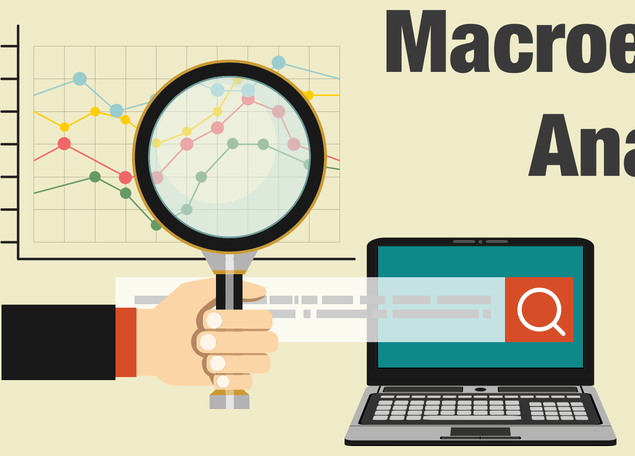


Macroeconomic Analysis

Global Economic Context

Geopolitical uncertainties and economic volatility have caused major disruptions in the economic recovery during 2016.
Despite these events, there is a general acknowledgement that prospects are brighter than they have been for nearly a decade now.
The IMF expects global growth to be around 3.5 % in 2017, picking up from a more modest expansion of 3.1 % in 2016.
Output growth in emerging economies is once again expected to comfortably exceed that in advanced economies.

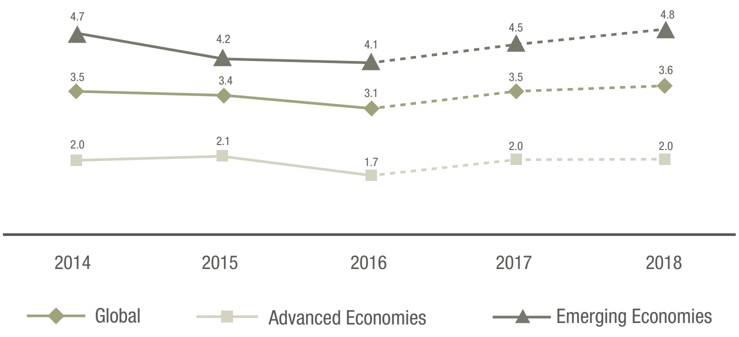


Figure 1: Output Growth (%)

The growth trend largely reflects the movements of trade around the world. Low income and geopolitical tensions have curbed a rapid expansion in commerce between countries over the last two years.
However, sustained low commodity prices are expected to drive consumption, and, therefore, encourage cross-border exchanges of goods.

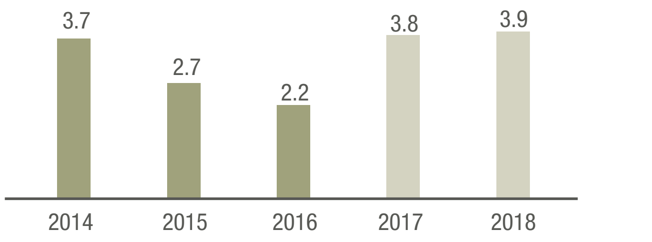


Figure 2: World Trade Growth (%)

The dull spots on these improving figures remain low investment levels in advanced economies, which can affect longer term production capacity. Part of this can be attributed to Brexit. FDI Intelligence has estimated that the UK experienced a 42% decline in greenfield capital investment year on year and a 9% decline in job creation via greenfield FDI as investors have put in abeyance UK expansion or investment plans until there is more clarity on what kind of agreement the UK is able to obtain with the rest of the EU.
This inevitably dampens investment mood elsewhere, especially as developing economies have only to a certain extent been able to diversify their economies with the gains from the commodity boom from a few years ago. At the same time, latent geopolitical tensions may limit growth prospects in the short term.

Local Context

In this economic context, the Mauritian economy has performed well to markedly improve the GDP growth rate, which increased from 3.0 % in 2015 to 3.5% in 2016, mainly as a result of the materialisation of private sector investment projects.
This is reflected in the Gross Domestic Capital Formation (GDFCF) figures, showing a leap from a negative territory to reach a growth of 3.4% in 2016.
Final consumption expenditure meanwhile maintained a moderate growth of 2.8% during the year. According to Statistics Mauritius, GDP growth is expected to rise to 3.8 percent in 2017.

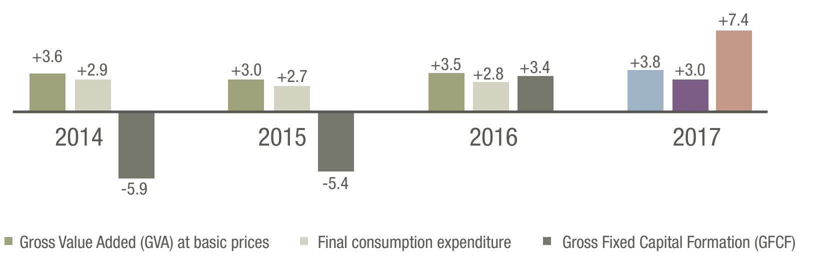


Figure 3: Major Macro-Economic Indicators (% growth)

Healthy sectoral performances were noted during 2016, and these are expected to continue in 2017. Tourism (accommodation and food service activities) maintained its position as one of the fastest growing sectors of the economy, with increased connectivity and market diversification bearing positive results. ICT, financial services, real-estate activities and health-related activities maintained high growth rates as well.
The construction sector registered a zero-growth rate, following several years of contraction. The new measures in the budget are expected to attract more investment in sectors like financial services, biotech, fintech and the digital economy, further consolidating these sectors as main drivers of economic activity.

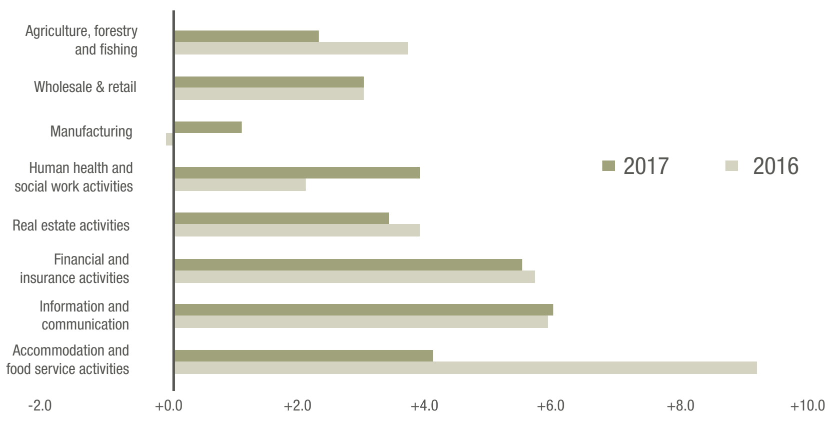


Figure 4: Sectoral Growth Rates (%)

The investment rate improved marginally to reach 12.8%. The level remains low, mostly as a result of dwindling public investment. Delays in the implementation of public projects have led to a reduction in the share of public investment in relation to total investment.
With the metro express project, Côte d'Or City and the road decongestion programme, this share will sensibly pick up over the next few years, with multiplier effects on private investment pushing the investment rate upward.

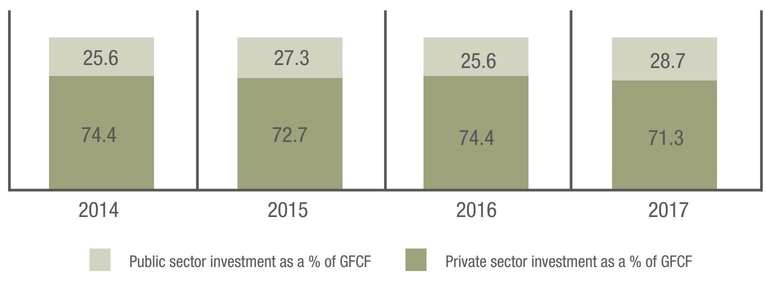


Figure 5: Gross Domestic Capital Formation

Investment is channeled mostly into building and construction projects, although in 2016, the increase in investment in machinery and equipment (11.8%) greatly exceeded investment in building and construction (1.5%).
This bodes well for the economy as investment in machinery and equipment contributes to improve the future production capacity of an economy. The budget has put in place a plethora of measures to further encourage enterprises to invest even more in new technologies and equipment to improve products and processes and boost R&D activities.

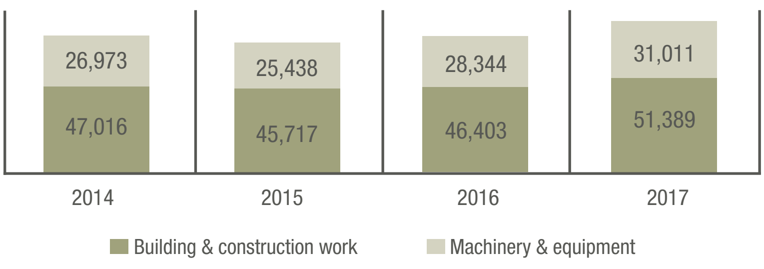


Figure 6: GDFCF by type of Capital Goods (Rs. Million)

In terms of FDI, when compared to figures of previous years, excluding reinvested earnings, 2016 has been one of the most fruitful years in terms of inflows, increasing by 46% from 2015. The MUR 13.6 billion of 2016 and the MUR 9.7 billion of 2015 will be adjusted upwards once the Bank of Mauritius completes its Foreign Assets and Liabilities Survey (FALS). Real estate maintained its position as major FDI provider. However, manufacturing, health-care and the financial services sector attracted important amounts of investment as well.
Based on the existing pipeline of projects and the proposals in the budget, FDI is well on course to exceed the figures achieved in 2016, with important influx of capital in the more productive sectors of the economy.

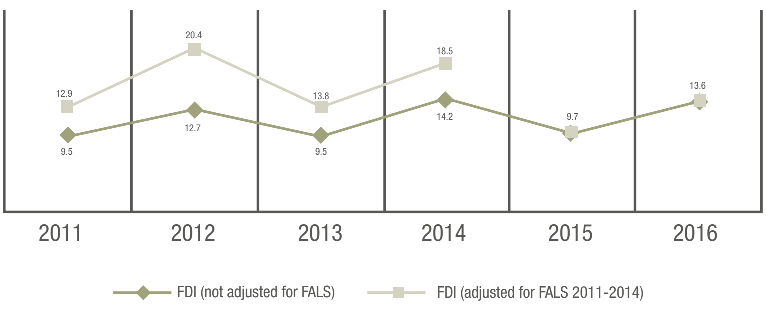
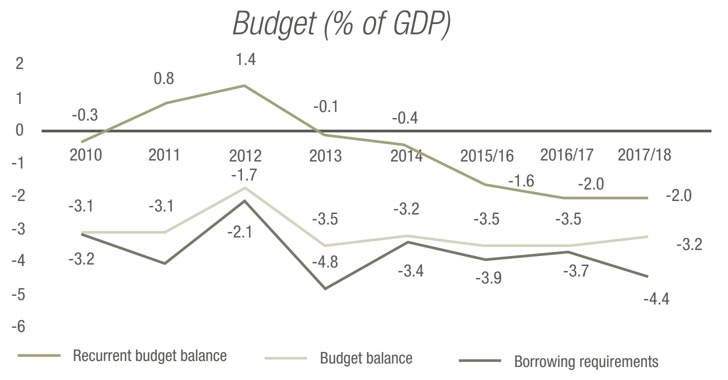
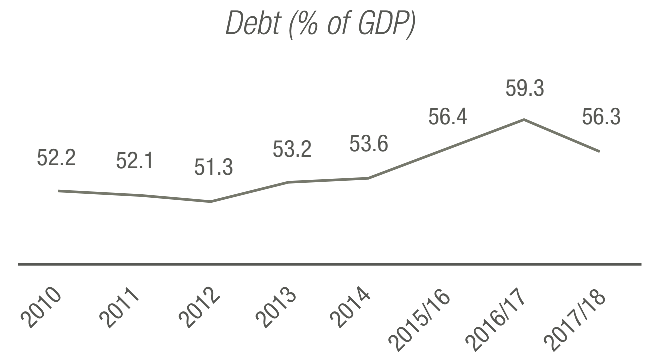


Figure 7: Foreign Direct Investment (Rs. Billion)

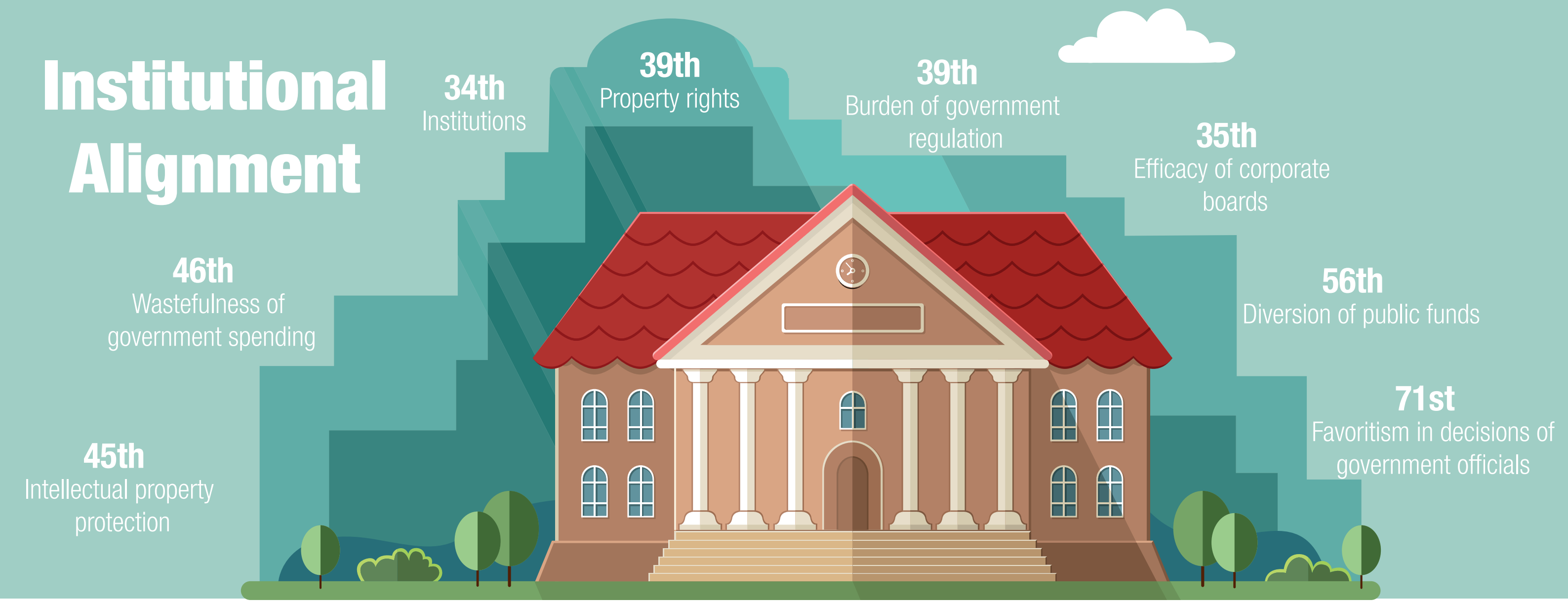




Budget deficit, which amounted to -3.5 percent of the GDP during financial year 2015/17 is expected to reduce to -3.2 percent, based on the measures announced. Debt as a percentage of GDp is also expected to reduce to 56.3 percent.

- Government Budget: MUR 127.7 billion
  - Recurrent expenditure: MUR 108.9 billion
  - Capital expenditure: MUR 18.8 billion
- Total Revenue: MUR 112.2
  - Recurrent revenue: MUR 99.5 billion
  - Capital revenue: MUR 12.7 billion
- Budget Deficit: -3.2 % of GDP

Institutional Alignment

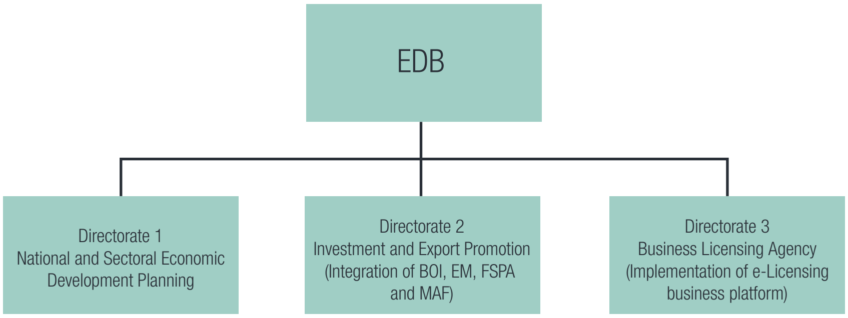


Institutional Alignment

Weak institutions can undermine countries’ prospects for growth in the medium and long run. In Mauritius there has been a haphazard diffusion of tasks and responsibilities to several institutions falling under the purview of different Ministries. Various institutions focusing on the same objective leads to duplication, misuse of scarce resources, promotes a lack of accountability and reduces overall effectiveness in terms of public service delivery.

Budget Measures

- Setting up of an Economic Development Board (EDB) to ensure greater coherence and effectiveness in implementing policies and actions.

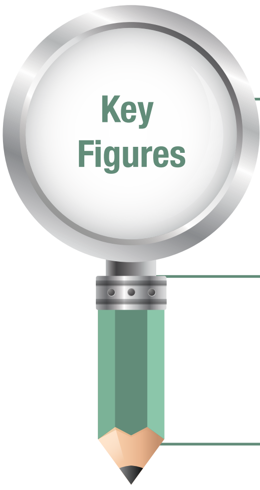


- Setting up a National Economic and Social Council under the chairmanship of the Prime Minister to address key socio-economic issues and strengthen dialogue with the private sector and civil society.
- Transforming the Mauritius Research Council into the Mauritius Research and Innovation Council (MRIC), which will also manage the National Innovation and Research Fund, set up a Mauritius Research Repository, and to which the Industrial Property Office be integrated.
- Full autonomy to Mauritas will be given to offer accreditation services locally.
- Setting up of ‘SME Mauritius’ to replace SMEDA to give a boost to the SME Sector.
- Embassies and consulates will channel more of their resources to export and investment-driven diplomacy in strategic markets.
- Re-organization of the NDU and Citizens Advice Bureaus with the on-line Citizens Support Portal.
- Establishment of a Mauritius National Investment Authority to invest locally the surplus funds of the NPF and NSF, and funds of other public sector bodies.

RESEARCH & INNOVATION

Research & Innovation in Mauritius

The growth path of our economy has been built on its capacity to constantly reinvent itself and make the most of available resources.
As Mauritius steps in a new era of development with such novel industries like Biotechnology, Financial Technologies, Smart Manufacturing, Ocean Related Technologies playing an increasingly important role, Research and Innovation should cut across more sectors of our economy.
The orientation of our country towards Research and Innovation will help fulfill our aspiration of becoming an innovation-led economy.



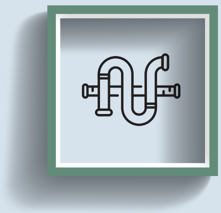
Peer-reviewed Scientific Publications (2014) : 200

Inter-institutional co-publications :
Academic - Academic : 41%
Academic - Public : 35%
Public - Private : 20%
Private - Private : 4%

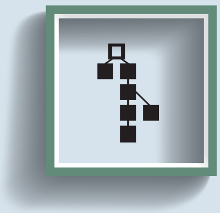
Global innovation index rank : 53

Major Projects

Research and Innovation are already impacting some sectors of our economy and projects in the pipeline are shaping the new innovation-led Mauritius.



Deep Ocean Water Application



More than 10 projects pertaining to Fintech & blockchain technologies

Several projects in biotechnology involving production of nutraceutical products from local, endemic resources, harnessing the potential of our ocean to create novel drugs.

Budget Measures

- The Mauritius Research Council is being restructured into the Mauritius Research and Innovation Council (MRIC) to:
  - synergize research and development initiatives between the public and private sector;
  - manage a rationalized National Innovation and Research Fund to finance research in public and private institutions;
  - set up a Mauritius Research Repository to which the public will have access and;
  - manage the Industrial Property Office.
- A Bio-Technology Institute will be set up under the aegis of the Ministry of Agro Industry and Food Security.
- Academic research will be promoted in all our universities with an accompanying Rs 50 million injection in a Research Fund which will be managed by the Tertiary Education Commission (TEC).
- An Innovator Occupation Permit is being introduced for innovative start-ups with a minimum operational expenditure of 20 per cent for R&D purposes.
- Capital expenditure incurred on R&D will be allowed an accelerated depreciation of 50 percent per annum.
- Companies will be allowed to claim a double deduction in respect of qualifying expenditure on R&D. This will apply until income year 2021-2022.
- An Innovation Box Regime is being introduced for locally developed Intellectual Property assets. Companies engaged in innovation-driven activities will benefit from an 8-year tax holiday on income derived from the totality of Intellectual Property Assets.

Export Strategy

Export Strategy

The success of Mauritius is to a large extent the result of its export-oriented strategy of the 1970s which focused on the production of manufactured products, in particular textiles, to European markets. Today, Mauritius still thrives on exports as a main source of growth. However, the reliance is more towards the export of services including tourism, ICT/BPO services and financial sector activities to drive growth. The objective today is to diversify the market and engage in the production of more value-added products and services and maintain cost competitiveness by adhering to existing supply chains.

Budget Measures

- Profits from exports of goods will be taxed at the lower rate of 3 per cent, instead of 15 per cent.
- Speed to Market Scheme for the textile and apparel exports on the European markets extended to the export of jewellery, medical devices, fruits, flowers, vegetables and chilled fish.
- Mauritas to be given full autonomy to offer accreditation services locally

Openness

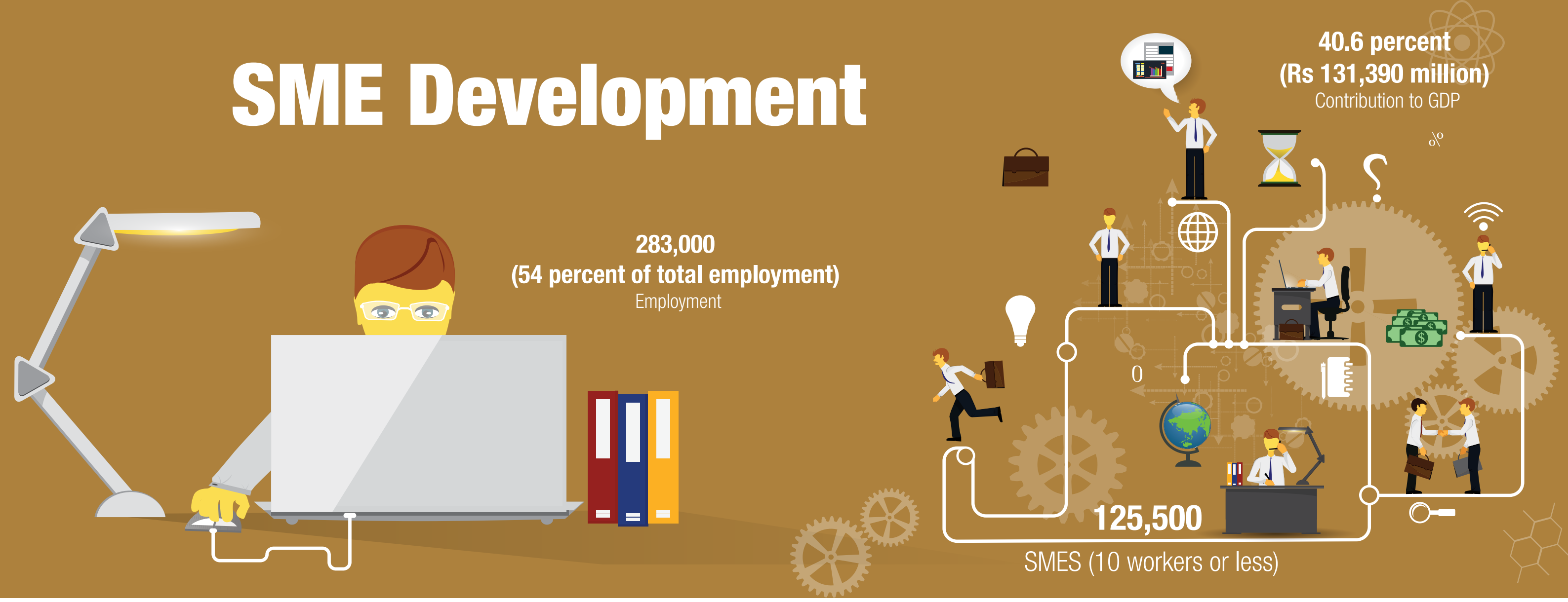
Openness

One of the major difficulties in our quest to foster growth and develop the economy resides in our constrained market size, while the falling fertility rate and an ageing population can cause critical issues with respect to public finances. We also need at the same time the right skills to match the requirements of certain emerging sectors. The current crop of graduates and students are learned in broad generic fields, with a certain lead time required to train them in required specialised fields. This can be overcome by opening our borders to allow immigration in the economy. Well qualified persons are necessary to engage in research and development as well as to cater for employment in new sectors of growth.

Budget Measures

- Occupation Permit
  - High tech machines and equipment will be considered as part of the minimum investment of USD100,000 to obtain and Occupation Permit.
  - Retired non-citizens transferring at least USD 2,500 monthly will be eligible to a residence permit.
  - Introduction of an Innovation Occupation Permit for innovative start-ups with a minimum operational expenditure of 20% on R&D.
- Work Permit
  - Reduction in the timeframe for issuance and renewal of work permit from 40 to 15 working days.
  - Extending the 8-year work permit policy for all expatriate workers in export-oriented enterprises in the manufacturing activities, construction, furniture making and agro industry.
  - Introduction of a short-term bridging work permit in cases of delays in renewal of work permits.
- Mauritian Diaspora Scheme
  - 10-year tax holiday will be limited only on income derived from specific employment, business, trade, profession or investment registered.
- Amendment of the Invest Hotel Scheme to allow a Non-Citizen buyer acquiring a unit in a hotel for an amount of at least USD 500,000 to qualify for Residence Permit
- Acquisition of life rights in residential case homes and other similar facilities outside smart cities upon authorisation of the Board of Investment.

SME Development



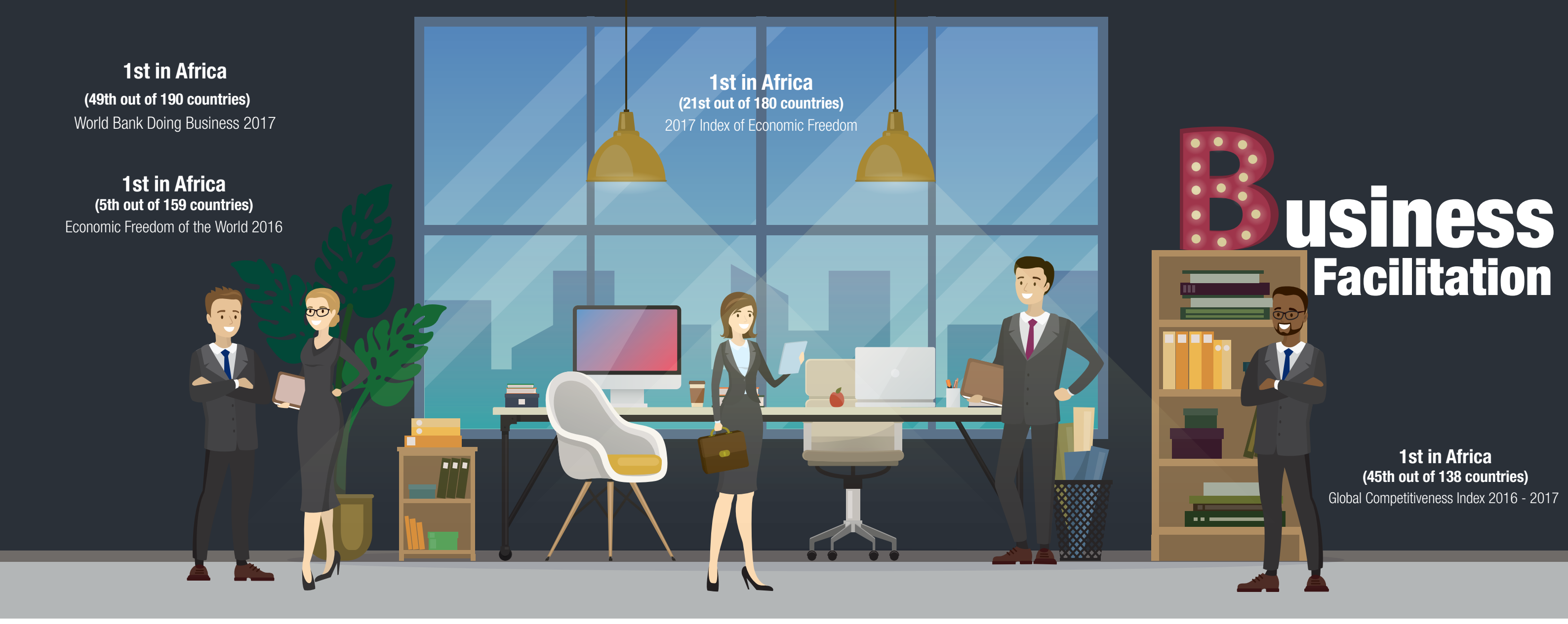
SME Development

SMEs can be important vectors of innovation, with start-ups and other small firms, being more able to capture market sentiments and provide specialised services in niche markets. Also, SME growth lays the foundation for further competition and can offer significant resilience with increased diversification of activities. Furthermore, SMEs offer a viable leeway to unemployment, with their development offering significant opportunities for direct and indirect job creation.

Most small units are engaged in wholesale and retail trade activities (46,776 units), while transport & storage and manufacturing activities involve 21,520 and 15,241 units, respectively. In ICT and financial & insurance activities, on the other hand, there are 557 and 175 small operators.

Budget Measures

- Dedicated spaces in four new market fairs that will be built at Goodlands, Bel Air, Chemin Grenier and Mahebourg
- Rs 5,000 towards the costs of membership in the 'Made in Moris' label
- Export Financing Facility will be introduced to assist manufacturing enterprises
- SME Venture Capital Fund to provide equity financing in identified innovative projects
- Government will continue to guarantee the loans made to SMEs under the two financing schemes which are operated by commercial banks
- DBM will provide finance to SMEs at the interest rate of 6 percent. The interest rate on its loans to micro enterprises also brought down from 6 per cent to 3 percent.
- Amendment of the Code Civil Mauricien and the Code de Commerce to allow the use of all movable assets as loan collaterals
- Setting up of an SME e-platform to improve and accelerate access to markets
- Rs. 10 million for a solar photovoltaic (PV) rebate scheme for SMEs to be managed by DBM
- Leaner criteria for recruitment of foreign labour by SMEs
- Rs 100 million over the next three years for the implementation of the 10-Year Masterplan for the SME Sector (technology upgrading, SME-Large Enterprises Partnership Programme, SME Training Needs analysis, and SME mentoring programme, amongst others).
- Government to continue subsidizing the monthly rental fee at the rate of Rs. 13 per square feet for SMEs for the next three years
- Setting up SME Mauritius in replacement of the SMEDA to oversee implementation of SME related measures



Business Facilitation

Reforming the business climate is a continuous exercise and is one of the priorities of government. Some major projects were announced in the last budget which aimed at facilitating cross-border trade, expediting the process to get construction permits and simplifying bureaucracy.
The Business Facilitation (Miscellaneous Provisions) Act promulgated in May 2017 is yet another step of the government to improve the business environment and remove bottle-necks. A number of administrative reforms have also been implemented to facilitate business.

Major Projects

In the last budget, Government announced the setting-up of a national e-licensing platform which will be the single point of entry regarding business licences. This project forms part of the Business Facilitation Programme. The e-licensing platform will have the following key features:

- **Online submission of applications**
- **A 24-hour service to applicants**
- **Tracking & monitoring of applications**
- **Electronic processing of applications**
- **E-payment facilities**

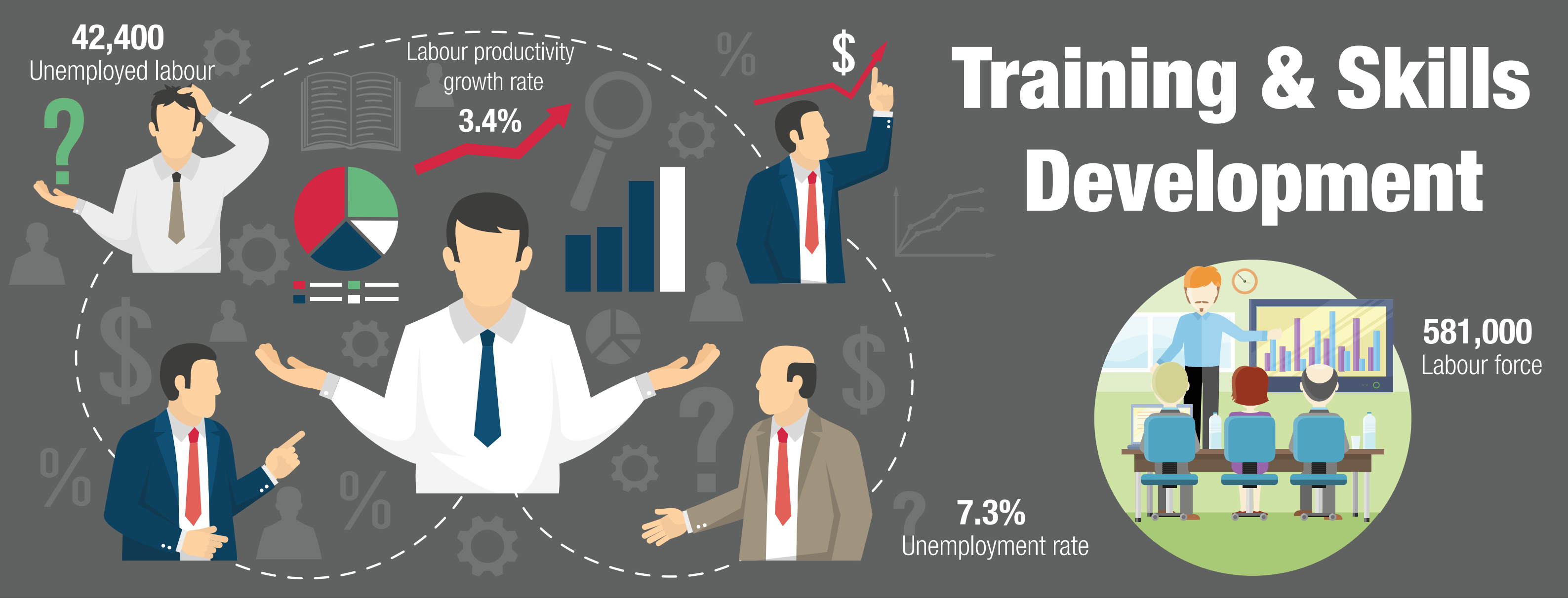
The platform is expected to be operational as from May 2018.

Budget Measures

Doing more to facilitate business

- Eliminating the requirement for plan approval from CEB, CWA or WMA when applying for a Building and Land Use Permit in well networked and serviced zones and Morcellements.
- Decreasing the cost to connect to electricity network by:
  - Reducing the cost of extension of high tension networks for commercial projects by 50%
- Eliminating the processing fee for new application in respect of all categories of customers including domestic customers, but excluding parceling of land and Property Development Schemes projects.
- Carry out a business process re-engineering (BPR) exercise on more than 125 licences and permits of some 14 Ministries.
- Amendment will be made to the Code Civil Mauricien and the Code de Commerce to allow the use of all movable assets as loan collaterals.
- Provision of an online search facility of the immovable property database of the Registrar-General's Department to public sector bodies, banks, insurance companies, public notaries, and members of the legal profession involved in the property market.
- Payment of taxes
  - Filing of income tax returns and paying of taxes to MRA electronically.
  - Amendments to the procedures for the determination of a case at the ARC in view of expediting the hearing process
  - Re-introduction of the Expeditious Dispute Resolution of Tax Scheme (EDRTS) settlement of disputes of less than Rs 10 million
- Trade facilitation
- Streamlining procedures in view of facilitating cross border trade by:
  - Issuing clearance on a customs risk management basis for goods not requiring any clearance or prior to obtaining agency clearance
  - Releasing and landing over goods to Government agency where the latter's clearance has not been obtained but Customs requirements satisfied.
  - Customs will carry out inspections in suspicious cases and post-control audit.
- Submission of statement of Cargo movement electronically

Training & Skills Development

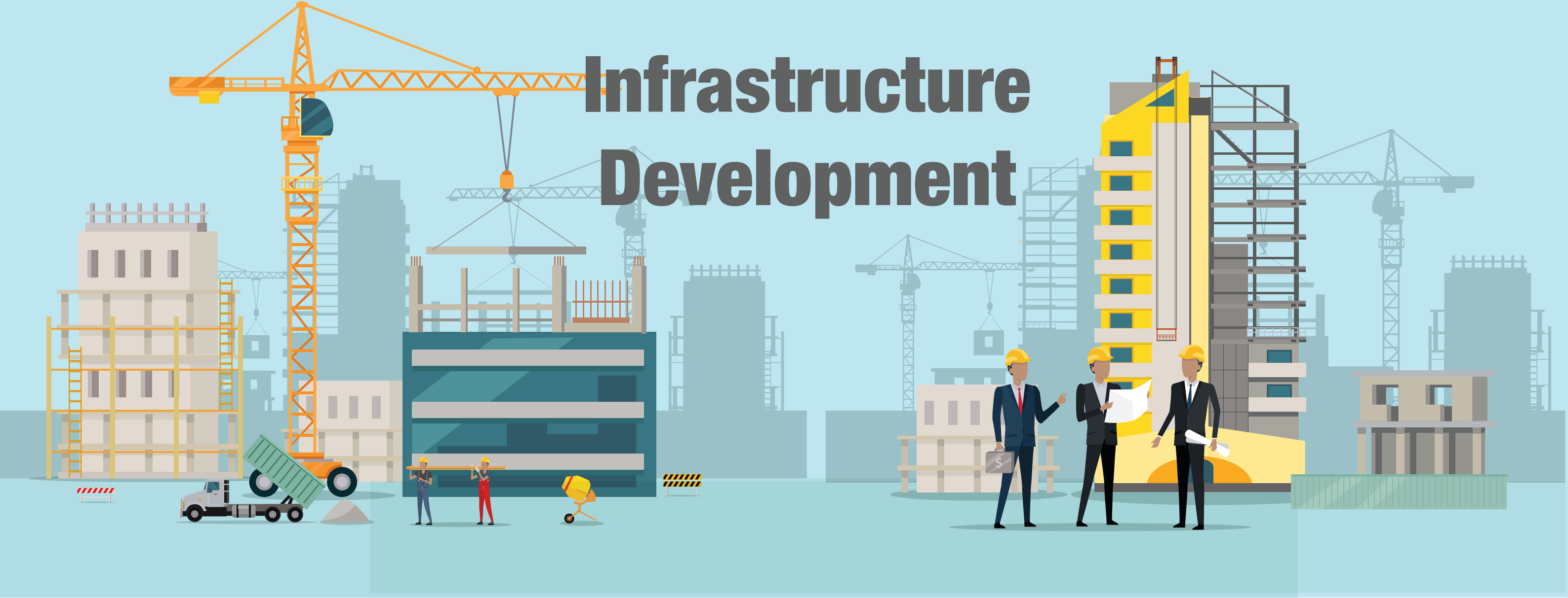


Training and Skills Development

The last few years have witnessed a decline in productivity levels, reaching an all-time low of 0.3% in 2013. 2016 saw a moderate pick-up with productivity growth rate reaching 3.4%. The main reason underlying prevailing productivity levels remains an inadequately trained labour force. The economy is now mainly service-oriented, with the development agenda focussing on pillars requiring specialised knowledge. However, the labour force is not equipped with the required skills and expertise. Unemployment rate has gone down from 7.9% to 7.3% but remains one of the problems hindering our competitiveness. Eliminating the persisting problem of skills mismatch through appropriate training programmes remains key to addressing the dichotomy between policy and labour market.

Budget Measures

- Rs 310 million has been allocated to upgrade educational hardware and infrastructure in training institutions, namely, MITD training centres, École Hotelière Sir Gaetan Duval, Sir Ramparsad Neerunjun Training Centre and Le Chou Training Centre in Rodrigues
- Rs 130 million is allocated to finance operating costs of polytechnics to encourage greater training courses, especially in the fields of tourism, ICT, nursing and paramedics.
- A second batch of 2,500 youths will be enrolled for training under the National Skills Development Programme to address the issue of skills mismatch
- The Fashion and Design Institute will be re-engineered to place greater emphasis on training in areas where skills mismatch are most severe and will include training in jewellery. The jewellery centre will therefore be transferred from the MITD to the Fashion and Design Institute.
- The Mauritius Shipping Corporation Ltd, in collaboration with the Royal Institution of Naval Architects, will set up a new Maritime Training Institute that will focus on training the youths for jobs on cruise ships and in the maritime sector.
- A Digital Youth Engagement Programme will be set up by the National Computer Board (NCB) to provide introductory courses on coding to youngsters.
- The National Skills Development Programme will offer courses aimed at training local talent for the film production industry and other performing and fine arts.
- An additional 250 educators will be recruited in secondary schools, of whom 75 will be teaching new subjects such as Travel and Tourism and enterprise education.
- No surcharges will be payable in respect of contributions due to the Training Levy.
- A Police Training Academy will be set up at Côte d'or City.



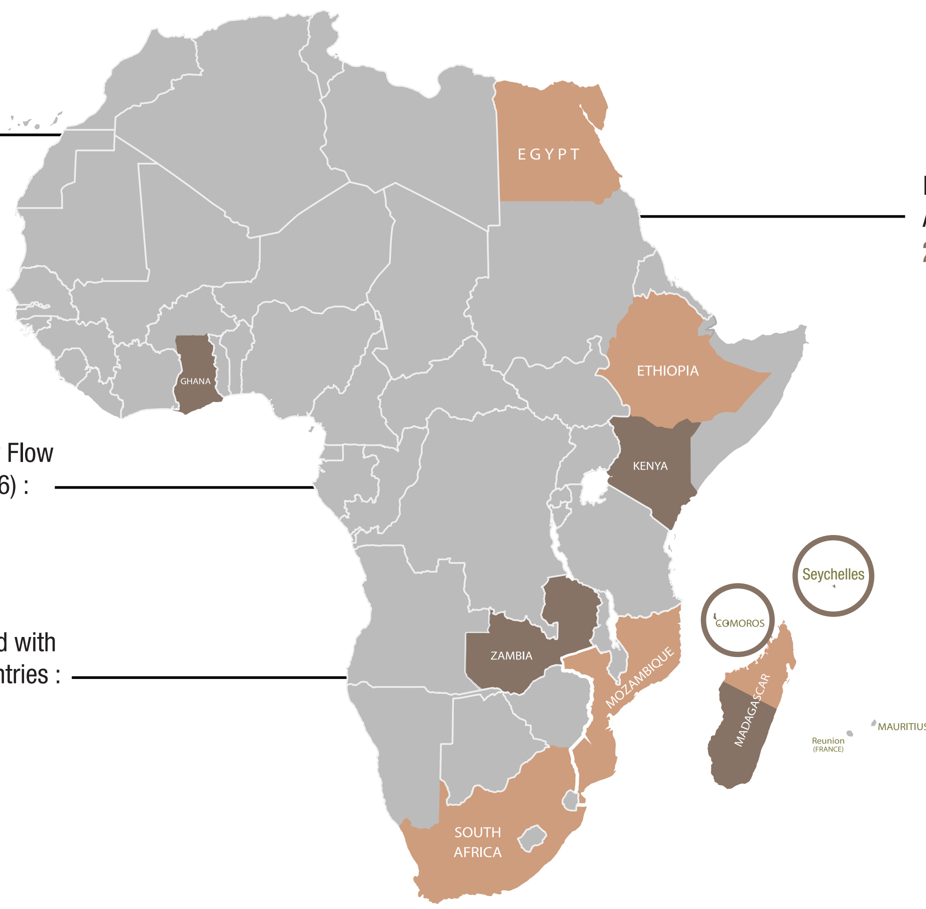
Infrastructure Development

Modern and efficient terms of business facilitation are key enablers to accelerate private sector investment. Today, we find ourselves with the need to re-engineer the transport system and land use planning to give an impetus to infrastructure development. Major public infrastructure projects, to the tune of Rs 130 bn, are planned to start this year including the light-rail system, road decongestion programme, port master plan, new supreme court, a new sports complex, renewal of water pipes, construction of Dam, the bridge project at Sorèze, the Victoria Urban Terminal and the Ring Road. These medium-term projects, over a period of 2-3 years, are poised to stimulate growth for years to come.

Budget Measures

- The Metro Express project will start in September 2017 and has an estimated project value of USD 535 million.
- Rs 4.9 billion has been earmarked for the construction of the Jumbo-Phoenix round-about, the A1M1 Bridge, a new road to connect La Vigie and La Brasserie and a second fly-over to connect directly the M1 to the Terre Rouge Verdun motorway.
- The development of Côte D'or City at Highlands will be implemented in phases and the first phase will also comprise the construction of two administrative towers for Government offices for an amount of Rs 3.6 billion. Phase 2 of the project, on 250 arpents, will include commercial, business and residential and leisure facilities.
- Rs 1.085 billion has been provided for short to medium projects including construction of drains, bridges and road widening.
- An exceptional capital grant of Rs 500 million has been earmarked to local authorities so that all councils can address long outstanding minor infrastructural works
- At a national level, a budget of Rs 3.3 billion has been allocated to finance all the major and medium infrastructure projects
- Rs 590 million has been provided for the construction, extension and upgrading of infrastructure in public primary and secondary schools.
- Rs 4.4 billion will be invested in the Water Sector to improve water supply. Rs 2.3 billion is earmarked for the replacement of 264 kilometres of pipes and Rs 400 million will be invested to improve the efficiency of 150 stations that pump water into service reservoirs
- An investment amount of Rs 3.8 billion has been earmarked for waste water management facilities over the next three years.
- Renovation and refurbishment of the Old Passenger Terminal at SSR International Airport.
- Investments of MUR 3 billion will be injected in 2017 to transform Mauritius into a regional maritime hub. An additional investment of MUR 1.6 billion is expected in the next financial year.
- The extended Mauritius Container Terminal Beth will be fully operational by October 2017, with an increased capacity to handle up to 750,000 TEUs.
- MPA has finalised its Port Master Plan and will be preparing a Master Plan for the development of a quay for leisure crafts and fishing boats at Vieux Grand Port.
- The MPA is proceeding with the construction of a second breakwater.
- MPA to invest around half a billion rupees in a new Passenger Terminal Building at Les Salines to accommodate both cruise and inter-island passenger traffic.

Economic Diplomacy and Africa Strategy



Outward Direct Investment (2016) : **Rs 1.8 Bn**

DTAAs signed with African countries: **21**

Private Equity Flow in Africa (2016) : **USD 20 Bn**

IPPAs signed with African countries : **23**

- Embassies in Africa
- Permanent Joint Commissions

Economic Diplomacy and Africa Strategy

The Government has set its model of economic partnership for creating growth corridors with targeted African States. Africa remains a resilient continent. To enhance economic cooperation and diplomacy, the government embarked on setting up Permanent Joint Commissions in several countries and the development of Special Economic Zones in Senegal, Ghana, Madagascar and Côte d'Ivoire. Mauritius now has a vision to create an ecosystem of value-added services to consolidate its position as the regional hub for Africa.

Budget Measures

- Joint Commissions will be held with Cote D'Ivoire, Ethiopia, Ghana, Kenya, Madagascar and Zambia to further enhance bilateral cooperation.
- Phase 1 of the Senegal Special Economic Zone (SEZ), extended over an area of 13 hectares, has been completed. Phase 2 will be developed over 40 hectares.
- Land has been secured, on preferential terms, in Ivory Coast, to enable Mauritian enterprises to undertake development projects in the "Zone France de la Biotechnologie et des Technologies de L'Information et de la Communication".
- Setting up of a Business and Investment Platform for Africa (BIPA) by the Mauritius Africa Fund to facilitate investments by Mauritian enterprises across Africa.
- An international capital market will be set up by the Stock Exchange of Mauritius aimed at encouraging Governments and Corporates from Africa to issue multi-currency bonds in Mauritius.

Financial Services

Financial Services

Over the last few years the financial services sector has undergone significant structural transformation coupled with government reforms to encourage economic diversification, consolidating its infrastructure and maintaining a favourable business climate to attract foreign investment.

Last year, a series of incentives were announced to diversify our product base, including the introduction of new services and measures for Wealth Management, Headquartering and Treasury Management, Investment Banking and development of a full-fledged arbitration centre.

The way forward is to consolidate its reputation as a leader in this area, and cement the place of the Mauritius International Financial Centre as the platform for investment across Africa, Asia and Europe.

Major Projects

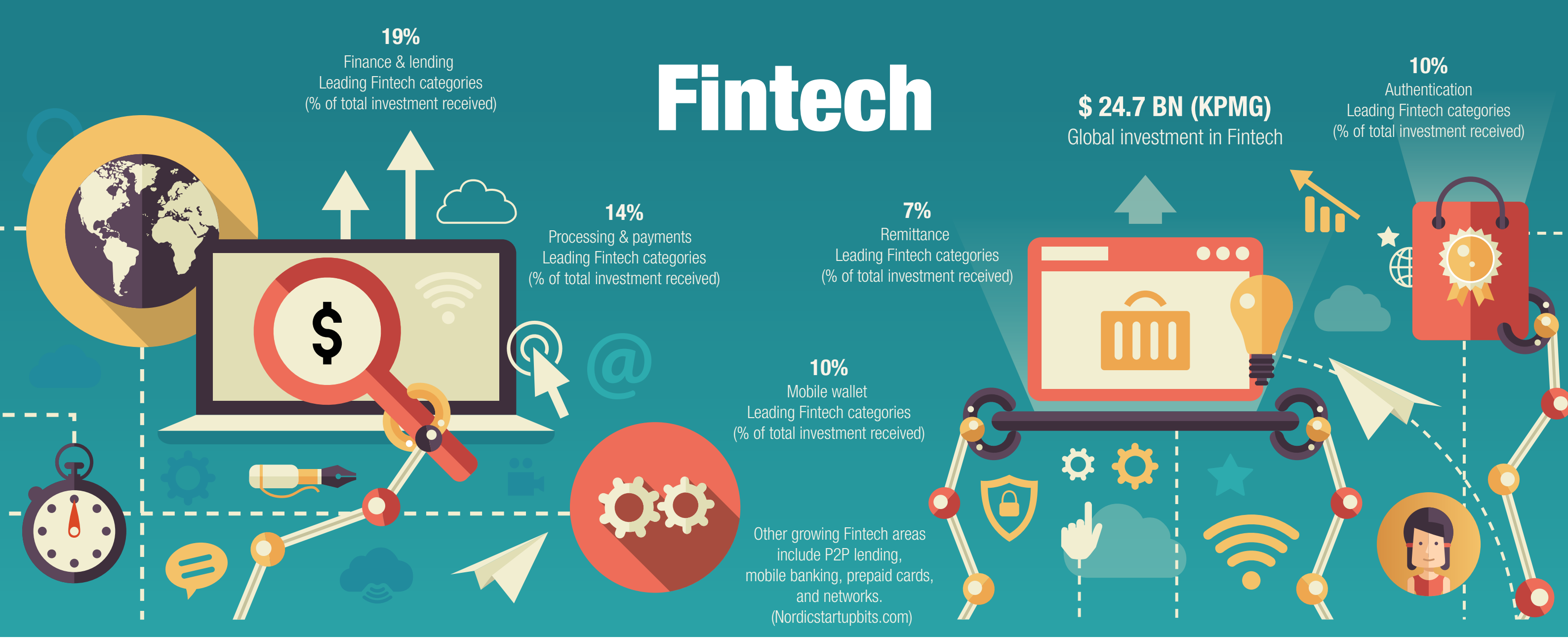
In September 2016, the first Chinese bank, The Bank of China, set up its operations in Mauritius with the aim to build a strategic platform to link investment between Asia and the African continent and provide all-round quality financial services to multinationals.

The Luxembourg-based SGG Group acquired the CIM Global Business for USD 90 million in March 2017

In November 2016, SANNE Group, a London Stock Exchange-listed, Jersey-based provider of outsourced corporate and fund administration with a market capitalisation of approximately USD 700 million acquired International Financial Services and IFS Trustees for USD 127.3 million to expand its geographical footprint

Budget Measures

- Consolidation & gearing up of the sector to face emerging challenges and be compliant to international norms, standards and requirements
- Push forward the global business sector to the next level based on quality of product offerings
- Elaboration of a 10-year blueprint to cater for the forthcoming international fundamentals with regards to taxation without hindering the competitiveness of the jurisdiction, in collaboration with EDB, Bank of Mauritius, FSC and all stakeholders in the Financial Services Sector
- To further enhance the reputation of the country as a jurisdiction of substance, the guidelines for GBC1 companies will become more stringent and they will be required to fulfil at least two of six criteria established by the FSC
- Amendment to the Companies Act 2001 to allow for Islamic Financial Institutions and Islamic Banks to adopt accounting standards issued by the Accounting and Auditing Organisation for Islamic Financial institution
- Stock Exchange of Mauritius to engage with Euroclear to transform the local debt market and to set up an international capital market to issue multi-currency bonds
- FSC to amend the Special Purpose Fund rules to bring special purpose funds at par with GBC1 companies
- Reform of the tax regime for GBC to meet the new international requirements
- Minimum capital requirement of banks raised from Rs 200 million to Rs 400 million, with a moratorium of two years for existing banks to adjust their capital. The Banking Act will be amended accordingly.



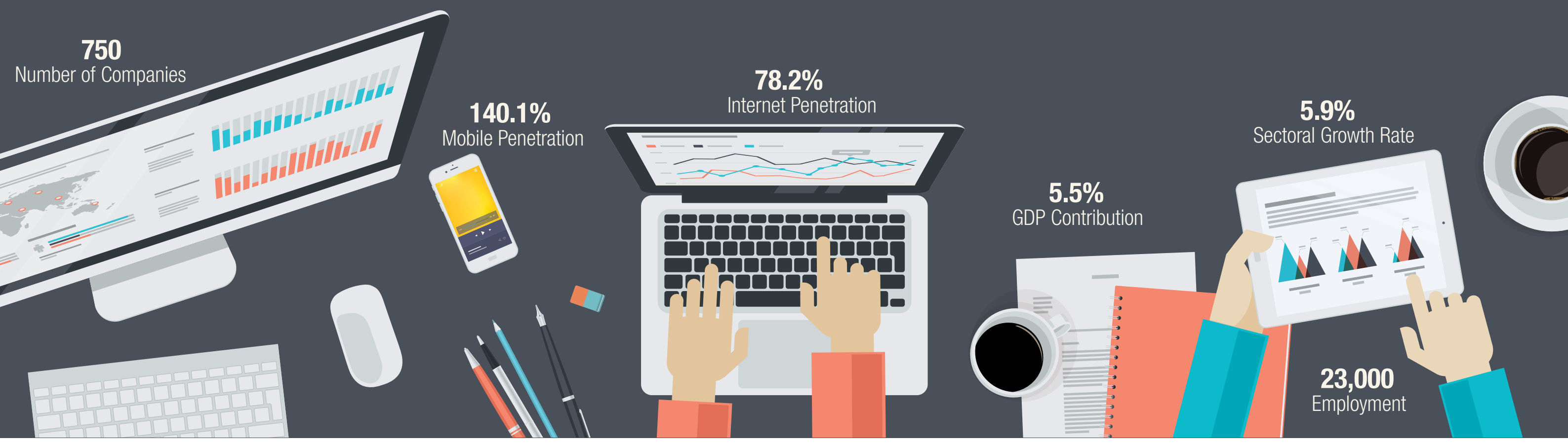
Fintech in Mauritius

With the advent of disruptive technology to transform businesses and the global economy, the still-nascent fintech industry or the merger of financial services with information technology is at a tipping point. A dynamic ICT sector and a conducive regulatory landscape supplemented by the Regulatory Sandbox License mechanism will encourage innovative businesses. It is a logical sequence that we now leverage our competitive edge to pioneer the provision of services and products in Fintech to the region and tap the multi-billion worth of investment in areas such as e-payment, insurance, crowdlending or crowdfunding to position Mauritius as a Fintech hub for Africa.

Budget Measures

- Positioning Mauritius as a Fintech Hub for Africa to harness the benefits of the emerging technologies & services
- Establishment of a Regional Fintech Association by the EDB to act as a ‘think-tank’ for Fintech projects, and partnering with international institutions such as Innovate Finance London and the Fintech Circle to create the right ecosystem and complying with international regulatory requirements
- Provision of the appropriate regulatory framework for Fintech activities such as peer-to-peer lending and funding, and mobile wallet

Digital Industry



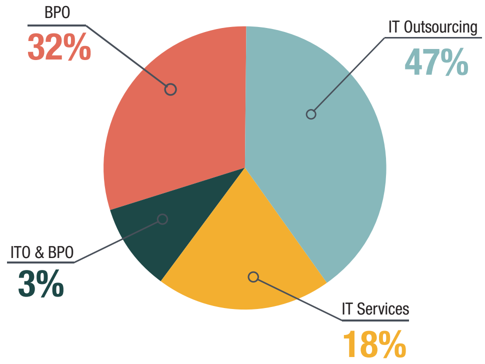
Digital Industry

Digital became main stream during 2016 with the industry increasingly investing in digital solutions to drive future growth opportunities.

The adoption of some game-changing technologies such as Blockchain, Internet of Things, VR/AR, Platform as a Service (PaaS) and Software as a Service (SaaS) as well as investment in new areas like Data Analytics and Cybersecurity by some companies not only underpin the rising entrepreneurial spirit but also the imperative for companies to continuously reinvent themselves to survive.

The BPO segment is characterized by a stream of new high-end analytical activities such as financial, HR, legal, engineering and design which have redefined the landscape.

Industry Segmentation



* BOI Industry Review 2016

Major Projects

Convergys
Customer Relationship Management

CreditFix
Provision of outsourcing services in personal insolvency

DGF
Financial Shared Service

SD Worx Mauritius Limited
Provision of HR & Payroll outsourcing services

Budget Measures

Regulatory framework

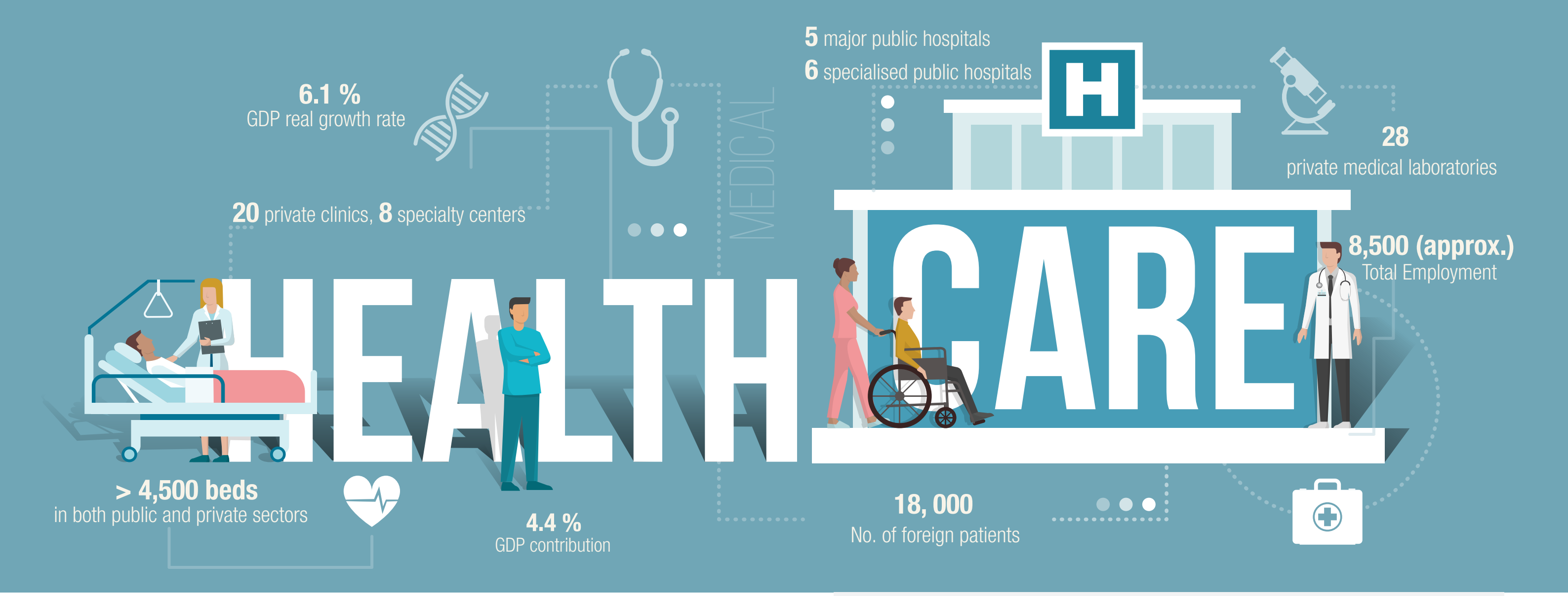
- Amendment to the Data Protection Act to comply with the new EU data protection regulation which will come in force in May 2018.

Digital entrepreneurs

- Capacity building in new technologies like Robotics, Big Data and Internet of Things at the Réduit Polytechnic
- Provision for a cloud computing integrated platform to offer a ‘Mauritius ICT plug and play platform’ to attract digital nomads

Other key measures

- Price reduction of International Private Leased Circuits (IPLC) and Global Multiprotocol Label Switching (MPLS) services of at least 15% as from 1st July 2017
- Creation of Mauricloud to offer a platform for issuance and verification of documents & certificates
- Setting up of a Digital Youth Engagement Programme by the NCB to provide introductory courses on coding to youngsters
- Setting up of an Open Data Portal as a single point of reference for public datasets
- Amendments to the Employment Rights Act to encourage firms to allow their employees to work at home with the objective of attracting more women into the labour force, reducing cost for the enterprises and raising productivity nationally.



Healthcare Sector

As the healthcare industry grapples with the challenges of an ageing population, diversification and innovation are required to sustain the growth of the industry. Today, the ecosystems are converging, and the goal is collaboration.

The healthcare sector in Mauritius now consists of an integrated cluster supported by a core group of high-value activities such as hi-tech medicine, medical tourism, medical education, research and wellness. Mauritius is positioning itself as a leading medical tourism destination in the region, and the country has already welcomed more than 18,000 medical tourists in 2016.

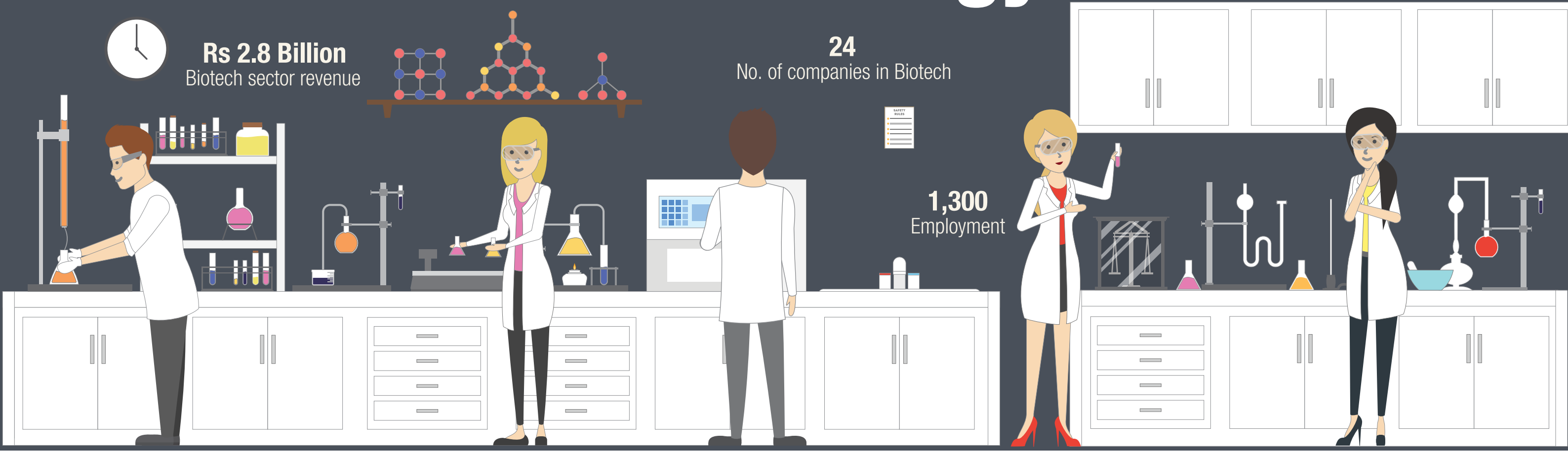
Major Projects

- Nemorin Residential Care Home
- SIMS Clinic
- Smart Clinic

Budget Measures

- The VAT exemption granted to a corporate body on construction of a private hospital, nursing home or residential care home will be extended to cover a charitable institution
- Introduction of a Visitor Medical Visa upon arrival for foreign patients
- Expansion of hospital infrastructure and health care facilities including acquisition of two linear accelerators for the treatment of cancer patients.
- Acquisition of life rights in residential care homes and other similar facilities outside smart cities upon authorisation of the Board of Investment.

Biotechnology



Biotechnology

Biotechnology has evolved from a single set of technologies in the mid-70s to a full-fledged technological field which is presently the driving force energizing innovative processes and cutting across various industrial sectors such as pharmaceuticals, medicine, agriculture, food, chemicals, environment, and medical instruments and devices.
The Clinical Trials Act 2011 and Animal Welfare (Experiment on Animals) Regulations 2017, based on international best practices, have opened the avenue for pharmaceutical research and development in Mauritius. Furthermore, the richness of its marine and floral biodiversity presents vast prospects for the development of nutraceuticals, pharmaceuticals and cosmetics.

2.3 million km2
exclusive economic zone with vast pool of marine biological resources

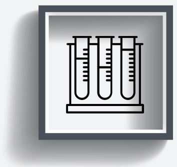
4
No. of Contract Research Organisations (CROs) involved in Clinical Trials

> 30
studies submitted to the Clinical Research Regulatory Council

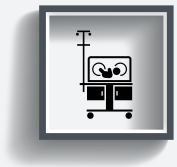
Trials on various pathologies such as Diabetes, Hepatitis, Lupus etc

Major Projects

Biolabex
Laboratory involved in R&D & production of samples



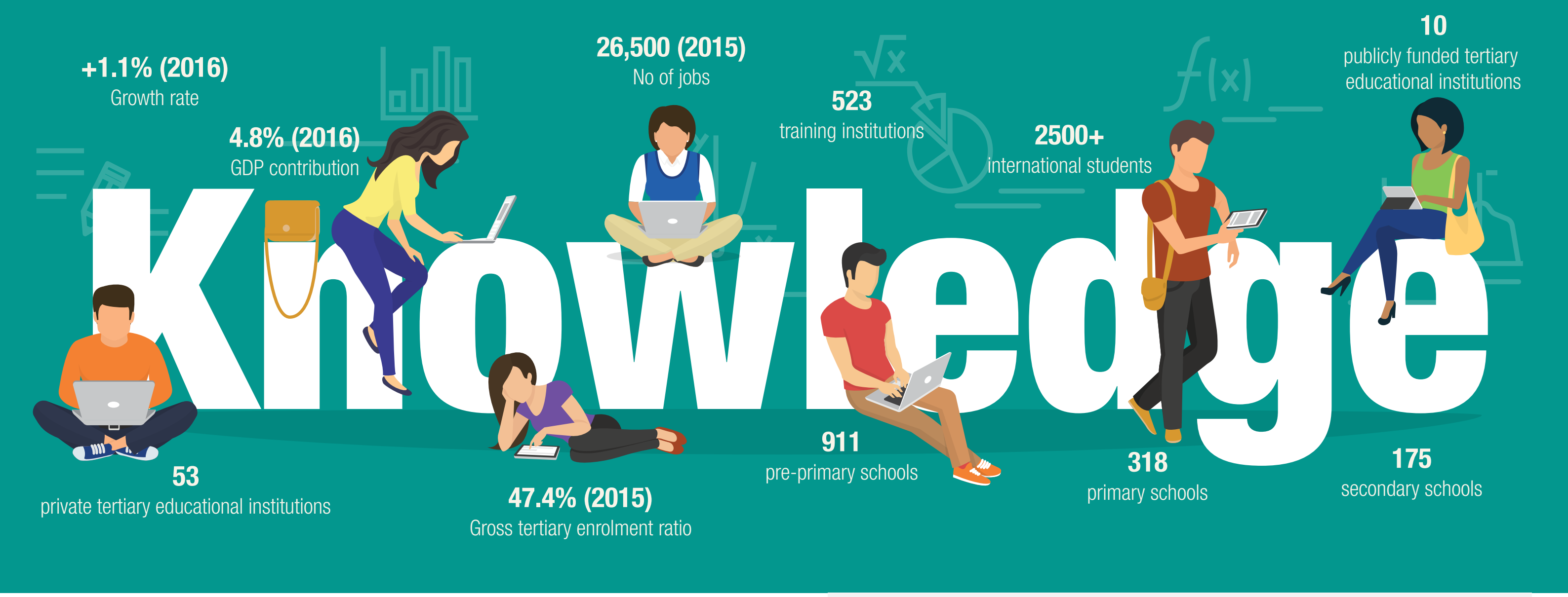
Axonova
R&D and Pre-clinical trials for neurogenerative diseases



Simplissima Ltée
R&D and start- up incubation

Budget Measures

- Amendment to the Clinical Trials Act to allow testing on medical devices.
- Tax Incentives for Research and Development (R&D)
  - Accelerated depreciation of 50% in respect of capital expenditure incurred on R&D, where the investment cost is fully amortised in 2 years;
  - A double deduction in respect of qualifying expenditure on R&D directly related to the entity's trade or business and provided the R&D is carried out in Mauritius.
- Restructuring of the Mauritius Research Council to transform it into the Mauritius Research and Innovation Council (MRIC). The National Innovation and Research Fund, Mauritius Research Repository and Industrial Property Office will be managed by MRIC.
- Setting up of a Biotechnology Institute under the aegis of the Ministry of Agro Industry and Food Security.
- Rs 50 million injected in a Research Fund to be managed by the Tertiary Education Commission
- Introduction of an Innovator Occupation Permit for innovative start-ups with a minimum operational expenditure of 20 per cent for R&D purposes.
- Accelerated depreciation of 50% per annum, in respect of capital expenditure incurred on R&D
- A double deduction in respect of qualifying expenditure on R&D. This will apply until income year 2021-2022.
- The Mauritius-Africa Fund has secured access to land, on preferential terms, in the "Zone Franche de la Biotechnologie et des Technologies de l'Information et de la Communication" for Mauritian enterprises to undertake development projects in Ivory Coast.



Knowledge

The Government's vision is to transform the higher education sector and position Mauritius as a knowledge-based economy through the setting-up of international educational institutions of high repute as well as attracting international students, faculties and researchers through enhanced opportunities and better quality of education offered.
Moreover, the development of Mauritius as a regional hub for high quality education and training in the knowledge industry will act as a catalyst in broadening the Mauritian economy, and will build capacity for existing and emerging sectors which would require the contribution of highly productive skilled and qualified workforce to attract sustainable investment and maintain the country's competitiveness.

Major Projects

African Leadership University
Construction of a university campus with residency facilities

Middlesex University
Construction of a campus in collaboration with Medine Group

Budget Measures

- A building constructed by a third party, purposely and exclusively, for lease to the provider of tertiary education will be exempted from VAT payment.
- Rs 310 million is earmarked for the upgrading of educational hardware and infrastructure in training institutions
- Funds will be allocated for refurbishment works at the University of Technology Mauritius and the Université des Mascareignes. The University of Technology Mauritius is also working on a project to construct a new campus.
- Rs 130 million to finance the operating costs of polytechnics
- During the coming financial year, another batch of 2,500 youths will be enrolled for training under NSDP to address the skills mismatch.
- Rs 590 million for construction, extension and upgrading of infrastructure in public primary and secondary schools.
- Yearly allowance for laureates pursuing post graduate studies locally is being increased by 10%.
- A new Strategy Paper for the Special Education Needs will be developed and an authority will be set up to harmonise and promote policies.

Ocean Economy

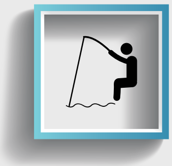
Ocean Economy

Mauritius boasts a resource-rich maritime zone of 2.3 million square kilometres, representing substantial opportunities for the development of the ocean economy. Currently, the ocean economy is driven by established sectors, namely coastal tourism, fishing, seafood processing and aquaculture and port-related services. Government's threefold strategy focuses on the consolidation of existing sectors, the development of emerging sectors and nurturing nascent sectors.

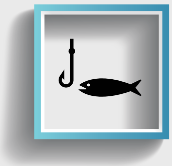
During the period 2016-2017, new players have established themselves in the sustainable fishing sector and new storage facilities for petroleum products are being implemented at Mer Rouge. Moreover, the projects for a dedicated fishing port and the inception of a petroleum terminal at Albion are at pre-implementation phase. The DOWA project is currently in its implementation phase and projects in the field of marine biotechnology have been assessed.

Major Projects

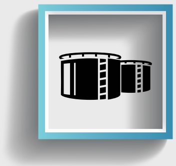
UCL
Deep Ocean Water Application Project



LHF marine
Fishing and related infrastructure set up



Afritex
Sustainable fishing



MOST project
Petroleum Storage at Mer Rouge

Budget Measures

- Extension of the validity of fishing rights permits from 1 year to 5 years for fishing vessels flying the Mauritian flag, subject to all their catch being unloaded and processed in Mauritius.
- Setting up of sea-based coral farms to develop ornamental corals for the tourism sector, aquarium market and high-end jewellery manufacturing.
- Amendments to the Maritime Zone Act to cater for marina development

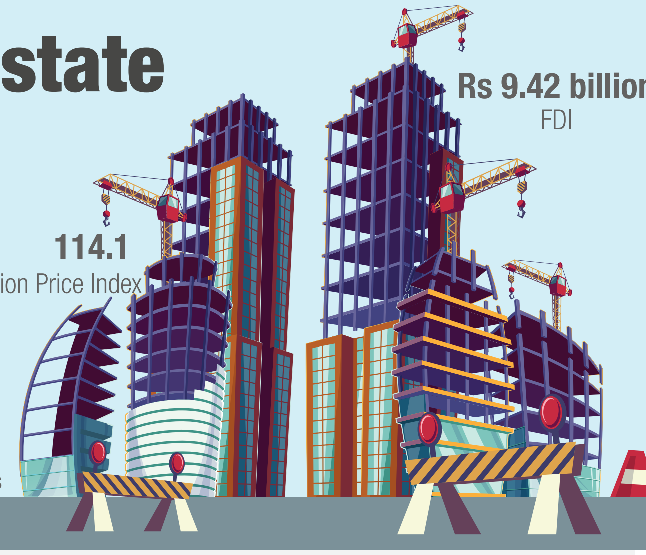
Construction & Real Estate

10.1%
Contribution to GDP

114.1
Construction Price Index

3.9 %
Growth Rate of Real Estate Activities

Rs 9.42 billion
FDI



Construction and Real Estate

The construction industry is expected to regain momentum and rebound by 7% this year based on high investment expected in both private and public projects. Five (5) smart city projects are under implementation. Investment by 2020 in smart cities will exceed Rs 20 bn.

41 projects under the PDS have been approved for an investment of Rs 25 bn over a period of 5 years. In July 2017, Barachois Villas Company Ltd will start construction of 100 villas at Tamarin. The project will entail investments to the tune of Rs 2.4 bn.

Major Projects

Smart cities

- Mon Tresor Smart City
- Cap Tamarin
- Moka Smart City
- Mauritius Jinfei
- Medine Smart City

Property Development Scheme (PDS)

- Parkside Properties Ltd
- Maritime Realty Ltd
- Zhongsi Co. Ltd
- Brugel Ltd
- Les Jardins de Grand Baie Ltd

Budget Measures

Riche Terre Business and Industrial Park

- The masterplan for Riche Terre Business and Industrial Park is being finalised. The park will be dedicated to manufacturing activities, food processing, services of an industrial nature, logistics & warehousing, office and mixed use commercial as well as activities related to service a commercial Park.

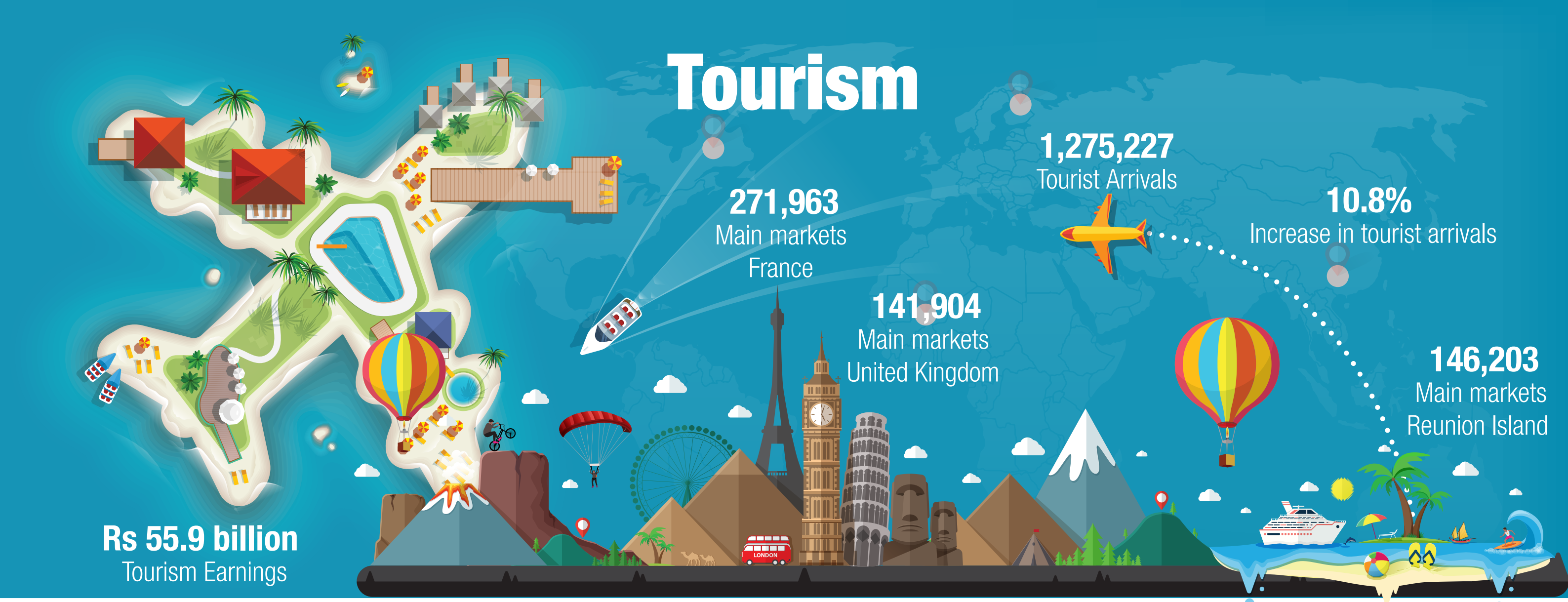
Smart City

- No morcellement permit will be required where the excised plot exceeds 5 hectares provided that there is no material change to the land and the relevant approval is obtained from the district or municipal council.
- The current provisions in the Code Civil Mauricien relating to 'Association Syndicales' for smart cities will be reviewed.
- The 5-year period given to a Mauritian or member of the Mauritian diaspora who acquires a serviced plot of land in a smart city to construct his house is being extended to 10 years.
- Mauritian buyers will be allowed to sell a plot of land acquired in a smart city even if construction of the residence has not started but provided the buyer undertakes to complete construction of his house within 10 years as from the date of the first acquisition.
- Customs duty exemption will be granted on Knocked–Down furniture imported in the context of a Smart City project on the condition that a 20 percent local value addition is incorporated therein.
- Promoters of Smart City projects will be required to contribute, as part of their social obligation, Rs 25,000 per residential unit to a Smart City Scheme Social Fund. It will apply to all Smart City projects including those already issued with a Letter of intent or an SCS Certificate.
- Non-citizens will be allowed to acquire life rights in residential care homes and other similar facilities outside smart cities on production of an authorisation from the Board of Investment granted after it has obtained the approval of the Minister.

Property Development Scheme

- The processing fee of Rs 10,000 payable when an application is made to acquire a property under the Property Development Scheme is being increased to Rs 20,000.
- No land conversion tax will be payable in respect of 9-hole golf courses.

Tourism



Tourism

The hotel industry is poised for growth as tourist arrivals for 2017 is estimated at around 1,350,000, an increase of 5.8% from 2016, with revenue in excess of Rs 58 billion. Growth will be driven by the market diversification strategy to attract tourists from Europe, Asia-Pacific and Turkey. Hotel room revenue is projected to expand at a 10.6% compound annual rate to reach MUR 36 billion in 2020. To host more tourists, additional hotel rooms will be required. The Government will service more sites for attracting investments in new hotel projects in the northern and eastern parts of the island as tourist arrivals are forecasted to surpass the 1.5 million mark by 2020.

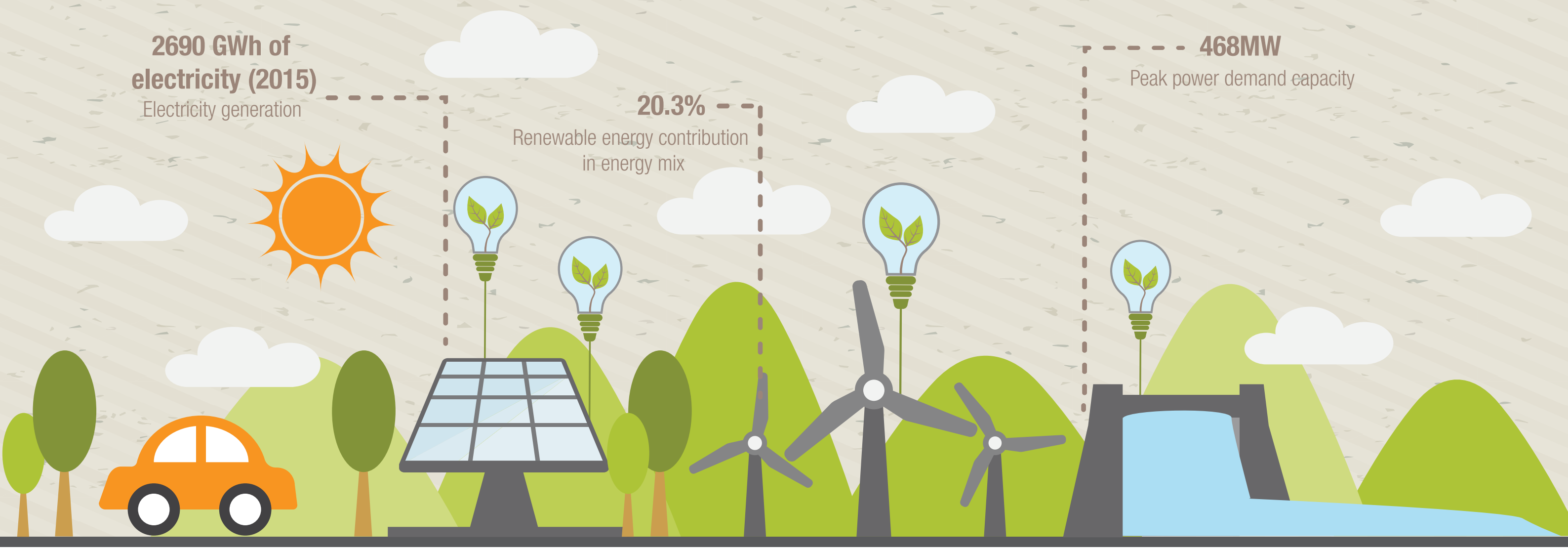
Major Projects

- One & Only Le St Geran **Renovation**
- Heritage Le Telfair Golf & Spa Resort **Renovation**
- Victoria Beachcomber Resort & Spa **Renovation**
- Veranda Paul & Virginie Hotel & Spa **Renovation**
- Constance Hotels & Resorts **Renovation**
- 5 new hotels at Les Salines

Budget Measures

- A non-citizen investing at least USD 500,000 in the acquisition of a unit under the Invest Hotel Scheme (IHS) will be granted a residence permit for so long as he retains ownership of the unit.
- The resale of a unit under the IHS will be exempted from Tax on Transfer of Leasehold Rights in State Lands.
- The condition that a unit owner under the scheme shall not have the right on, or any interest in, the State land on which the hotel may be located is being removed. The acquisition will be governed by the standard provisions of the Code Civil Mauricien.
- Hotels will be allowed to host gaming machines within their premises against payment of the appropriate license fee and betting tax subject to access being provided only to non-residents and foreigners.
- Multi Entry Visa for a maximum of 180 days per year for a consecutive period of 5 years (renewable) will be granted to non-citizens who have acquired a residential property below USD 500,000.
- The Maritime Zone Act will provide for the development of marinas.

Renewable Energy



Renewable Energy

Government aims at increasing the contribution of renewable energy in the energy mix from 20.6% currently to 35% by 2025. To achieve this objective, a series of actions has been undertaken, namely execution of tenders for solar projects for capacity exceeding 40MW, launching of expression of interests for offshore wind, launching of RFPs for battery storage systems, inception of a renewable energy roadmap in collaboration with Carnegie Clean Energy of Australia and evaluation of waste to energy project, among others.

In 2016, solar and wind projects of a total installed capacity of over 12 MW were grid connected. New projects totalling over 70 MW of installed capacity are under way.

Major Projects

12.24 MW
Voltas Green Ltd
Solar Farm project

13.6 MW
Voltas Yellow Ltd
Solar Farm project

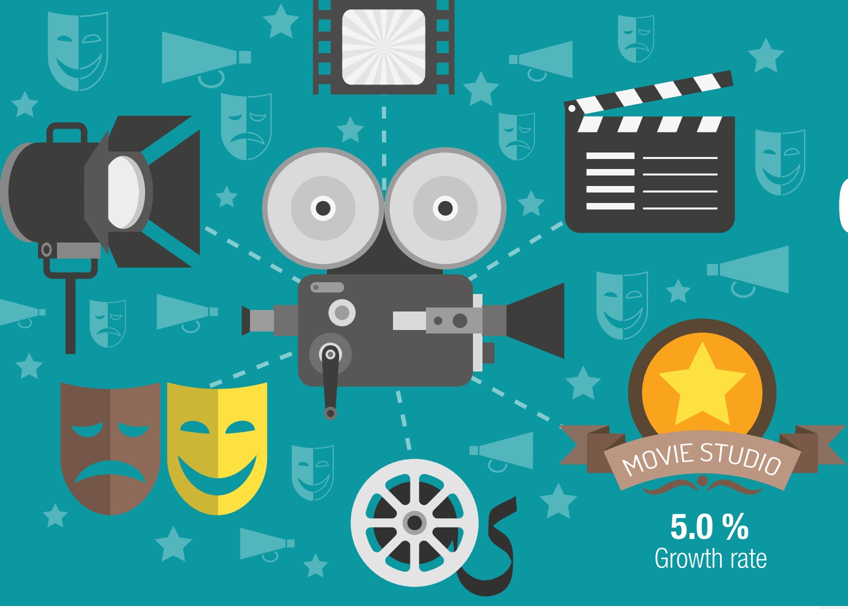
8.64 MW
Synnove
Solar Farms

9 MW
Helios solar farm
at Beau Champ

29.4 MW
Curepipe Point
wind farm

Budget Measures

- Setting up of a 2 MW solar PV farm by CEB (Green) Co Ltd at Henrietta by March 2018, followed by investments in an additional 13 MW capacity by the end of 2018
- Around Rs 700 million will be invested in the ‘Solar Home Project’ comprising the installation of 10,000 roof top solar panels over the next 5 years for low income households in the social tariff category.
- Installation of solar panels of 1 KW on rooftops of another 3,000 low-cost houses to be constructed by the NHDC
- Extension of the Small Scale Distributed Generation Scheme to a further 1,000 households by the CEB
- Businesses to deduct investment in solar energy units from their taxable income
- Interest income from debentures issued to finance renewable energy projects and approved by the MRA to be exempted from tax

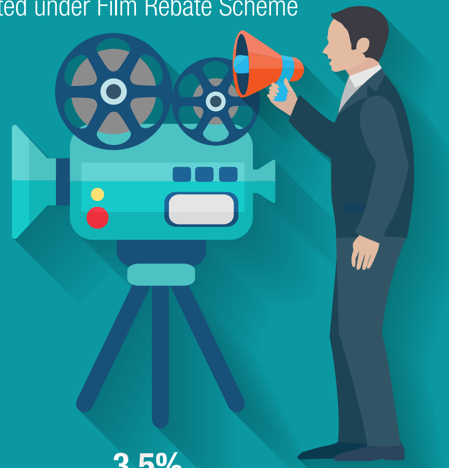


5.0 %
Growth rate

50
Projects completed under Film Rebate Scheme

Creative Industry

Rs 757 million
Qualified production expenditure (QPE) spent



3.5%
Contribution to GDP

Creative Industry

The Film Rebate Scheme was implemented in 2013 to foster the development of the film industry. It presently makes provision for the reimbursement of up to 40% of all qualified production expenditure (QPE) incurred in Mauritius.
As at date, 50 films from different countries have been shot under the scheme and MUR 757 million spent. Since the start of 2017, BOI has approved 11 new projects, representing a total QPE of MUR 1.1 billion. The scheme's past performance has had direct economic contribution to several industry sectors, namely hotel and accommodation, air travel, logistics and transport, entertainment and other sub-sectors.

Projects

Light N Light- service-providers for film lighting equipment.

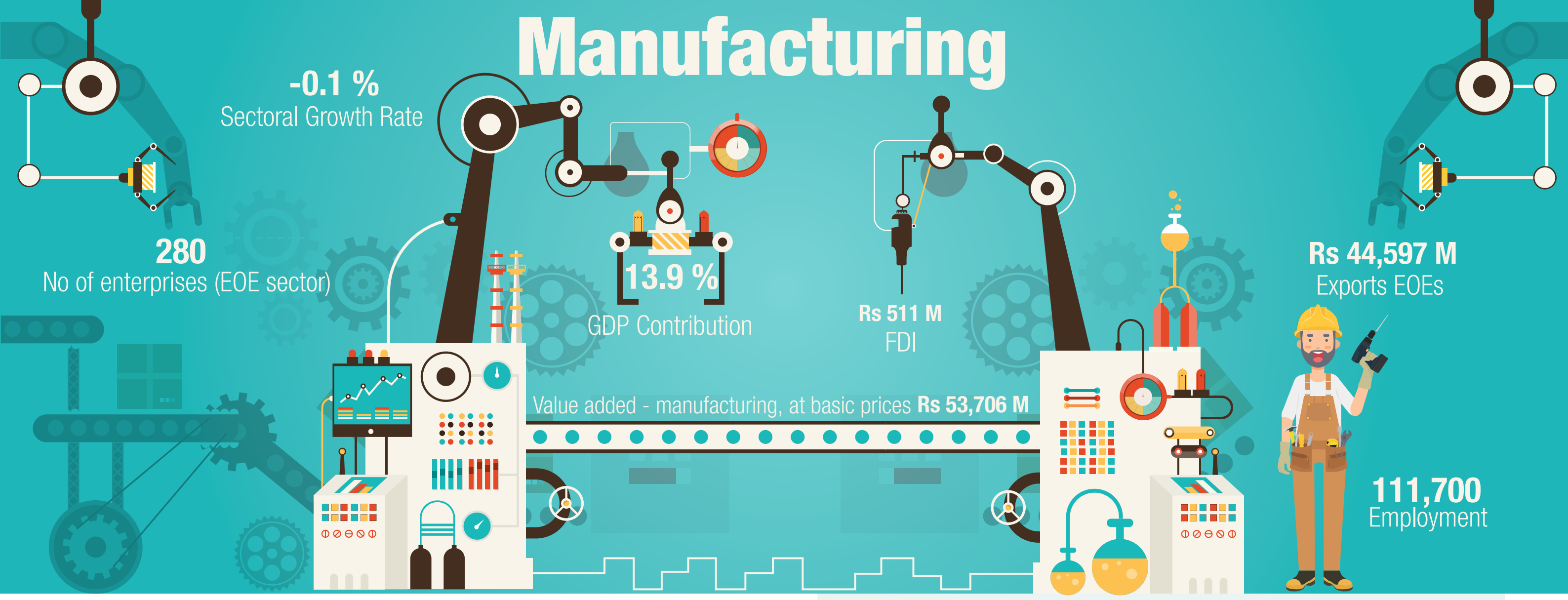
Collective Dream Ltd- service provider to the film industry. Their next venture is the operation of a film studio which is due to start operations in July 2017.

BOI in collaboration with UTM, has launched a full time degree course in Film & Video Production to upgrade the skills and talents of existing and aspiring film makers in Mauritius.

Budget Measures

- Extension of the Film Rebate Scheme to dubbing activities at post production level.
- Extension of the National Skills Development Program to be extended to the film industry

Manufacturing



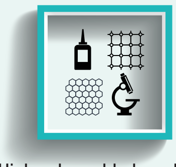
Manufacturing Sector

The manufacturing sector is one of the main economic pillars of the country, contributing 13.9% to Gross Domestic Product in 2016 and employing approximately 111,700 workers. The main sectors contributing to this industry are Food processing (35.1%), textile manufacturing (29.5%), sugar processing (1.4%) and other manufacturing activities (34%). The expansion of the manufacturing sector and the creation of additional industrial hubs to diversify the national industrial base are viewed by government as one of the key strategies to foster economic growth and improve the country's competitiveness. Growth poles such as medical devices, pharmaceutical, high-end jewellery or technical textiles have been identified to consolidate and diversify the current manufacturing base.

Projects

In terms of FDI, nearly MUR 511 million was recorded in 2016 and about 125 jobs have been created through the implementation of major manufacturing projects in Mauritius.
Existing foreign manufacturing companies, mostly in the packaging sector, have engaged in ambitious expansion plans since 2016. FDI in 2017 is expected to reach MUR 1.2 billion for projects spanning various fields including food processing, light engineering, nanotechnology and healthcare.

Spinning of coloured yarn



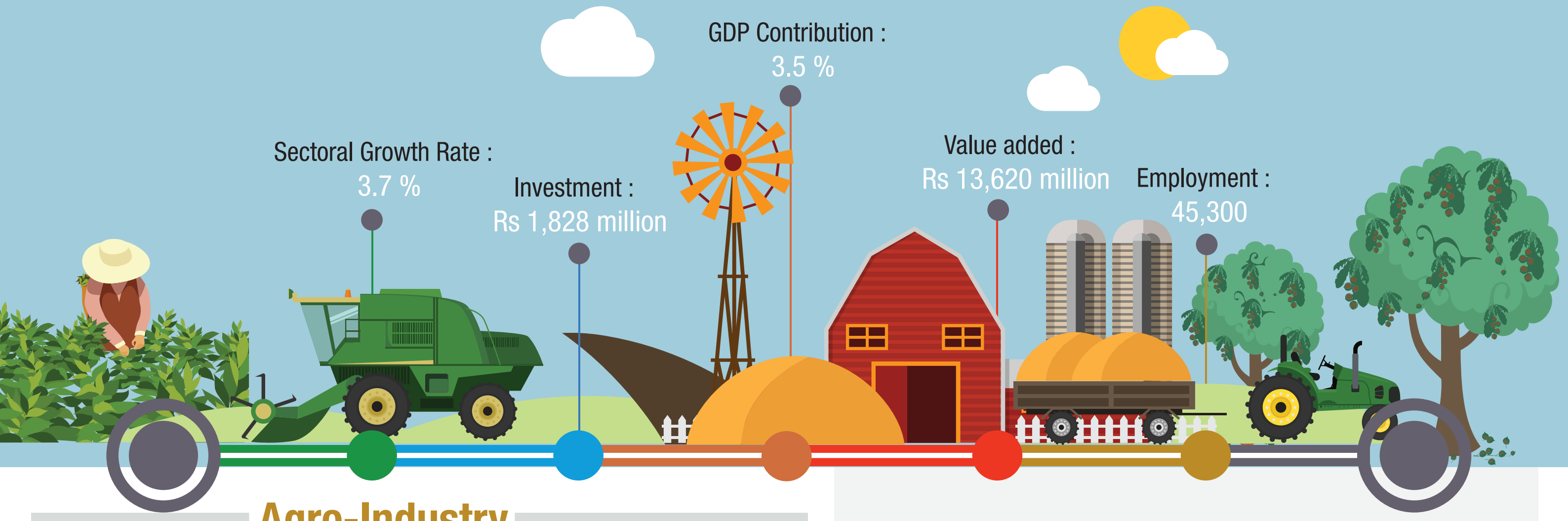
High value added products

- **Adhesives**
- **Speciality Nets**
- **Nano-coating**
- **Medical Devices**

Budget Measures

- Tax rate on exports of goods is decreased from 15% to 3%.
- Introduction of an 8-year income tax-holiday for manufacturers of pharmaceuticals, medical devices and high-tech products incorporated after 8 June 2017.
- Extension of the Speed-to-Market Scheme to exporters of jewellery, medical devices, fruits, flowers, vegetables and chilled fish.
- Introduction of the Innovation Box Regime for Intellectual Property assets developed in Mauritius. New companies involved in innovation-driven activities will benefit from a tax holiday of 8 years on the income derived from the totality of their Intellectual Property Assets.
- Amendment of the existing Clinical Trials Act to allow for the testing of medical devices to encourage the production of such apparatus.
- Extension of the 8-year work permit policy, currently applicable exclusively to expatriate workers in export-oriented enterprises, to all manufacturing activities.
- Reduction of the delay for the issue and renewal of work permits from the current 40 days to 15 days.
- Reengineering of the Fashion and Design Institute to address shortcomings in the provision of training and to include training in jewellery. The jewellery centre will be transferred from the MITD to the Fashion and Design Institute.
- Setup of two 3D Printing Service Centres at the National Computer Board to support manufacturing firms, university students and start-ups.
- Empowerment of Mauritas to provide full accreditation services and thus significantly reduce accreditation costs of local exporters.
- Elimination of Registration Duty and Land Transfer Tax on immovable property to be utilised for setup of qualifying high-tech manufacturing activities.
- Consideration of High tech machines and equipment purchased by an investor from abroad as part of the minimum investment of USD 100,000 required to obtain an Occupation Permit, provided compliance with set criteria.

Agro-Industry



Agro-Industry

The agribusiness sector contributes 3.5% to GDP, with the sugar sector accounting for 0.8% of GDP and the non-sugar sector contributing 2.7% in 2016. At present, land under cultivation comprises up to around 60,000 hectares whereby more than 80% are dedicated to sugarcane cultivation and the rest is devoted to tea and food crop cultivation.

For the past two years, Government has been putting emphasis on the production of high quality crops and vegetables through the adoption of sustainable agricultural practices as well as the development of the agribusiness sector to enhance import substitution.

Major Projects

Significant interests have been received with respect to technology driven and high value added activities in bio farming, production of essential oils and food processing. Expected FDI in 2017 amounts to MUR 326 million for projects across various fields including hydroponic, aquaponics and vertical farming.

Budget Measures

Adapting and Modernizing

Setting up of a Bio-Technology Institute under the aegis of the Ministry of Agro Industry and Food Security.

Sugarcane

- Adopting the drone technology to improve the assessment and monitoring of crop performance on large areas.
- Introduction of a scheme to encourage the use of biomass by Independent Power Producers (IPPs) operating in the sugar industry.
- Waiving of the registration duty payable on leases of agricultural lands of up to 10 hectares.
- Provision of VAT refund for the replacement of old lorries used for carrying harvested canes and provision of financing facilities under LEMS for their replacement.

Boosting growth and employment creation in non-sugar agriculture

- Funds to be allocated for the importation of Macadamia seeds, setting up of nursery facilities and foreign consultancy to advise and assist FAREI in the propagation of Macadamia trees.
- Introduction of a Food Processing Development Certificate to promote the importation of maize, vanilla, cocoa, coconut and medicinal plants to be used as raw materials for processing and re-exports, including the refining of raw sugar.

Encouraging the revival of tea export

- Increasing the final price for green tea leaves supplied to tea manufacturers by 6% as from the current crop 2016/17.
- Excise duty is exempted on the purchase of a single/double space cabin vehicle by tea growers.
- Specified equipment and tools used in tea cultivation will benefit from VAT refund.
- Setting up of greenhouses for crop production on agricultural land will be exempted from Building and Land Use Permit.

Expanding livestock production

- Rehabilitation and upgrading of Government sheep farm buildings at Salazie to produce lamb meat.
- Provision of Rs 18 million for improving animal disease surveillance and establishing animal health laboratory facilities.
- The 24x7 Veterinary Services will be strengthened with recruitments of more vets.
- Provision of an initial amount of Rs 5 million to improve the pig waste treatment facility at St Martin.

Lowering cost of production

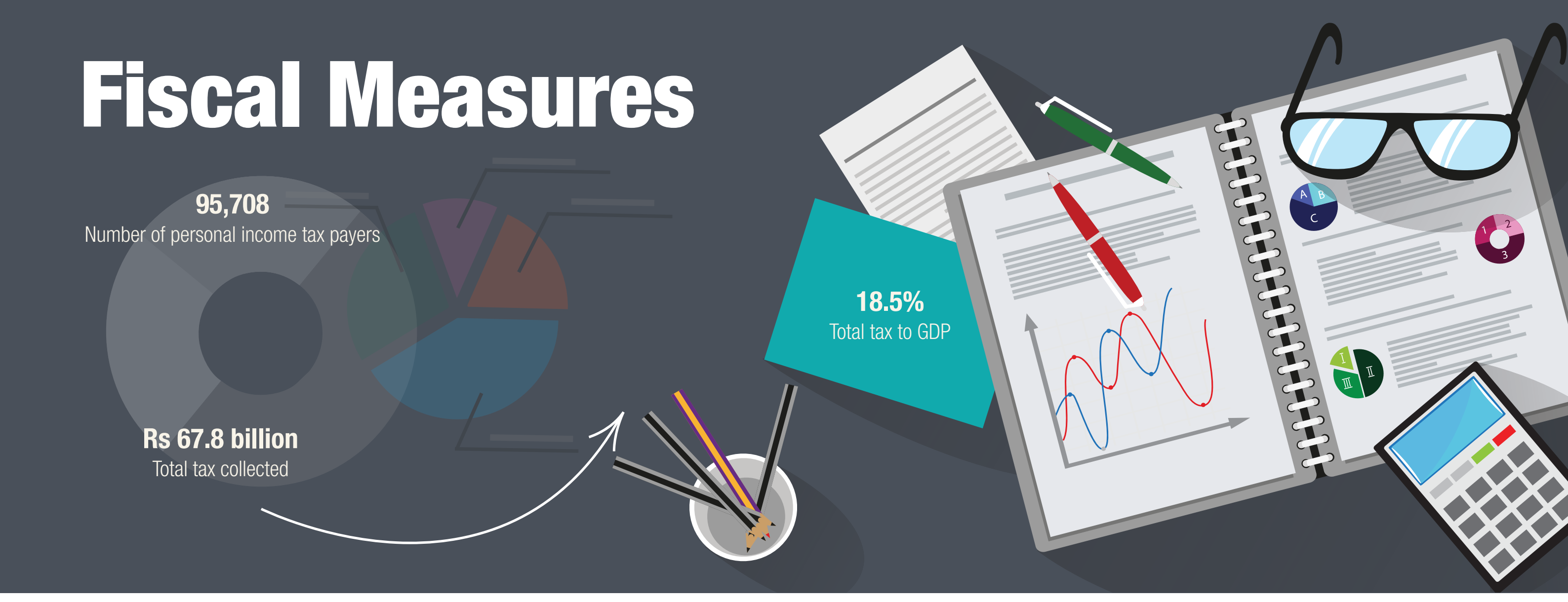
- The subsidy on the price of concentrate feeds will be increased to Rs 10 million through the Livestock Feed Promotion Scheme.
- Removal of customs duty on all animal feed, except for poultry and pets.

Helping out with the financing of production

- Outstanding balances of loans granted under the Pig Sector Restructuring Programme by the DBM will be written off in hardship cases and extended for another year in other cases.
- Other breeders and fishermen who have contracted start-up loans prior to 1st July 2012 under certain schemes.
- 25 equipment will be included in the list of equipment under the VAT Refund Scheme for planters, breeders, bee keepers, fishermen and bakers.

Boosting Bio-farming

- Financing of all costs associated with the registration, certification and audit to holders of a Bio-farming Development Certificate wishing to acquire the international organic label for their farm produce.
- Provision for subsidy on the cost of bio-pesticides for registered growers.



Fiscal Measures

It is generally accepted that tax should be fair, adequate, simple, transparent, and easy to administrate, with a view to optimise revenue collection to invest in current and capital public expenditures while ensuring that social balance is maintained. In Mauritius, the uniformization of the tax rate at 15% in 2006 allowed a more efficient collection of taxes. Today, 41% of revenue collected are from VAT, 22% from Excise duties, 14% from corporate tax and 11% from income tax. In terms of corporate tax, 38% come from global business activities, followed by banking at 17% and trading at 11%.

Budget Measures

Corporate Tax Reform

- Profits from exports of goods taxed at the lower rate of 3% per cent, instead of 15% for domestic enterprises.
- 8-year income tax holiday for new companies engaged in the manufacturing of pharmaceutical products, medical devices and high tech products.
- 8-year income tax holiday for new companies in innovation-driven activities on income derived from Intellectual Property Assets.
- 8-year income tax holiday for companies in the exploitation and use of Deep Ocean Water for providing air conditioning installations, facilities and services.
- Reform of tax regime for global business companies to meet new international requirements.
- Deduction of investment in solar energy units from taxable income.
- Exemption of interest income from debentures issued to finance renewable energy projects as approved by MRA.
- Accelerated depreciation of 50% in respect of capital expenditure incurred on R&D
- Tax Incentives for Research and Development (R&D)
  - Accelerated depreciation of 50% in respect of capital expenditure incurred on R&D
  - Double deduction on expenditure on R&D directly related to the entity's trade or business carried out in Mauritius, for a period of 5 years.

Personal Income Tax Reform

- Introduction of a negative income tax system for employees in full time employment and earning emoluments less than Rs 10,000 per month, and where the total income including exempt income of a couple does not exceed Rs 30,000 per month, equivalent to a financial support from Rs 100 up to Rs 1,000 per month to low-income employees.
- Introduction of a solidarity levy on high income earners, having chargeable income plus dividends of more than Rs 3.5 million will be required to pay 5% of the excess.
- Revised Income Exemption Threshold:

	From	To	Increase
Individual with no dependent	Rs 295,000	Rs 300,000	Rs 5,000
Individual with one dependent	Rs 405,000	Rs 410,000	Rs 5,000
Individual with two dependents	Rs 465,000	Rs 475,000	Rs 10,000
Individual with three dependents	Rs 505,000	Rs 520,000	Rs 15,000
Individual with four or more dependents **(NEW)**		Rs 550,000	Rs 45,000
Retired/disabled person with no dependent	Rs 345,000	Rs 350,000	Rs 5,000
Retired/disabled person with dependents	Rs 455,000	Rs 460,000	Rs 5,000

- Relief for medical insurance premiums increased from Rs 12,000 to Rs 15,000 in respect of the tax payer and first dependent, and from Rs 6,000 to Rs 10,000 for each of two additional dependents.
- New deduction for taxpayers who employ household workers subject to a maximum deduction of Rs 30,000.
- Exemption of interest income derived by both individuals and corporates from debentures issued to finance renewable energy projects ("Green Bonds").
- Expenditures incurred in respect of deep ocean water air conditioning bill for a period of 5 consecutive years, and the acquisition and setting up of a water desalination plant set off against taxable profits twice.
- Accumulated unrelieved Income Tax losses for a manufacturing company will not lapse upon a change of more than 50% in its shareholding if the change is in the public interest and to safeguard employment.

Property Taxes

- Registration Duty and Land Transfer Tax on any transfer of immovable property for the setting up of a business for high-tech manufacturing.
- No registration duty payable by a small planter on lease or sublease of land for agricultural use, not exceeding 10 hectares. Only a stamp duty of Rs 150 is payable.
- Registration duty exemption granted on acquisition or construction of a health institution extended to cover the lease or sublease of immovable property for operating a health institution.
- Remission or refund of Registration Duty, Land Transfer Tax and Tax on Transfer of Leasehold Rights in State Land where there is no effective change in ownership of an asset, a person makes an application for an existing exemption within one year from the date the relevant deed was registered, and several documents are required to be registered to complete a transaction or in relation to the same subject leading to multiplicity of taxation.

Value Added Tax

- Extension of VAT exemption on construction of a purpose-built building by a provider of tertiary education to cover the case where the building is constructed by a third party, purposely and exclusively, for lease to the provider of tertiary education.
- Extension of VAT exemption on construction of a private hospital, nursing home or residential care home to cover charitable institution.
- VAT and customs duty exemption granted on sterile water used for pre-operative, per-operative or post-operative cleaning of wound.
- VAT Refund Scheme provided to planters, breeders, apiculturists, fishermen and bakers extended to tea cultivators, and list of qualifying equipment expanded.
- Deferred Duty and Tax Scheme extended to Mauritians travelling overseas.

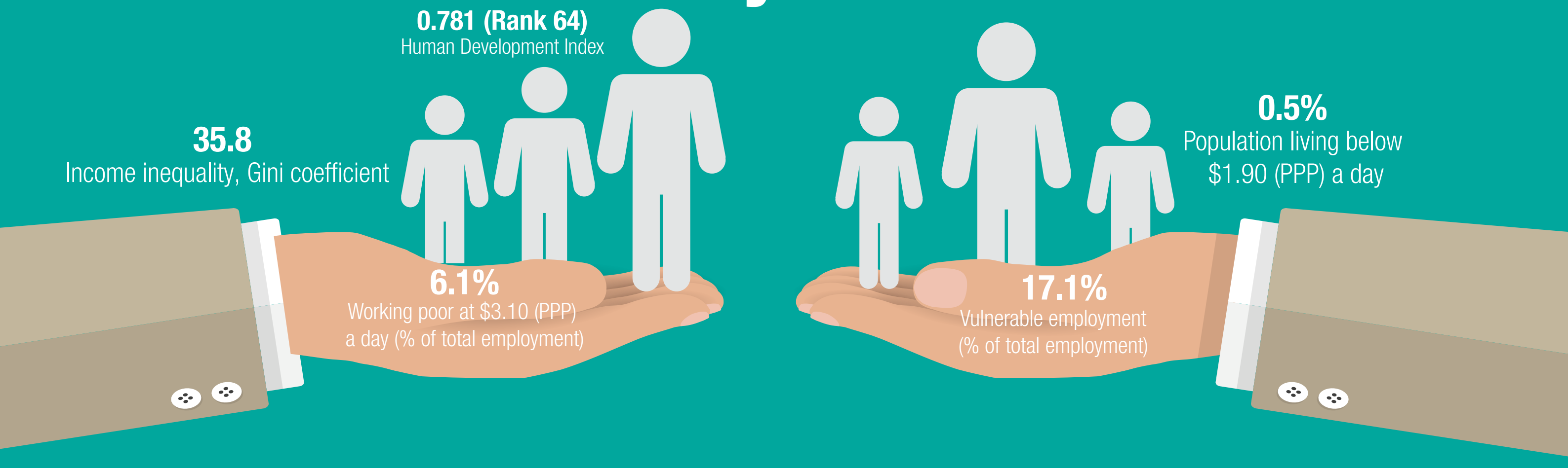
Customs Duty

- No customs duty on :
  - all animal feed (except poultry and pet feeds).
  - scaffolding, shuttering, propping or pit-propping equipment made of wood or plastics used by job contractors.
  - Knocked–Down furniture imported in the context of a Smart City project provided 20 % local value addition.
- Increase in exemption to Rs 3,000 on imports by post and courier services.

Others

- The 10-year tax holiday claimed by a person registered under the Mauritian Diaspora Scheme only in respect of the income derived from the specific employment, business, trade, profession or investment for which the person is registered under the Scheme.

Poverty Alleviation



Poverty Alleviation

The purpose of economic growth is to eradicate poverty and improve the quality of life. Over the years, Mauritius has witnessed an increase in relative poverty as well as a widening of income inequality. Last year, the Marshall Plan against poverty included an announcement of a social register which will be used as a basis for providing a guaranteed income to those in need.
In parallel, several projects in place to provide affordable housing, to improve access to health and education and to extend the utilities network marked a renewed commitment to address these issues.

Budget Measures

Negative Income Tax

- The negative income tax system will be introduced to provide financial support to some 150,000 employees in full time employment and earning emoluments less than Rs 10,000 per month. This measure will provide financial support of up to Rs 1,000 per month to low-income employees and this will take effect as from 1st January 2018.
- The support will be paid on a semi-annual basis. Thus, the first payment will be paid by the MRA for the 6 months from January to June 2018 by 30th August 2018.

Solidarity Levy

- The solidarity levy is being introduced on high income earners. Individuals having chargeable income plus dividends in excess of Rs 3.5 million will be required to pay 5 per cent of the excess.
- The negative income tax and the solidarity Levy are meant to reduce the Gini Coefficient which stands today 0.42.

Increase in Income Exemption Threshold

- In order to prevent individuals having more than one dependent to be penalized with the current income exemption thresholds, Government has proposed to increase it as follows:
  - Rs 5,000 for tax payers having no dependent or one dependent;
  - Rs 10,000 for those having 2 dependents; and
  - Rs 15,000 for those having 3 dependents
- A new category of income exemption threshold is being introduced for persons having 4 or more dependents. They will be entitled to an increase of Rs 45,000 in their income exemption threshold bringing it to Rs 550,000.

Relief for medical insurance premiums

- The maximum allowable deduction for medical insurance premiums for income tax purposes will be raised, as follows:
  - From Rs 12,000 to Rs 15,000 in respect of the tax payer;
  - From Rs 12,000 to Rs 15,000 in respect of the first dependent; and
  - From Rs 6,000 to Rs 10,000 for each of two additional dependents.

Deduction for household employees

- A new deduction for taxpayers who employ household workers is being introduced whereby a person will be allowed to deduct the wages paid to household employees from his annual taxable income.
- It has been proposed that beneficiaries of industrial injury and survivor's be entitled to basic pensions.
- The financial assistance provided under the National Pensions Act to disabled persons such as the basic invalidity pension, carer's allowance and contributory invalidity pension is being exempted from income tax.

Simplifying CSR and giving NGOs greater access to funding

- Companies will be allowed to keep 50 per cent of their CSR contributions to implement their own CSR projects for another year and the other 50 per cent will have to be remitted to the MRA for the National CSR Foundation.

Pursuing Poverty Eradication

- Rs 1.8 billion from the Government of India's financial support will be allocated to the construction of social and low income housing units.
- Rs 5 billion has been earmarked for the next three years to the housing sector from the Budget.
- Currently, commercial banks grant credit facilities up to 90 per cent of residential property for loans of less than Rs 5 million. The Bank of Mauritius has agreed to consider favourably removing the limit.
- Rs 50 million has been earmarked to set up two homes that will accommodate low income elderly residents who are living alone.

Eradicating the scourge of drug trafficking

- Rs 100 million has been earmarked to equip the MRA customs with modern and sophisticated tools to detect drugs entering our country through the seaport and airport.