally for yielding, producing or used as food for human consumption;
- iii. Boiled or steamed dumplings made up of meat, fish, squid, crab, chicken, vegetables or milk, whether cooked or uncooked, prepared and supplied to final consumers; and
- iv. Nursing care services and residential care services.

c) The items listed below are no longer exempted from VAT:

- i. Construction of a purpose-built building for the provision of tertiary education and for a private hospital, nursing home or residential care home;
- ii. Plant, machinery and equipment for exclusive use in the exploration and production of petroleum product, exploration and mining of seabed minerals and use in food processing activities;
- iii. Construction of a marina;
- iv. Plant and equipment and construction of purpose-built building for medical research and for the setting up of the smart and innovative driven project; and
- v. Equipment for the exclusive use of inland aquaculture project; and Information technology system, related materials and equipment, for online education at the time of the setting up of a branch campus in Mauritius.



Part 2 of the joint Axis and BLC Robert Finance Act series will be covering the legislative amendments implemented to the “Regulatory and Compliance” sector.