

e-Budget Brief

Nov 2009

“LES JEUX SONT FAITS”

The last budget of Honourable Rama Sithanen for this mandate is a major landmark as it aligns the fiscal year-end with the calendar year. The challenge faced by the Minister was to reconcile the expectations of the population in the wake of forthcoming elections with sound and prudent economic management. To this effect, he steered the ship away from controversies and maintained the direction that he set in his previous budgets.

The lack of visibility amidst global financial uncertainty, despite improved local economic indicators, weighed heavily against being overtly generous in propping up the feel good factor as reflected in the key themes of this budget which are primarily 1) shaping recovery 2) consolidating social progress and 3) sustaining Green Mauritius.

One of the important decisions has been the maintenance of the Additional Stimulus Package following consensus among all stakeholders. There is also currently a debate worldwide with regard to the extent to which Governments should adopt exit strategies, or otherwise, in respect of such interventions. It is reassuring to note that such a critical measure is being maintained as a precautionary move given the convalescent state of the economy locally and worldwide.

It has been the thrust of all his previous budgets to allocate a large portion of the Government's expenditure towards improving the country's infrastructure. This budget is no exception with major investments in roads, low-cost housing, upgrading of the airport and the port and the notable addition of investments regarding the water sector.

The focus on vulnerable groups and the elderly, and the eradication of absolute poverty with funding coming from public and private partnership through the CSR levy and the national lottery underscores the human dimension of this budget.

La surprise du chef: A salary compensation of 3.5% to all those earning below Rs.12,000 and Rs.420 to those above.

The sustainability of the recovery of the world economy, the volatility of commodity prices coupled with interest rates differentials between the rupee and the major currencies will largely influence our improving economic indicators. Our interconnectivity to the world economy will determine the successful implementation of this budget.

BDO
Chartered Accountants
DCDM Building
10, Frère Felix de Valois Street
Port Louis
Tel: 202 3000
Fax: 202 9993
www.bdodcdm.mu

2010 Budget

The 2010 Budget addresses the following 3 main pillars for future development:

- Shaping recovery to address our current employment issue
- Improving and consolidating social progress
- Sustaining Green Mauritius

To be able to achieve the above, the government is continuing to promote the new economic model that was enacted for Mauritius to recover from previous economic situation.

This new model has foreign direct investment and diversification at its heart, with a business facilitation support from the governmental bodies.

Hence from 2007, all sectors of the economy were expanding, with new emerging pillars like ICT, sea-food, real estate, energy and knowledge hubs.

SME sector was put at the forefront of economic development and this has generated 24,000 jobs in the past four years.

Fiscal and monetary policies were reviewed to harmonise the income tax rates, as well as enhancing the monetary policy framework by establishing the Monetary Policy Committee.

Through partnership with regional bodies like COMESA, SADC and IOC, Mauritius has been able to integrate regionally with different countries.

The policy response has helped to absorb the external shocks like the global financial crisis, recession and surging oil prices among others.

Measures

Further to these measures, CSO has predicted a growth rate of around 2.8 percent for 2009, 4.3 percent for 2010 and 5 percent by 2011.

Among measures announced to achieve the above growth targets and accelerate job creation are:

- Consolidation of traditional and emerging economic pillars
- Improving further the business environment to increase investment
- Invest further in training people to build the necessary competence to serve the world of tomorrow
- Provide the necessary infrastructure to do business

Measures to consolidate social progress include improving policies to eradicate absolute poverty, to protect Women and Children, providing the population with a decent place to live and greater access to education.

To action on the Green Mauritius projects: the focus will be on renewable energy and investment in public infrastructure so that investment in our physical fabric enriches our environment.

Impact of past policy decisions

Past policy decisions

- Decrease income tax by 50%
- No increase in VAT
- Increased spending to stimulate the economy
- Consolidation of public finances

Impact

The policies that have been adopted with the reforms in 2005 are now showing its results in terms of job creation, despite the hit taken by Mauritius from the external economic shocks. These elements have had an impact on inflation which is now around 2.6% according to the CSO and other impacts are as follows:

- Average monthly rupee deposits at banks have grown by more than 40%.
- National savings rate is forecast to rise in 2010
- FDI has increased considerably to 19.5% of GDP and is more diversified than in the past
- Reserves have gone up allowing Mauritius to sustain longer period of imports in case of crisis
- Traditional pillars like sugar and textile are more resilient
- Food security fund to finance
 - developments in the agro-industry
 - dairy and multiplier farms of improved genetic goat breeds
 - purchase of fibre glass boats for off lagoon fishermen
- Finance and land for relocation of breeders' activities

- Annual average growth in the Financial Services sector of 7.6% for the last 3 years
- Growth of 40.8% in the ICT/BPO sector over the last 3 years, contributing 5.8 percent to GDP
- Average growth of 10.5% annually in the construction industry
- Real estate sector expanding on average by 7%
- Expanding seafood industry with exports increasing by 30%
- Stimulus package providing a fiscal impulse of 2 percent of GDP

New policy decisions to shape the recovery

- Maintain the Additional Stimulus Package (ASP) as the global economy is only healing from the global shocks
 - Continuing support to SMEs
 - Maintain training program
 - Support public infrastructure development
 - Investment in equipment
 - Maintain tax suspensions to the tourism, construction and real estate sectors.
 - Sustain fiscal and monetary policy for investment and job creation

- Among the restructuring of the funds allocated in 2008 (Rs 11.3 billion):
 - Rs 1 billion to modernise airport
 - Rs 2 billion for Land Transport Authority
 - Rs 2.9 billion as food security and social housing funds
 - Saving Job Recovery (SJR) Fund kept as contingent stimulus
 - The rest has already been allocated to respective projects
- Other major infrastructure development
 - Expansion of airport at a cost of Rs 13.5 billion
 - Mauritius Container Terminal of Rs 3.5 billion
 - Power supply Rs 2 billion to increase Fort Victoria generation plant by 30 MW
- Building Eco-Friendly infrastructure with investment of Rs 24 billion
- Shoring up the SME sector, now employing 45% of the workforce
- Government sponsoring 75% of registration fee on micro credits where monthly income is less than Rs 6,000, with income threshold raised to Rs 10,000.
- Leasing Equipment Modernisation project disbursed Rs 127 million in favour of 49 projects
- Scheme expanded to support hotels

- Using 100 arpents to set up industrial areas out of the 2,000 arpents obtained from the Sugar Sector
- Stimulating the traditional and emerging pillars:
 - Agro-Industry
 - Tourism with a major effect on promotion (Rs 360 million) and construction of a cruise terminal (Rs 520 million)
 - Domestic and export oriented industries with Rs 500 million set aside
 - Financial Services
 - ICT sector, with significant reduction in Internet Service provider prices
 - Land based oceanic park
 - E-business platform provided by the Board of Investment
 - Education and training, with Rs 1.3 billion set aside for infrastructure
 - Work from Home BPO scheme, in conjunction with the BOI
- Boosting our Export and Domestic Oriented Industries

Sustaining Green Mauritius

- Objective is to reduce the pollution and make optimum use of the energy
- Initiatives to meet the above objective
 - Loan of Euro 125 million from the Agence Française de Developpement for the 'Maurice Ile Durable' initiative
 - Sustained scheme to provide funds to the public for the purchase of more solar waterheaters
 - Use of energy saving lamps
 - Hydro turbine at La Nicoliere to reduce CO2 emission
 - Finance CEB over the next 5 years to support loss
 - Replacement of 600 buses
 - Composting on large industrial scale
 - Public sewerage system connecting 50 percent of household by 2013
 - Custom duty abolished on fluorescent kit, LED fixtures and street lighting lamps
 - Setting up of an Energy Efficiency Management office
- Green Buildings, with regular audit being carried out on those buildings
- Improving water supply

Consolidating social progress

- Empowerment programme
- Integrated housing scheme
- Eradication of Absolute poverty
- CSR requirement on IRS promoters
- Statutory CSR
- Increase in tertiary level seats to 8,000
- Rs 1 billion to support planters
- Supporting students with disability
- Keep fit programme for elderly
- Access to international grants to improve skills of those involved in Arts, Culture and Heritage
- Financing from the National Lottery system for various projects

- Housing developments, with 2,500 serviced plots for those whose monthly income is below Rs 16,000
- Lottery Committee to finance re-integration of retired athletes to coach budding athletes
- Free healthcare by increasing spending in this area to reach Rs 7.4 billion in 2010
- Rs 200 million invested in new equipment for hospitals

FISCAL PROPOSALS

Income Tax

Income exemption threshold

	Actual	Proposed	Tax savings	No tax on monthly emoluments of
Resident taxpayer with no dependent	Rs. 240,000	Rs. 255,000	Rs. 2,250	Rs. 19,615
Resident taxpayer with 1 dependent	Rs. 350,000	Rs. 365,000	Rs. 2,250	Rs. 28,077
Resident taxpayer with 2 dependents	Rs. 410,000	Rs. 425,000	Rs. 2,250	Rs. 32,692
Resident taxpayer with 3 dependents or more	Rs. 450,000	Rs. 465,000	Rs. 2,250	Rs. 35,769

FISCAL PROPOSALS

Income Tax

Income exemption threshold

	Actual	Proposed	Tax savings	No tax on monthly emoluments of
Resident retired taxpayer no longer working with no dependent	Rs. 285,000	Rs. 305,000	Rs. 3,000	Rs. 23,462
Resident retired taxpayer no longer working with 1 dependent	Rs. 395,000	Rs. 415,000	Rs. 3,000	Rs. 31,923

National Residential Property Tax

The threshold before a resident individual starts paying NRPT is increased from Rs. 385,000 to Rs. 400,000.

Royalties

The tax deducted at source from royalties paid to non-residents is increased from 10% to 15%, except where lower rates are provided in Double Taxation Agreements. The recipients will not be required to file an income tax return.

Filing of return

The latest date for filing of tax returns and payment of tax that would have fallen on 31 December will be changed to 2 working days before 31 December.

Betting Tax

- The tax on foreign football matches is increased from 2% to 8%.
- Amusement with prizes (AWP) machines and video lottery games terminals (VLT) will be regulated.

Vehicle Taxation

- The taxation system of cars will change from an engine capacity basis to a CO₂ emission standard.

Customs Duty

- Customs duty is abolished on the following:
 - Television up to 32 inches
 - Fluorescent kit, LED fixtures including street lighting lamps
 - Rice milk, oats milk and almond milk
- The customs duty on television set above 32 inches will be reduced from 30% to 15%.

Chemical Levy

A levy will be introduced on chemicals listed in the Dangerous Chemical Control Act to finance the cost of managing the waste arising from their use or when they become obsolete.

Terminal Expansion Fee

The Terminal Expansion Fee will be levied to finance the construction of the new airport terminal.

Please do not hesitate to contact any of the Partners listed below for any assistance you may require.

- Yacoob RAMTOOLA 202 3112 yacoob.ramtoola@bdodcdm.mu
- Georges CHUNG 202 3121 georges.chung@bdodcdm.mu
- Afsar EBRAHIM 202 9762 afsar.ebrahim@bdodcdm.mu
- Kaneya HAWABHAY 202 3002 kaneya.hawabhay@bdodcdm.mu
- Jacques POUGNET 202 3003 jacques.pougnet@bdodcdm.mu
- Azize RAJABALEE 202 9517 azize.rajabalee@bdodcdm.mu
- Abdullah RAMTOOLA 202 9521 abdullah.ramtoola@bdodcdm.mu
- Gilbert SEEYAVE 202 9548 gilbert.seeyave@bdodcdm.mu
- Marie Louise TENG 202 3042 marielouise.teng@bdodcdm.mu
- Ameenah RAMDIN 202 9534 ameenah.ramdin@bdodcdm.mu
- Shabnam PEERBOCUS 202 9649 shabnam.peerbocus@bdodcdm.mu
- Thierry MONTOCCHIO 202 9745 thierry.montocchio@bdodcdm.mu