Mauritius National Budget 2016-2017 Highlights

A new Era of Development

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It has certainly been designed for the dawning of a new era of nation-wide development and prosperity.”

JULY 2016
Dear Investors,

Welcome to this special edition of the BOI newsletter which provides you with the highlights of the budget presented earlier this afternoon, 29th July 2016, by Honourable Pravind Kumar Jugnauth, Minister of Finance and Economic Development.

Crafted to give a new impulse to the economy, the 2016/2017 Budget, themed “A New Era of Development”, activates ten concurrent tracks to haul the economy out of the slough.

As it lays down the foundations for an investment-driven development model, it rests on measures aimed at stimulating both domestic and foreign direct investment with a view to achieving foremost socio-economic objectives, namely high economic growth and the creation of high-end jobs to improve the quality of life of all Mauritians, and eliminate the pain of absolute poverty.

The main thrusts have an immediate bearing on entrepreneurship and SMEs, business facilitation and institutional reforms.

SMEs in general will breathe a sigh of relief. They are placed at the very front of the stage since the dynamism of local entrepreneurship and its capacity to generate wealth are clearly recognized. SME parks, matching grants and improved access to capital will definitely give a boost to the sector of small and medium businesses.

Regarding business facilitation, BOI has been vested with additional powers. In the main, through the implementation of a Regulatory Sandbox Scheme (RSS), BOI will promote innovation through the prompt leveraging of latest global trends. In a world characterized by technological break-throughs and scientific advancement, the RSS will be a game changer for it will position Mauritius as a prime platform to attract and test innovative start-ups while facilitating high value-added projects.
The acceleration of the implementation of large investment projects is rendered possible due to measures that will decisively unclog administrative bottlenecks. And as a further improvement in the business environment, several licenses and permits will be done away with.

Institutional reforms constitute another highlight of this budget. Since highly efficient public institutions are critical to progress, this budget announces the merger of public institutions where there exist duplication of roles and the fragmentation of operations.

The Budget equally poses ground works for a transition to the next phase of economic prosperity with the advent of the digital revolution. Government will lead the charge by embracing e-practices through the development of applications to effect needed changes and clip out any crippling inefficiencies. Measures to increase connectivity and bandwidth will complement those aimed at improving the skills-sets of our workforce.

The development of sound infrastructure has been given significant attention with the recognition of the importance of investing today in order to reap tomorrow. Accordingly, huge investments will be channelled to improve air and sea connectivity. The decongestion programme will be reinforced with the metro express and other road network developments. The upgrading of seaport facilities will be pursued at an increased pace. In addition, a rural and urban regeneration programme will be put in place to ensure that residents enjoy all standard amenities in modern towns and villages. A National Planning Commission will drive this project.

Economic diplomacy occupies a prominent place in the new era. Since there is an urgent need to expand our economic space, seven more economic counsellors will be posted around the world to promote our country and explore new markets for our products and services. Ties with India through the Comprehensive Economic Cooperation Partnership Agreement (CECPA) will be consolidated. E-commerce will be given a boost as well.

As the success of our industrial base is also a major concern, measures aimed at finding new markets will complement initiatives for the improvement of the competitiveness of the manufacturing sector.

For instance, the extension of the Freight Rebate Scheme to encompass air cargo activities will provide a significant stimulus to the textile industry. For one, it will help the sector offset uncertainties in the wake of Brexit. Local industries will also be granted reasonable preferences in a bid to further their development.

The attractiveness of a multiplicity of other sectors has been significantly enhanced, namely agro-industry, financial services, tourism, renewable energy and the ocean economy. Incentives to improve the environment and further attract investors in these sectors have been built in.

Challenges that cut across various fields of activity are squarely addressed through a skills development programme to put an end to the prevalent skills-mismatch crisis. A sharpening of skills will evidently imply
the opening up of better opportunities for gainful employment during the present financial year.

In short, the 2016/2017 budget has made provision for the emergence of better, fairer and more equitable society. The Marshall Plan for poverty alleviation puts forward realistic measures to take people out of a grievous predicament. On the other hand, our youth who are at the threshold of their professional life will regain hope to build a bright future following the measures enunciated concerning tax reliefs and exemptions for housing.

The Board of Investment commends the 2016/2017 Budget for the judicious socio-economic balance it is meant to achieve. The measures are bold and implementable in the short term. This budget foresightedly sets the stage for the much needed convergence of ideas and strategies. It has certainly been designed for the dawning of a new era of nation-wide development and prosperity.

Finally, faithful to our established practice, we are pleased to provide you with an analysis of the impact of the main budgetary measures proposed for this new Financial Year.

We wish you a pleasant read.

Ken Poonoosamy
Managing Director
Macroeconomic Indicators

GDP growth
The erosion of our preferences, structural deficiencies and the global economic downturn have weighed on our growth rates in recent years, leaving the economy in a state of transition.

The new economic agenda has set the bases for renewed expansion, with emerging sectors building on existing ones to support higher GDP growth rates.

Sectoral growth
Growth has been heterogeneous across sectors of activity. In recent years, tourism, ICT and financial services have driven growth, emphasising on our shift towards a services-based economy.

This transformation is set to continue, while other sectors that have been lagging will find renewed vim and vigour through an improvement in the business environment.

Investment
Investment has followed a generally downward trend, with latent uncertainties in the global and domestic economy inhibiting business decisions.

Private investment has been declining, while public investment has been growing timidly.

Accommodative policies and business facilitation will kick-start private investment again, while infrastructure development will boost public investment.

Unemployment
Rising unemployment has been more the result of an accentuating mismatch of skills rather than insufficient job creation.

The beginning of the year shows some signs of improvement, with unemployment lower than last year for the corresponding period. Both demand side and supply side policies will sustain this recovery.
Inflation rate
Low commodity prices and a stable Mauritian rupee have reigned in inflationary pressures, limiting the erosion of the purchasing power of households as well as sustaining the viability of certain delayed investment projects. Inflation will remain at a moderate level, as commodity prices have stabilised while the threat of supply shocks locally remain minimal.

Budget Deficit and Debt
Unexpected events necessitating exceptional decisions have led public debt and the budget deficit away from set targets. The majority of debt remains internal however, and with better management of public finances, institutional reforms and lower interest rates, debt is on course to be aligned with the prescriptions of the Public Debt Management Act.

For Financial year 2016/17:
1. Government Budget: Rs 117.4 Billion
   • Current expenditure: Rs 103.3 Billion
   • Capital expenditure: Rs 14.1 Billion

2. Total Revenue: Rs 102.4 Billion
   • Tax: Rs 84.7 Billion
   • External grants: Rs 6.4 Billion

3. Deficit: 3% of GDP
SMEs

Sectoral Overview

1. Over 127,000 SMEs operating in Mauritius
2. + 46,500: Wholesale & Retail Trade
   • + 21,500 – Transport and Storage
   • +15,200 – Manufacturing
   • + 550 – ICT
   • + 175 – Financial Services & Insurance
3. SME sector: 62% of created jobs
4. Contribution to GDP: 40%

Budgetary Measures

1. Suspension of payment of trade fees for licenses up to Rs 5,000 for 3 years for all SMEs (excluding gambling, sales of liquor and cigarettes)
2. Creation of a National Incubator Scheme to support and mentor young entrepreneurs and a matching grant of Rs 50 M
3. Setting-up of a pilot Agri-Business Park at Highlands covering 100 acres
4. Setting-up of 2 new SME Industrial Parks at Plaine Magnien and Vuillemin
5. Conversion of the DBM Industrial Zone at Coromandel into an integrated SME Industrial Park
6. Access to Finance:
   • Extension of SME Finance Scheme for 3 years, including to individual entrepreneurs, and reduction of interest rate to 6%
   • Reintroduction of Leasing Equipment Modernisation Scheme (LEMS)
   • Setting-up of a dedicated Fast-Track desk at DBM for micro-enterprises
   • Merging of NRF Equity Fund and SME Partnership Fund into an SME Venture Capital Fund with a capital of Rs 500m
   • Line of Credit of Rs 100m for factoring services to small businesses
7. Fiscal Incentives:
   • 8-Year Tax Holiday extended to individual entrepreneurs and cooperative societies registered with SMEDA (new businesses)
   • 4-Year Tax Holiday for existing enterprises with turnover not exceeding Rs 10 M (for qualifying activities) as from year of assessment 2016/17

Impact

1. Easy access to finance for SMEs and starts-ups
2. Promote the development of a new wave of modern and innovative entrepreneurs
3. Access to modern building facilities and equipment
4. Mentoring provided to support young and innovative entrepreneurs.
Manufacturing

**Budgetary Measures**

1. The Leasing Equipment Modernisation Scheme is being reintroduced to provide greater access to leasing finance.
2. The legal framework for the Technical and Vocational Education and Training (TVET) will be reinforced and a Skills Development Authority will be set up as an independent regulator.
3. A mobile oil refinery with onshore storage facilities at Albion will be set up by an international private consortium.
4. Government is opening up the country to the gold business which will encompass a wide spectrum, of high value-added activities ranging from refinery of gold, producing gold bars, setting top-end jewellery processing units, vault facilities and trading of gold and bullions on a new commodity exchange. The exchange will also facilitate trade in diamond and other precious metals.
5. Government will set up a pharmaceutical village at Rose Belle to cater for local as well as African markets.
6. The two existing technopôles at Rivière du Rempart and Rose Belle will be equipped with 3D printers to encourage the use of this new technology in manufacturing.
7. Government is also exempting 3D printers from VAT.
8. Government is providing customs duty exemptions on materials used in the manufacture of medical devices.
9. The minimum investment eligibility requirement pertaining to investment tax credits granted for the acquisition of new plants and machinery has been waived.
10. The investment tax credit, applicable for a period of 3 years, has been increased from 5% to 15% for manufacturers of textiles, wearing apparels, ships and boats, computers and pharmaceuticals. This represent 45% of capital expenditure incurred on new plants and machinery over 3 years until the 2019/2020 financial year.
11. The facilities for the transfer of accumulated losses from an acquiree company to an acquiring company on the takeover or a merger of a manufacturing company, provided that conditions relating to safeguard of employment are complied with, have been extended to cover:
   - Cases where the acquiree company is not dissolved but remains in operation as a going concern;
   - The takeover of a company or transfer of undertaking which has been deemed to be in the public interest under the Land (Duties and Taxes Act)
12. An air freight rebate scheme entailing a 40% reduction by the national carrier, on air freight cost to Europe, will be underwritten by Government over a two-year period.
13. To support the “Made in Moris” initiative, the Bid Price-Preference of 10% is being increased to 20% for locally manufactured goods in respect of the procurement exercise by public sector bodies for goods such as shoes, uniforms, school books, printing materials and furniture.

**Impact**

*Improving access to finance for new equipment*
The reintroduction of the Leasing Equipment Modernisation Scheme will facilitate the financing of new equipment and state-of-the-art technology for manufacturing enterprises that lack the credit or the required collateral to access traditional forms of financing.

Addressing the Skills Gap
The establishment of a new authority for vocational training will address the shortages in qualified and skilled labour in the manufacturing sector by accurately assessing the current and future manpower requirements and establishing relevant training programs.

Diversifying the manufacturing base
- The development of new industries such as oil refining, gold refining and trading will result in technology transfer, capacity building and employment, increased foreign direct investment and export earnings. The advent of such activities will have multiplier effects on numerous sectors of the economy namely banking, insurance, transportation and security among others.
- The creation of a pharmaceutical village demonstrates Government’s will to move towards high-value added manufacturing activities. The establishment of such a cluster will reinforce the attractiveness of Mauritius as a Centre of excellence for the manufacturing of pharmaceuticals in the region through increased synergy between relevant stakeholders.

Adopting new manufacturing techniques
- The forthcoming acquisition of 3D printers for the two technopoles will promote the adoption of new designing, prototyping and manufacturing techniques. Such technologies will provide enterprises within the technopoles with a competitive edge.
- The VAT exemption on 3D printers will allow other manufacturing enterprises to adopt new manufacturing processes.

Fiscal incentives
- Duty exemptions on materials used for the manufacture of medical devices will ease the cash flow of enterprises operating in this field.
- Investment Tax Credit: The revised scheme will favour investment in high-tech machinery and equipment for increased productivity and efficiency.

Improving the competitiveness of the Textile Sector
The Air Freight rebate scheme will improve the competitiveness of textile manufacturers by:
- Reducing air freight costs incurred on exports
- Reducing the transit lead time.

Favouring Domestic Oriented Enterprises
The increase of the Bid Price-Preference to 20% for locally manufactured goods will favour Domestic Oriented Enterprises with respect to public procurement of shoes, uniforms, school books, printing materials and furniture. This measure will contribute in boosting local production and sustaining local enterprises.
Freeport

Budgetary Measures

1. A new legislative framework to enable the development of the Freeport into a Free zone concept.
2. The annual turnover for manufacturing companies in the Freeport exporting to Africa has been reduced from 80% to 50%.
3. Review of Second Schedule of Freeport Act to allow companies incorporated in Mauritius providing Freeport related services outside Mauritius to be conferred Freeport status.

Impact

1. The Free Zone concept will enable the development of modern logistics infrastructure and expanding the range of activities particularly integrated projects that will better position Mauritius as a competitive platform in the region. An increase in industrial and services oriented activities are expected with increased export volume and container traffic.
2. Attracting new Manufacturing companies in the Freeport to broaden and diversify their market access to Europe and Asia, among others, leading to more value added products and increase in trade performance facilitating the transfer of technology and know-how in Mauritius.
3. Encourage export of services and further promote the development of freeport related activities at regional and international level.
Digital Economy

Sectoral Overview
In its endeavour to move towards a fully-fledged digital society, Mauritius has crossed significant milestones, including the setting up of the first Cyber Tower and connecting the country to the SAFE fibre optic cable.

The industry represents a key driver of the economy with a GDP contribution of 5.6% for 2015, employing over 20,000 professionals and underpinned mostly by leading global companies. With over 700 ICT-BPO based enterprises, the country has one of the richest technology ecosystems in Africa that thrives on innovation and collaboration across sectors.

Since the last 5 years, the industry has developed a number of niche capabilities including games development and animation technologies.

Budgetary Measures

1. Major investments will be undertaken to improve connectivity and bandwidth:
   - Investment in a ‘Third Undersea Cable’ project by a private sector consortium led by Mauritius Telecom
   - Investment in a fibre-optic undersea cable by a consortium of regional telecom operators, which will connect Mauritius, Reunion, Madagascar with an international backbone through South Africa
   - Acceleration of Fibre-To-The-Home (FTTH) programme by Mauritius Telecom by December 2017
   - Investment of Rs 200 million by CEB to provide high speed broadband to Internet Service Providers through its island-wide fibre optic cable network
   - Installation of 250 additional free WIFI Hotspots across the island, thus bringing the total number of Hotspots to 600

2. Setting up of an Information Highway by the Ministry of Technology, Communication & Innovation to enable information sharing among public sector agencies
   - Launching of 50 new e-services

3. Appointment of a Dedicated Chief Information Officer within each ministry to oversee e-government projects

4. Establishment of a National Payment Switch by the Bank of Mauritius to reduce transaction costs and boost e-commerce
   - Introduction of National Payment Bill to regulate e-payment transactions

5. Setting up of a national e-commerce platform by MEXA, together with the Government, to
connect consumers from all over the world to our exporters

6. Much investment will be directed towards further enhancing human capital and digital literacy:
   • Distribution of digital tablets and relevant education software to students of Grades 1 and 2.
   • Including modules on communication skills and creativity & innovation in secondary level curriculum for grades 7 to 9.
   • Setting up of a dedicated Faculty of Digital Technology & ICT Engineering by the University of Mauritius.

Encouraging start-ups to develop mobile applications which will provide information on Government services, namely transportation, traffic, weather forecast, amongst others

Impacts

1. The measures proposed will help increase the country’s connectivity and bandwidth considerably, thus enabling the country’s transition into the next wave of economic prosperity.
2. Bureaucracy and inefficiency will be greatly reduced with the operationalization of the Information Highway.
3. E-commerce will be given a great boost following the establishment of the National Payment Switch and with the launching of the national e-commerce platform
4. A key stepping stone to achieve next level of human capital transformation, equipped with the appropriate level of digital skills desired for the digital era
5. Encouraging start-ups to develop mobile applications will entice local talents/entrepreneurs to start their own business, contributing meaningfully to position the country into a smart island nurturing innovation and creativity
Financial Services

Sectoral Overview
Over the years, Mauritius has built its reputation as a safe, trusted and secured jurisdiction. Today our financial platform is recognized by international institutions like the OECD, IAIS, IOSCO, FATF and the IFSB. Financial Services remains one of the most important contributors to the Mauritian economy, representing 10.4% of GDP and directly employing over 15,000 highly skilled professionals.

Budgetary Measures

1. GBC 2 companies will now be allowed to invest in listed securities
2. Companies holding a “Global Headquarters Administration License” issued by the FSC will be granted an 8-year tax holiday
3. The following companies will be provided with a 5-year tax holiday
   - A Treasury Management Centre License issued by the FSC
   - Asset and Fund Managers Licensed by the FSC and managing a minimum asset base of USD 100 million
   - Foreign Ultra High Net Worth Individuals investing a minimum of USD 25 million in Mauritius
   - International Law Firms issued with a Global Legal Advisory Services License. To that effect, a ‘Limited Liability Partnership Bill’ will be introduced
   - Investment Banks issued with an ‘Investment Banking and Corporate Advisory Licence’
   - (Banking Act will be amended to remove ‘investment banking business’ from the definition of ‘bank’ so that only the Financial Services Commission (FSC) regulates this business)
   - ‘Overseas Family Corporation’ licensed by the FSC
4. Rose Belle Business Park to host the new ‘Mauritius International Derivatives & Commodities Exchange’ (MINDEX)
5. Develop Mauritius as a full-fledged International Arbitration Centre
6. Bank of Mauritius Act and Banking Act will be reviewed in light of recent events and to adapt to change
7. Deposit Insurance Scheme
   A Deposit Insurance Legislation will be introduced to protect depositors and guarantee the repayment of their deposits to such extent as may be feasible, in case of failure of a bank or non-bank deposit taking institution licensed by the Bank of Mauritius.
8. For enhanced substance, the spectrum of products and services provided by the jurisdiction will be broadened by:
   - Setting up of a Treasury Centres and Regional Headquarters
   - Developing Mauritius as the Renminbi clearing centre for the African Region to capture trade, investment and financial flows between Africa and China
   - Promoting Mauritius as a centre for clearing of African currencies and securities
Impacts

1. GBC 2 will now have greater scope of operations and such initiative will give a boost to our capital markets.
2. Provision of 8-year tax holiday to ‘Global Headquarters Administration’ will enhance the use of the Mauritius platform for regional and global investments and increase substance in the country. Such a measure will help to attract big regional companies from various sectors of activities to use the Mauritius platform for their RHQ.
3. The introduction of a 5-year tax holiday in specific financial activities will attract value added activities to the portfolio of financial services and enlarge employment opportunities.
4. Setting up of the MINDEX will boost links between commodities and finance, and make the commodity sector more efficient and competitive.
5. Developing Mauritius as a Renminbi hub for Africa would further strengthen positioning of Mauritius as an international financial centre, especially in capturing the trade, investment and financial flows between Africa and Asia.
Innovation Driven Economy

Sector Overview
The design of suitable framework conditions for innovation reflected by the maturity level of an innovation system has been given high priority worldwide. Mauritius however, has been lagging in terms of innovation. According to WIPO’s Global Innovation Index, Mauritius is ranked only 49th globally.

Budgetary Measures

Regulatory Sandbox License
- The concept of a Regulatory Sandbox License (RSL) which will allow companies to invest in innovative projects within an agreed set of terms and conditions.
- The Board of Investment may issue approvals, permits and license to start an innovative project after consulting relevant authorities.

“The Sandbox is a ‘safe space’ in which businesses can test innovative products, services, business models and delivery mechanisms while ensuring that consumers are protected from any kind of risks. It has the potential to encourage greater effective competition in the interest of consumers while at the same time acting as a catalyst leading to the emergence of innovative services and products.”

Industrial Property Framework
1. Bill will be introduced to consolidate the institutional arrangement to administer intellectual property
2. Mauritius will adhere to a number of the World Intellectual Property Organisation (WIPO)
   » Patent Cooperation Treaty
   » Madrid protocol
   » Hague Convention

Impacts
These measures will help to position Mauritius as a prime and privileged country for investors to relocate and start innovation-driven activities, thus embarking the country into a multi-billion dollars’ worth economy.
Residential Real Estate and Construction Sector

Sector Overview

1. In 2014 and 2015, the construction sector contracted by -8.5% and -4.9% respectively.
2. In 2015, the construction and real estate sectors contributed around 10% to GDP.
3. In 2015, FDI in the construction and real estate amounted to MUR 8.5 billion.
4. The construction sector is the 3rd largest employer with around 46,300 employees, thus absorbing a large percentage of the working population with minimum level of education.

Budget Measures

1. Local residential Real Estate
   • Exemption from payment of registration duty on acquisition of a new house or a new apartment for an amount not exceeding Rs 6 million over the period 01 September 2016 – 30 June 2020.
   • VAT refund on construction of a new dwelling or acquisition of a newly built apartment up to a cap of Rs 500,000. The builder need not be VAT-registered and no eligibility criteria on the maximum floor area. Construction value has been reviewed on the rise from Rs 2.5 million to Rs 4 million.
   • Promoters/Developers will be exempted from payment of land transfer tax on sale of residential units valued up to Rs6 million till 2020.
   • No registration duty on secured housing loan up to a maximum value not exceeding Rs 2 million.

2. Review of the Property Development Scheme:
   • No restriction on the maximum extent of land for development of a project.
   • 100% of residential units can be sold to non-citizens.
   • Individual plot size for the construction of a villa has been extended to a maximum of 1.25 Arpent.

3. Smart City Scheme
   • Under the Smart City Scheme, land conversion tax is payable on conversion of agricultural land for residential development. If a landowner wishes to use land conversion rights obtained under the SIE Act in a Smart City Project, that part of his entitlement will be reduced by a factor.
   • The same factor will apply if such land conversion rights have already been exercised but the land owner obtains authorization to relocate the rights to a site located within a Smart City area.
Impacts

1. After five consecutive years of contraction, the construction sector is expected to achieve a positive growth rate of 1.6% in 2016.
2. A boost in the construction and real estate sector will generate positive spillover on the economy in terms of job creation, demand for construction materials, and linkages with other sectors of the economy including manufacturing and transportation.
3. Besides macroeconomic benefits, there will be opportunities for small and medium entrepreneurs to service those residential developments.
4. First time buyers and middle income earners will find it easier to build or acquire a dwelling (house or apartment).
5. Small land owners, who so far have been unable to tap the opportunities offered by the opening of the economy, could embark on upscale residential development to cater for the housing needs.
Tourism

Sectoral Overview
Tourist Arrivals: 1.15 M
Growth Rate: 10.9%
GDP Contribution: 7.7%

Budgetary Measures

1. Designing an annual calendar of national events, to be known as the Mauritius Calendar, by the Ministry of Tourism, Ministry of Arts & Culture in collaboration with relevant private sector organisations.
2. Promoting Mauritius as a touristic destination on the African continent, especially the new rich
3. Extending marketing strategy towards the Gulf regions, Scandinavian countries and Eastern Europe
4. An additional Rs 40 million has been earmarked for marketing the Africa-Mauritius-Singapore-Asia Air Corridor initiative
5. Setting up of leisure attractions, namely
   - A world class aquarium
   - A national museum
   - Other new leisure attractions
   - Removing admission charges leviable by local authorities to promote access to leisure & leisure facilities. The Local Government Act will be amended accordingly.
6. Allocating Rs 50 million to rehabilitate our historical and cultural heritage sites & structures listed under the National Heritage Fund.
7. Renewal of scheme for renovation/reconstruction of existing hotels for 2 years - 50% reduction in lease rental for a maximum of one year, subject to conditions.
8. Entrance fee to an aquarium of international standard will be made zero-rated for VAT purposes for a defined period and subject to investment conditions.
9. Moratorium on lease rental of State lands far from infrastructure networks:
   - Rent payable only when State lands leased by the MoHL have vehicular access allowing construction works to start.
   - Lessees who have already paid rent allowed to offset past rentals paid against future rental.

Impacts
1. A big boost to the duty-free island given more leisure activities, wider shopping opportunities and a more open air access policy
2. Improved accessibility for visitors from Asian and African markets
3. Enhanced attractiveness of Mauritius as a leisure destination
Agro Industry

Sectoral Overview
GDP Contribution: 3.5%
Value added: Rs 12.7 Bn
Employment: 45,000

Budgetary Measures

1. Abandoned Cane Land of small planters
   • Establishment of an Agricultural Land Management System

2. Technology driven agriculture and biofarming
   • Extending the existing grant under sheltered farming scheme to Rs 400,000
   • Creation of a Bio farming/Organic Zone and the study for the establishment of an Biotechnology Institute
   • Introduction of a 15% levy on the use of pesticides

3. Consolidating the food crop sector
   • Reopening of the ex dubreuil tea factory and subsidizing inputs
   • Extension of subsidy on freight cost to flowers and exotic vegetable

4. Boosting the livestock industry
   • Dairy sector:
     • Setting up of heifer farm at Melrose
     • Provision of Rs 10 million as support funding for industrial milk processors
   • Bee keeping: creation of bee keeping zones

5. Cane cluster
   • Additional revenue for sugar cane planters
   • Establishment of a policy framework for the blending of ethanol with MOGAS

6. Upgrading research institutions
   • Upgrading institutions: acquisition of testing equipment at the Food tech lab and new unit for mass rearing and sterilization of fruit flies
   • National Institute of Cooperative Entrepreneurship (Bois Marchand) will be renovated

7. Incentives and tax benefits
   • Pig sector: 50% of outstanding balances on loans, including interest due contracted by pig breeders will be waived, if paid before 30 June 2017
• Outstanding interests on start up loans taken by planters, breeders and fishermen contracted prior to 1st July 2012 will be waived
• Exemption from payment of corporate tax on all non sugar agricultural activities for cooperative societies
• Extension of the list of equipement falling under the VAT refund scheme for small planters
• Setting up of a contributory insurance scheme for non-sugar crops

Impacts
• The establishment of a land management system will help to make productive utilization of abandoned land
• The grant facility will enable more planters to invest in new production systems, thus boosting production and improving quality of food crops consumed locally
• The biofarming zone will enable farmers to regroup in one region and avail from economies of scale and expertise from research institutions
• The 15% levy on pesticides will discourage use of same and will towards achieving the country’s objectives in terms of production and consumption of healthy fruits and vegetables
• This measure will improve the competitiveness of tea planters in Mauritius and will provide more capacity in terms of processing
• The extension of the freight rebate will allow the diversification of agricultural products exported from Mauritius
• The heifer farm will reduce the dependency of dairy farmers in terms imports of animals and will also incentivize cattle farmers to use female calf for milk instead of meat production
• This will improve the linkages between milk processors and farmers and will also incentivize milk processors to buy local milk rather than import
• Establishing bee keeping zones will help in boosting production
• The additional revenue to sugar cane planters will incentivize them to continue planting sugar cane and hence curb the issue of land abandonment
• Investments in new machinery and equipment will guarantee the quality of locally produced commodities and also will aid in boosting local production
• The tax incentives and waivers will encourage and boost production in the non sugar sector
• The extended list of products falling under the VAT refund scheme will enable the planter’s community to invest in equipment that will aid in boosting production
• The policy framework will allow more value addition in the cane cluster and will also provide increased revenue to the planter’s community.
Film Industry

Sectoral Overview

The Film Rebate Scheme, introduced in 2013, was a first step towards the development of a cinematographic industry in Mauritius, under which film makers benefit of 30% rebate on all the qualifying expenditures incurred in Mauritius. 37 producers have completed film production in Mauritius with MUR 600 M spent.

This had a direct economic contribution to several industry sectors, namely hotel and accommodation, tourism, logistics and transport, entertainment and other sub-sectors.

Budgetary Measures

- Refund on qualifying production expenditure under the Film Rebate Scheme up to a maximum of 40%
- Production of films for export will be zero rated for VAT purposes
- Provision of MUR 10 million to the Mauritius Film Development Corporation for the purchase of equipment
- Exempting the importation of lighting equipment for use in film making from customs duty
- Setting up of a film city within the Omnicane Smart city project. The film city will also include a film training facility.

Impacts

The implementation of the above policy measures will give a boost to the development of a full-fledged Film industry in Mauritius. The direct impact will result in the following:

- The increase of 40% cash rebate will further increase the competitiveness of Mauritius as a film making destination and enhance the film induced tourism.
- The duty exemption on film equipment will attract supplier of film equipment to set up base and Mauritius and this will drastically reduce the cost of shooting in Mauritius.
- The Film training facility shall aid in the development of the local talents to sustain the film industry
## Ocean Economy

### Budgetary Measures

#### Aquaculture
- Marine survey of 31 identified aquaculture sites by the Mauritius Oceanography Institute
- Setting up of common facilities on land for aquaculture and fish processing
- Provision of Rs 12.5 million for purchase of 10 floating cage structures to fishermen cooperatives

#### Capacity Building
- Signature of MoU with the National Institute of Oceanography Goa
- The Mauritius Maritime Academy will increase its intake by 50% to 1,200 trainees

#### Semi industrial fishing
- Acquisition of a multipurpose vessel for research, surveys and training of fishermen and skippers
- Introduction of a 50% grant to fishermen cooperative societies for acquisition of semi industrial vessels

#### Industrial fishing vessel
- Establishment of a tax holiday of 8 years for industrial fishing companies

#### Establishment of a Near Shore Refinery
- Setting up of a modular near shore mobile oil refinery and onshore storage facilities at Albion.

#### Port development
- 35 hectares of reclaimed land earmarked for petroleum storage, logistics and fishing activities at Port-Louis.
- Creation of a new petroleum port at Albion
- The Mauritius Ports Authority will construct breakwaters at Fort William to provide shelter for approximately 120 fishing vessels
- Exception of Excise duty and VAT for any vessel engaged in the delivery of bunker fuel within the Ports Limit

### Impacts
- The measures relating to aquaculture will encourage implementation of both small and large scale projects and will also reduce their implementation time frames
- The studies on renewable marine energy production will allow the country to strategize in terms of future renewable energy production
- The MoU with the National Institute of Oceanography Goa will enable Mauritius to position itself as a leader in ocean research and will also aid in developing local manpower capacity
• The increase in the amount of intakes will provide the industry with more skilled personnel to work on board fishing vessels
• The measures related to semi industrial fisheries will allow fishermen to have up to date data on stocks available and will also aid improving their fishing skills. In addition, the grant will improve fish catches and also aid in empowering the local fishing community
• The tax holiday will incentivize the implementation of industrial fishing companies in Mauritius
• The creation of a refinery in Mauritius will provide for substantial decrease in prices of petroleum products and marine fuels resulting in competitiveness gain for Mauritius, wealth generation and job creation. The inception of this novel industry will also strengthen the stance for Mauritius to emerge as a regional petroleum hub.
• The investments by the Mauritius Ports Authority will increase fishing vessel traffic in Mauritius and will also enable the country to capture a higher fish tonnage. The extension of the Port will provide space for new operators to establish and enable existing operators to extend their activities.
• The creation of a Petroleum Port at Albion consolidate the positioning of Mauritius as a regional Petroleum hub. A substantial increase in vessel traffic is expected creating new opportunities both in the petroleum sector and ancillary activities such as bunkering, ship chandling etc.
• The exemption of Excise duty and VAT for vessels engaged in bunker delivery will aid in decreasing operational costs, thus increasing the price competitiveness for the activity.
Green Economy

Sector Overview
The Government of Mauritius targets a contribution of renewable energies exceeding 35% by 2025 in view of reducing the country’s dependency on conventional energy sources.

According to CEB data, 2690 GWh of electricity was generated in 2015 compared to 2642 GWh in 2014, a year on year 1.8% increase. Peak power demand capacity increased from 446.2 MW to 460 MW from 2014 to 2015.

In 2015, renewable energies accounted for 20.6% of total generation compared to 17.8% in 2014. This represent a year on year increase of 19 % in terms of GWh output from renewable energy sources. In terms of total renewable energy production, this year on year increase is of 2.8% in the energy mix.

Budgetary Measures

Renewable Energy
- Establishment of a renewable energy company by the Central Electricity Board
- Commissioning of a study on the production of electricity through solar panels placed on roof tops of houses
- Investment of Rs 400 million by the Central Electricity Board to increase grid absorption capacity from intermittent renewable sources
- Removal of VAT on photovoltaic inverters and batteries
- Investment of Rs 200 million by the Central Electricity Board for upgrading the Sans Souci plant capacity
- Implementation of a major waste to energy project, which will add 30 MW of electricity in the grid by 2019
- Studies on offshore wind and wave energy potential in Mauritius
- Electricity and CEB Acts will be amended to accelerate permit approval of renewable energy investment projects

Impacts
- The establishment of a National renewable energy entity will democratize access to the participation in renewable energies to the population at large. Moreover, it will expedite project implementation in the sector
- The feasibility study for roof tops renewable energy systems to be fully funded by the public sector will enable 10000 households to benefit from the social electricity tariff to access 50KwH monthly electricity free of charge. In addition this will increase our renewable energy footprint.
- Investment to increase grid absorption of intermittencies will increase grid intake capacity for conventional renewable energy sources, creating more space for additional renewable energy capacity
• Removal of VAT on photovoltaic inverters and batteries further decrease the hefty upward investment cost for renewable energies.
• Waste-to-Energy is termed as base load production (no intermittent production). The implementation of a 30 MW project will substantially increase renewable energy production capacity as well as cater for the increasing pressure of our single landfill.
• Study on offshore wind and wave potential will provide for a roadmap on the potential of marine renewable energies in Mauritius together with source data essential for future promoters.
• Fast Tracked clearances for the implementation of renewable energy projects.
Healthcare

Sectoral Overview
The healthcare sector in Mauritius has metamorphosed itself into an integrated cluster underpinned by a core group of high-value activities such as hi-tech medicine, medical tourism, medical education and wellness. The sector currently contributes 4.4% to GDP.

With state-of-the-art medical facilities and highly qualified personnel, Mauritius is positioning itself to cater for the growing needs of both domestic and international patients. The country has welcomed more than 16,000 medical tourists in 2015.

The presence of global healthcare players on the island has positively increased competition and enhanced the image of Mauritius as a high-tech medical hub.

Budgetary Measures

To give a boost to the healthcare sector along with medical tourism and encourage the export of our healthcare activities, the following measures will be adopted:

- Fast tracking procedure for obtaining a medical visa for the treatment of foreign patients;
- The VAT Act is being amended to grant VAT exemption on construction materials for purpose-built facilities for health services as well as nursing homes under the Private Health Institutions Act and residential care homes under the Residential Care Homes Act.
- The life rights concept is being extended to developers of residential care homes, retirement villages, and other similar facilities outside Smart Cities. This will encourage retirees to live and retire in Mauritius.

Investors who wish to operate a private hospital, nursing home or residential care home shall register with the Board of Investment.

This set of measures will benefit patients while encouraging developers to invest significantly in health and other related services.

Impacts

1. Business facilitation services provided by BOI to expedite investment projects in the sector.
2. Fast tracking of a medical visa for medical treatment will allow more foreign patients from the region to have access to the country in a quicker and more efficient timeframe.
3. In addition to addressing social issues, the construction of nursing/residential care homes will bring added economic benefit such as boosting investment and job creation for doctors, nurses and healthcare providers.
Skills Development & Employment

Sectoral Overview

1. Labour force: 584,600
2. Unemployment rate: 7.9% (1Q16: 7.6%)
3. Unemployed graduates: 9,000
4. Unemployment rate (women): 58%

Budgetary Measures

1. Creation of a National Employment Agency
2. National Skills Development Programme
3. Training of 1,200 seafarers for cruise jobs and in shipping companies
4. Training levy for hiring of consultants for capacity building in new technologies
5. Placement of 200 trainee engineers in public sector
6. Employment of 2,000 people under YEP
7. Creation of 7,200 new posts in the civil service
8. Expected creation of 7,000 jobs following new budget measures
9. Setting up of a Skills Development Authority
10. Reinforcement of the legal framework for technical and vocational education and training (TVET)

Impacts

The creation of a National Employment Agency will help in addressing the skills mismatch issue and coordinate training programmes to meet the needs of the private sector. Ultimately, this will bring down unemployment and increase productivity.
Development of Infrastructure

Budgetary Measures

1. Introduction of Metro Express mass transit system
2. Construction of Victoria terminal and space to accommodate 1000 hawkers
3. Construction of Phoenix-Jumbo-Dowlut roundabouts and A1M1 Bridge linking Coromandel to Soreze
4. Construction of 3 Smart Cities and the Heritage City
5. Setting-up of a new Integrated Government Clearance Centre in the cargo village and construction of a modern Airport Control Tower
6. Investment in a sub station in the airport vicinity to cater for cargo and freeport power requirements
7. Setting-up of a Regional Aviation Training Academy
8. Acquisition of two additional Ship-to-Shore cranes by the Cargo Handling Corporation Ltd
9. Earmarking 35 hectares of reclaimed land for petroleum storage
10. Construction of a new petroleum port at Albion
11. Replacement of 180 kms of old and defective water pipes across the island
12. Upgrade and increase treatment plant capacities

Impacts

1. Re-engineer the transport system and accelerate infrastructure development
2. Alleviate traffic congestion, road safety and effectively address daily problems faced by commuters
3. Coherent urban and rural regeneration to provide modern infrastructure and amenities and promote sustainable development
4. Increase in the number of cruise tourists
5. Boost port handling capacity and increase in the volume of trade
6. Develop the petroleum and bunkering industry
Institutional reforms

Government is embarking on a series of reforms aimed at restructuring public service institutions in a bid to increase efficiency:

- **Mergers**
  - SMEDA, EM and NWEC
  - SPDC, BPML, SLDC, Belle Mare Tourist Village, Le Val Development Ltd and Les Pailles Conference Centre
  - Central Informatics Bureau, Central Information Systems Division and IT Security Unit
  - ICTA and IBA
  - MHC and NHDC
  - National Art Gallery and Mauritius Museums Council

- **Restructuring**
  - National Computer Board’s role will be reviewed
  - Registrar General will be incorporated into MRA to have a single revenue collection agency
  - MRA will act as collecting agent for contributions to the NPF, NSF, HRDC training Levy and the Workfare Programme Fund
  - SIC Group will focus on disposing matured investments and channeling proceeds in new projects
  - DBM will be reorganized to create and run SME parks and manage Government Schemes for SMEs
  - NDU and 35 Citizens Advice Bureaus across the Island will be reorganized
  - Forecasting department at Statistics Mauritius
  - Department of Civil Aviation will be transformed into a Civil Aviation Authority
  - All Welfare funds will be regrouped under one roof to provide a common set of facilities for all
  - The Town and Country Planning Board will be revamped into a modern National Planning Commission with wider functions
  - The Public Sector Efficiency Bureau will be reengineered and located in the Ministry of Finance and Economic Development
  - Technical Division of Ministry of Public Infrastructure will be restructured to focus on implementation of large and complex projects
  - Line ministries will be able to procure services of consultants and contractors for projects up to Rs 25 Mn

- The Public Enterprise Information Management System (PIMS) will be transferred from the Office of Public Sector Governance (OPSG) to MOFED. Relevant stakeholders will have access to PIMS.

- Institutional reforms will send the right message to investors that the Government understands the need for businesses to have visibility for the conduct of business. In addition, they will promote good governance, accountability and incite a culture of rigour in terms of government spending which will further enhance the reputation of Mauritius.
Ease of Doing Business

Budgetary Measures

A. Streamlining Procedures for Permits and Licenses

1. Building and Land Use Permit (BLUP)
   - Building and Land Use Permit (BLUP) issued by local authorities
   - Only Permit and Business Monitoring Committee (PBMC) will determine BLP applications
   - Local Authority will have up to 8 working days to seek missing information/clarification
   - All applications for construction above 150m² will be made on-line

2. Compliance certificate by local authorities
   - The compliance certificate will be issued within 5 working days

3. Approval of Minister of Local Government for Outline Planning Permission and Building and Land Use Permit
   - The Minister’s approval is no more required except for development of land or construction of a building for use as a place of public worship

4. Streamlining of application procedures for land development projects
   - For application of Land Conversion Permit and Morcellement Permit, only one original copy and supporting documents has to be submitted by applicant, together with scanned copy.

B. Digitalizing Permits and Licensing Procedures

1. Sharing of Information through the Information Highway Portal
   - Operationalization of Information Highway for sharing of information between public sector agencies
   - Electronic issue of Business Registration Card

2. E-Licensing Platform
   - Setting up a national e-licensing platform which will allow online submission of application as well as processing within specific time frame and approval with an in-built audit trail mechanism and electronic payment facilities

3. BLP On-Line System
   - Upgrading of the BLUP online system that will allow applications to be submitted electronically

C. Fast-Tracking Implementation of Projects

1. Timely Implementation of Projects
   - The Fast Track Committee may request the issue of permit in case of undue delays by public sector agency

2. Regulatory Sandbox License
   - BOI has been empowered to issue the Regulatory Sandbox license to start innovative projects
D. Consolidation of Licenses

1. Tourism Licenses
   - An omnibus license will be introduced for Pleasure Craft, Boat House and Surfing
   - License for Pleasure Craft will be valid for 3 years
   - Only one authority will issue licenses where there is duplication of licenses:
     » No license from MRA required for tourism enterprises selling liquor
     » License for minibus and motorcycle rental agencies to be issued only by the National Transport Authority
   - Activities similar in nature will be consolidated in one license
     » Eco-tourism activities and operating rental agency for Quad will be added as part of activities licenced under the Tourism Accommodation Certificate for Domaine.
     » Private club and operating a golf course would be merged under a single entity “Clubhouse”
     » Operating a golf course added as part of activities licenced under Tourism Accommodation Certificate for Hotel.
     » Golf course will be categorised into a single category
     » Operating golf house will be licenced under the Tourism Accommodation Certificate and the new Clubhouse licence

2. Payment of Trade Fees to local authorities
   - Exemption to economic operators paying trade fees up to Rs 5,000 except for sale of liquor and gambling activities.
   - This measure will be applicable to individual businesses and to one-person companies with up to five employees.

E. Facilitating Trading Across Borders

1. Shipping agents will be able to submit vessels’ manifest within 24 hours after loading in the last port of call.

Impacts

1. The BLUP applications will be determined faster, within 14 working days.
2. The Outline Planning Permission and BLUP will be issued faster
3. Faster operationalization of businesses
4. Access to information will be obtained easily and in real time
5. Businesses will no longer require to submit of Business Registration Card and Certificate of Incorporation when applying a license or permit
6. Single point of entry for application for permits and licences
7. Promote innovation and creativity
8. Expedite investment projects
9. Elimination of licenses
10. Reduction in cost of doing business
### Economic Diplomacy & Africa Strategy

#### Budgetary Measures

1. Finalize the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) and Preferential Trade Agreement (PTA) with India
2. Execution of Special Economic Zone (SEZ) project in Senegal
3. Recruitment of seven Counsellors on Economic Matters
4. Setting up an Embassy in Riyadh and a Consulate in Jeddah
5. Opening of a Consulate in Reunion Island

#### Impacts

1. Boost trade and investment
2. Expand economic space and increase outward investment projects
3. Reinforce economic diplomacy
4. Measures taken to implement regional arbitration, intellectual property protection and new financial services, reinforce our relevance as a regional hub for Africa
Openness

Budget Measures

1. Occupation Permit
   - Foreign nationals applying for OP as investors and self-employed, or for a residence Permit as Retired non-citizens will now be able to submit their application through the OP online system without prior registration of business or transfer of funds and be issued with an approval in principle subject to complying with the set criteria. Successful applicants will receive an approval in principle following which they will travel to Mauritius to complete the compulsory procedures before being issued with the Occupation Permit or Residence Permit.
   - The prescribed application form for Occupation Permit will be made bi-lingual (English & French)
   - The criteria for Occupation Permit has been reviewed as follows:
     » Investors - Turnover for the first year should be at least Rs 2 million and cumulative turnover for the subsequent two years is at least Rs 10 million.
     » Investors who were already operating in Mauritius but not registered with the Board of Investment for a period of at least 3 years preceding an application for Occupation Permit, will be able to do so provided the net asset value of their business is at least USD 100,000 and the cumulative turnover for the last three years was at least Rs 12 million.
     » Applicants under the investor category who have inherited a business, in case of death or incapacity by health of the previous investor can register with the Board of Investment provided the net asset value of the business is at least USD 100,000 and the cumulative turnover for the last three years was at least Rs 12 million.

2. Acquisition of property
   - Non-Citizens registered with BOI can acquire apartments and business spaces in buildings
   - No approval of PMO will be required where non-citizens holds less than 25% shares in a business

Impacts
   - Encouraging more non-citizens to invest in Mauritius
   - Reducing the administrative cost of applying for OP (unnecessary cost of travel, registration of business, opening of bank accounts, etc)
   - Expanding the real estate market reach
Poverty Alleviation

Overview

1. Relative poverty level (Poverty line Rs 5,652) – 9.4% in 2012
2. Absolute Poverty level (< US$ 3.10 per day (PPP)) 6400 families
3. Gini coefficient 0.414 in 2012.
4. 33,600 households comprising 122,700 persons were in relative poverty.
5. Children were more prone to poverty than older people. There was an estimated 42,100 children in relative poverty out of a total of 285,900 children.
6. The Human Development Index rank 63rd in the world, with a score of 0.777

Budgetary Measures

Marshall Plan for Poverty Alleviation

1. Minimum guaranteed monthly income
2. Cash award for successful completion of studies at different levels for students coming from less fortunate families
3. Increase in monthly grant under crèche voucher scheme
4. Pilot project for integrated academic teaching and community engagement in 5 ZEP schools
5. Increase in meal allowance for students attending ZEP
6. Decent housing
   • construction of 800 housing units over the next 3 years
   • construction and completion of 1,900 units of up to 50 Square meters each on 16 sites across the island for low income families
   • Rehabilitation programme of NHDC housing
   • Monthly income limit for eligibility under NHDC social housing scheme to increase from Rs 10,000 to Rs 20,000
   • Families with a house on municipal land would be able to buy the land at a nominal cost
   • Arrears of interest on loans contracted by individuals from NHDC and MHC Ltd will be waived provided the capital amount outstanding is paid where the monthly household income does not exceed Rs 15,000
   • Exemption of Land Transfer Tax on the Provision of Social Housing to Employees
7. Special needs children
   • Age limit for Basic Invalidity pension will be removed
   • Scholarship scheme for 5 students to pursue tertiary studies locally with a monthly stipend
   • Grant in aid to NGOs will increase by more than 50%
8. Monthly rental allowance for victims of accidental fire
9. Increase in Funeral grant
10. National Empowerment Foundation will be restructured
11. Setting up of a National CSR Foundation managed jointly by public and private sector
Fiscal Measures

1. Tax Administration Reforms
   • An Alternative Dispute Resolution mechanism will be set up at the level of MRA to help expedite tax appeal cases exceeding Rs 10 million.
   • MRA will have the authority to request high net worth individuals a statement of their assets and liabilities.
   • The Mauritius Revenue Authority Act will be amended such that the definition of ‘fraud’ for the purpose of administering revenue laws includes non-submission of tax returns.
   • Non-remittance of VAT, PAYE and other tax deduction at source will be termed as a criminal offence.
   • Tax administration for VAT, Excise and Customs are being amended

2. Tax Policy
   • Rates of excise duty on motor cars between 1,001 and 1,600 cc, are being lowered from 55% to 50%.
   • Duty on hybrid motor cars is being reduced by 30% for all cylinder capacity.
   • No duty on electric cars of up to 180 KW
   • Adjustment factor used at customs to determine import value of a second hand car is being decreased to 5%.
   • The rates of excise duty on beer and other alcoholic products are being increased by 5% and 10% respectively.
   • Increase of 25% in rates of excise duty on all tobacco products
   • Extension of tax coverage on sugar content of soft drinks to other sugar-sweetened drinks, effective as from 1 October 2016.
   • Introduction of 15% customs duty on sugar
   • Increase in customs duty on spirituous products (e.g. rum and whisky) from 15% to 30%
   • Extension of 25% levy coverage on inefficient products
   • Customs duty on 368 tariff lines are being abolished in line with the ambition to transform Mauritius into a duty-free island
   • VAT removed on a number of products

3. Income Tax Measures
   • Income exemption thresholds for all categories of taxpayers is being increased by Rs 10,000 for the income year 2016/17.
   • The minimum amount of tuition fee eligibility criteria to benefit from additional deduction in respect of a dependent pursuing tertiary education is being reduced from Rs 44,500 to Rs 34,800.
   • Date restriction for deduction of interest for first time home owner is removed
     » Income eligibility criteria for the above two deductions is being increased from Rs 2 million to Rs 4 million.
   • No income tax for seafarers
4. Pension Reforms
   • A high level Committee is being set up to look into the issue of ageing population, to hold consultations with different stakeholders and to propose strong recommendations on how best to curb the impacts.
   • The high level Committee will also be responsible to devise ways and means to improve the contributory retirement pension benefits of private sector employees.