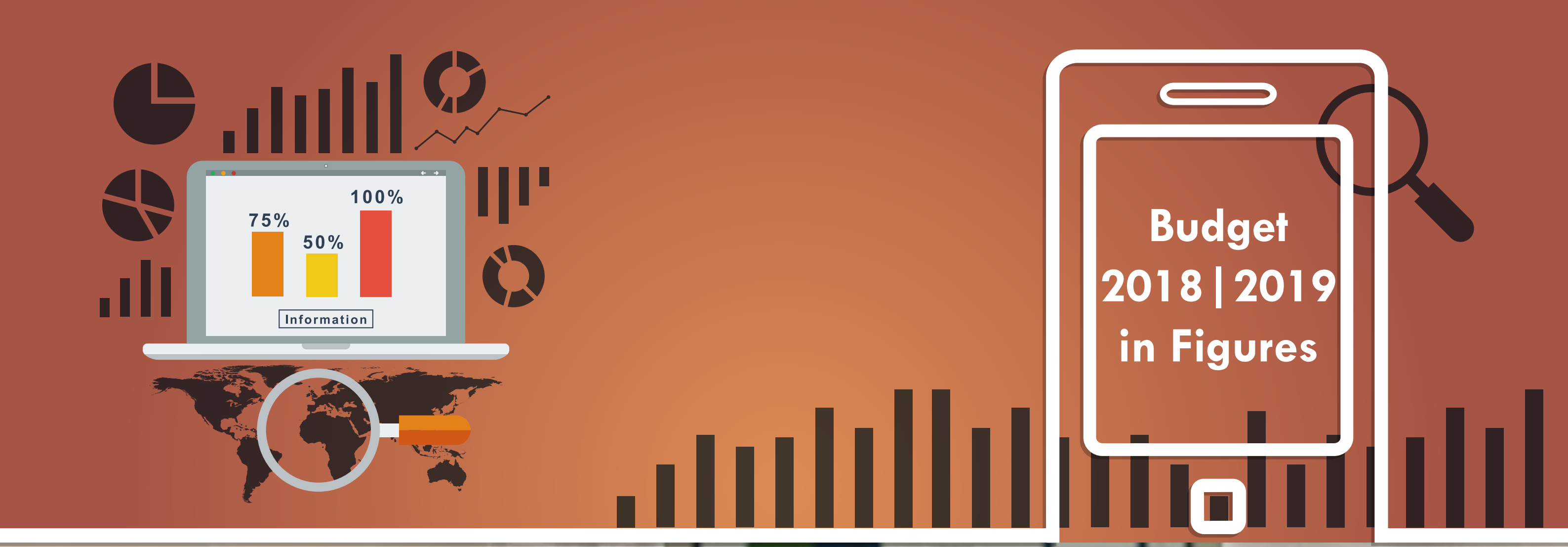
ECONOMIC DEVELOPMENT BOARD MAURITIUS

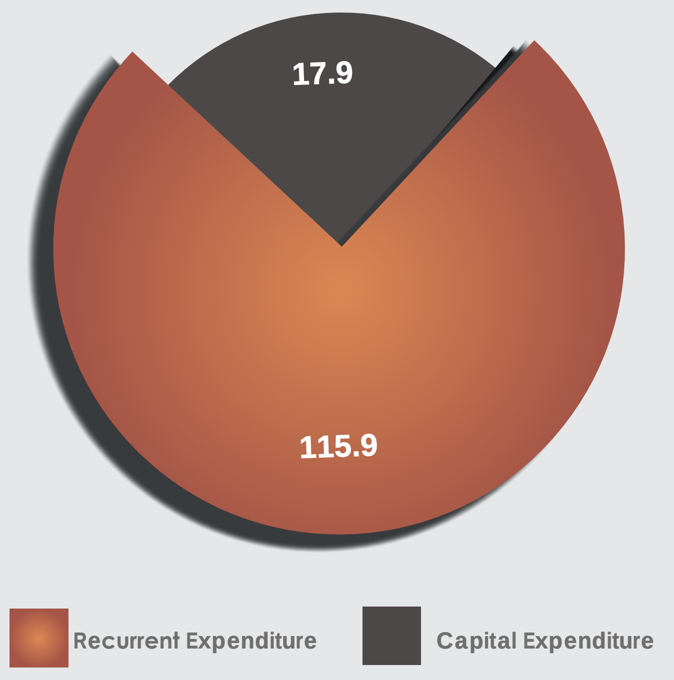
Pursuing our Transformative Journey

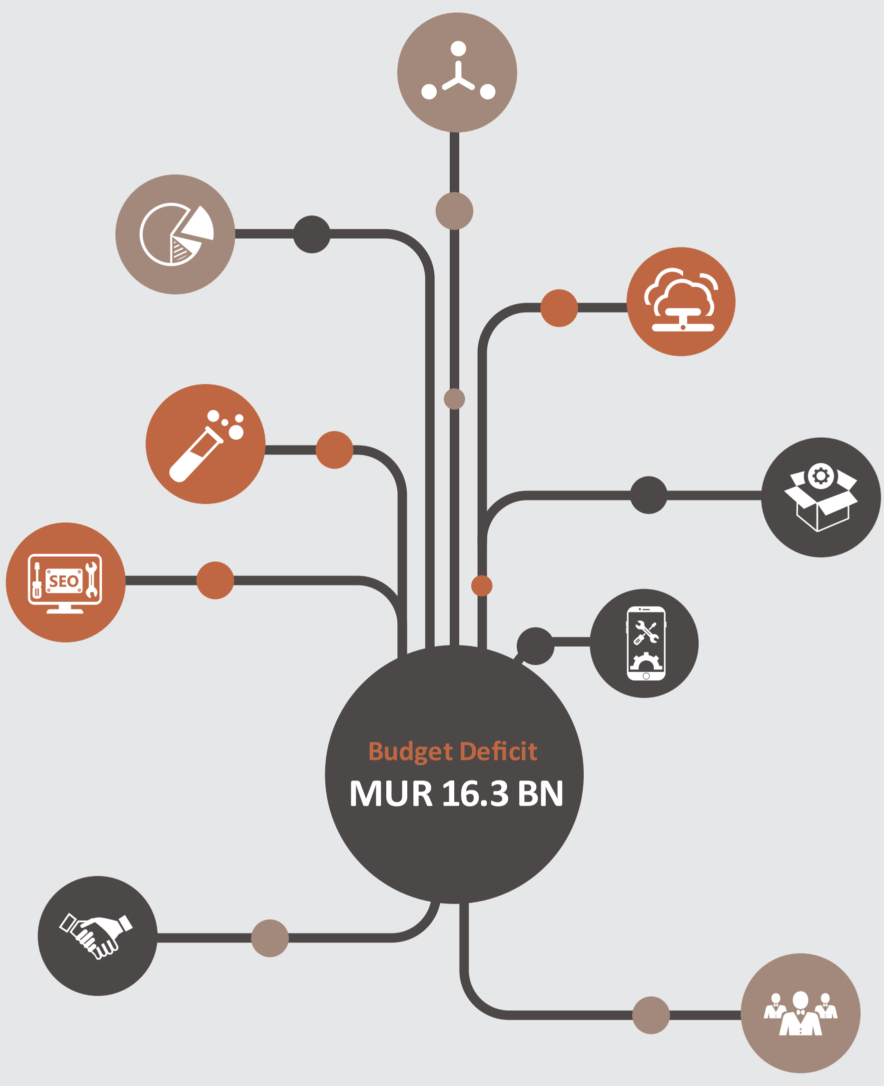
2018 | 2019



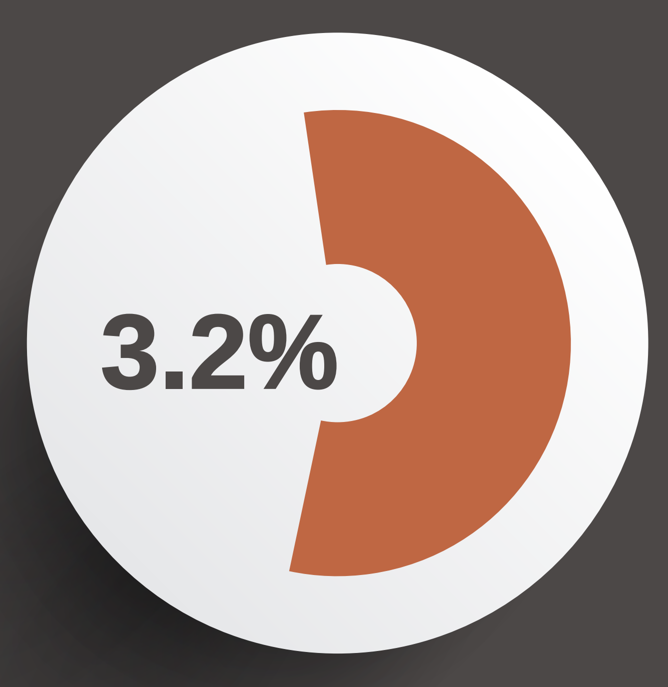
Total Expenditure (MUR BN)

	Rs Billion
Budget	133.8
Recurrent expenditure	115.9
Capital expenditure	17.9



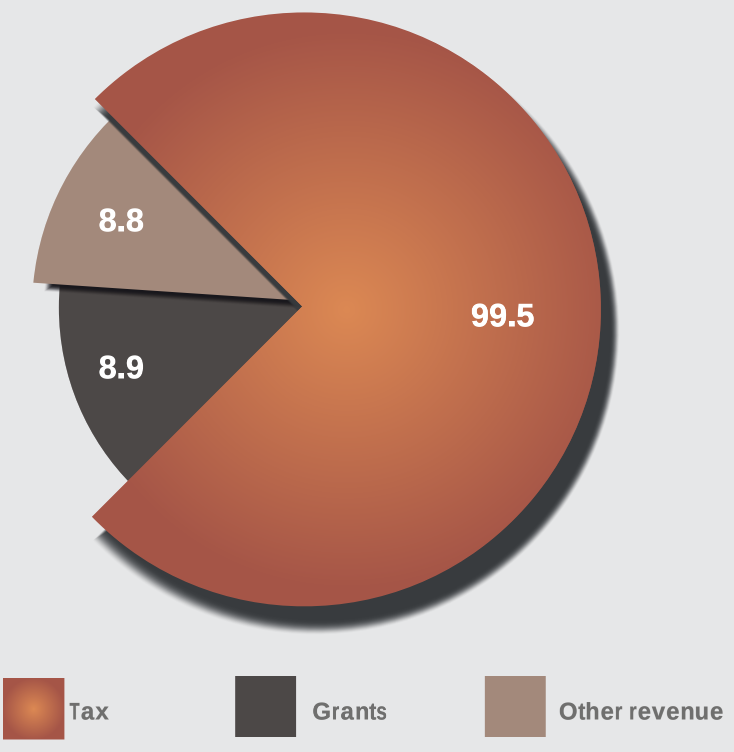


Budget Deficit: **(% of GDP)**

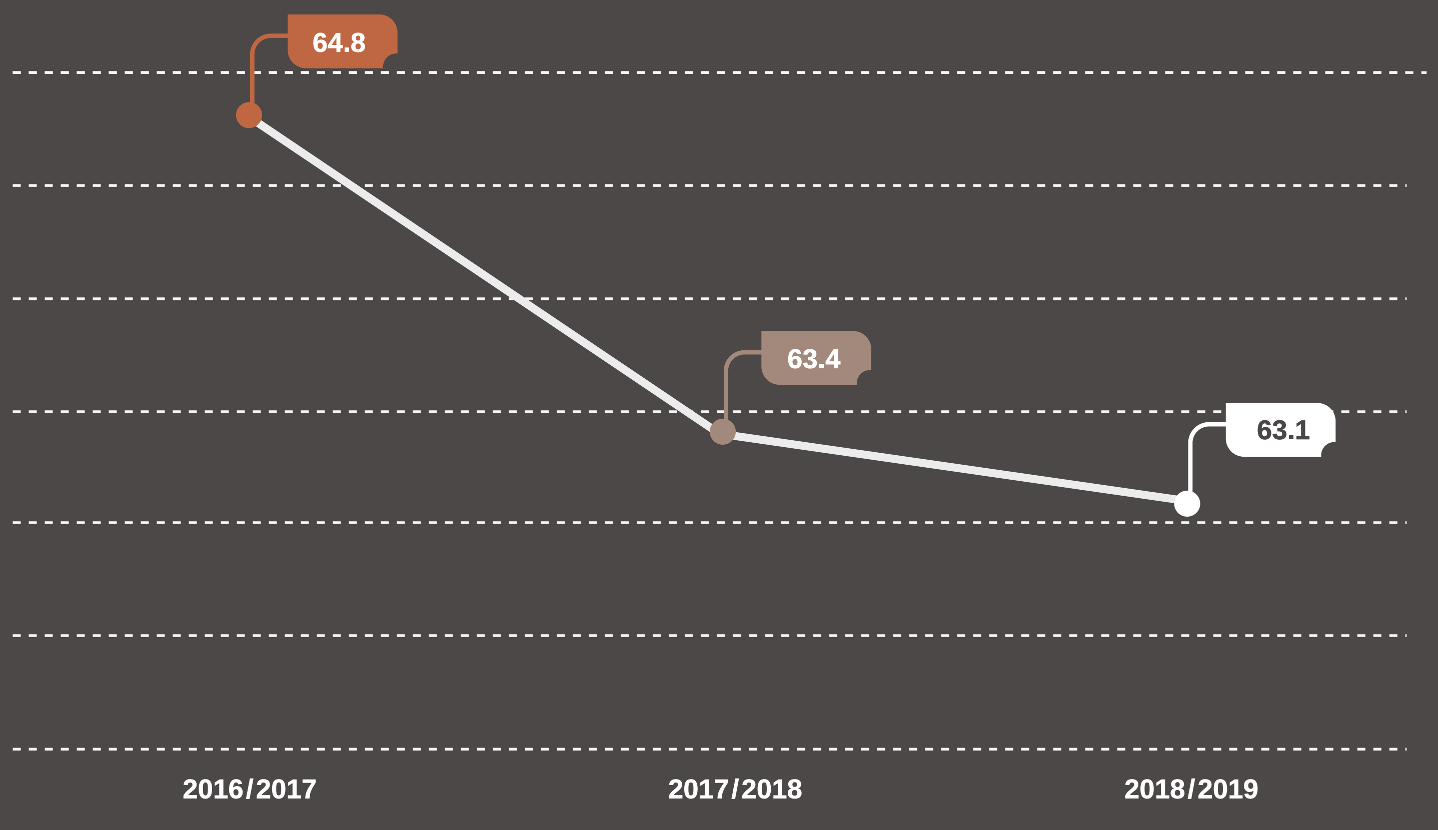


Total Revenue (MUR BN)

	Rs Billion
Total revenue	117.4
Tax	99.5
Grants	8.9
Other revenue	8.8



Public sector debt (% of GDP)



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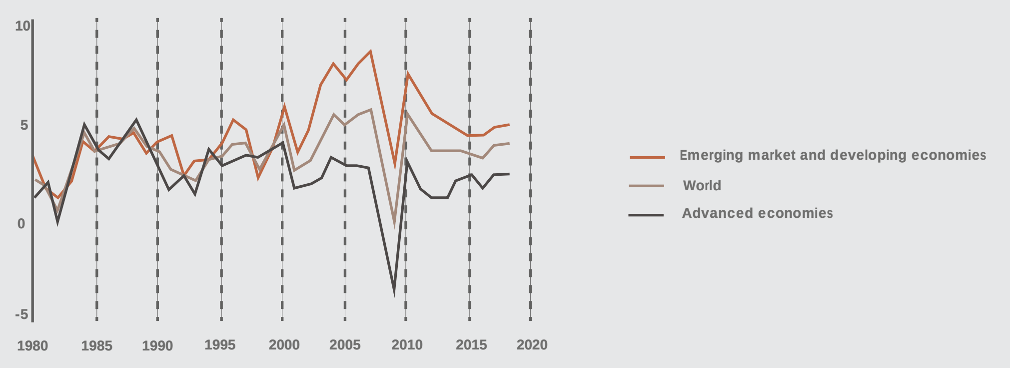
Global Economic Context

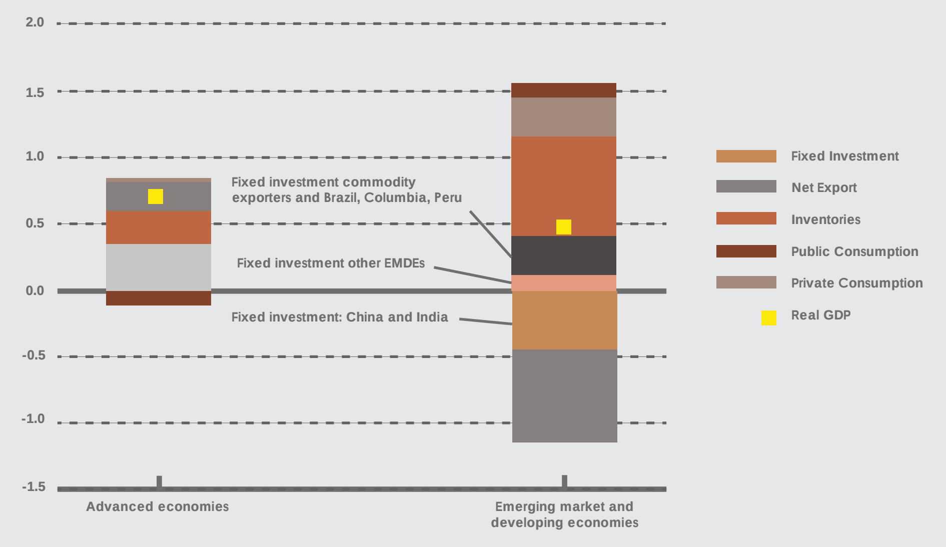
The Economic Outlook for 2018 remains buoyant and is expected to surpass recent performances as indicated by a projected rebound in global trade volume, investment and growth trends.

These improvements come against a backdrop of bold policy developments undertaken in leading economies such as USA (the Tax Reform Bill), OPEC countries (higher oil prices), India (introduction of Goods and Services Tax) and UAE (implementation of VAT) and reflect the overall enhanced business sentiment across advanced and emerging economies to partake in a more competitive yet lucrative global economic landscape.

Recent macroeconomic development and structural changes in Africa such as the overhauling of income tax law in Rwanda and SEZ-related tax amendments in Kenya augurs well for brighter prospects of the continent.



According to IMF's World Economic Outlook Report published in April 2018, a global growth rate of 3.8% was recorded at the end of 2017. This rise of 0.6% as compared to growth rate in 2016 was particularly a result of increased exports by commodity rich countries, hike in private consumption in Asian economies such as China and India, and better fiscal infrastructures for investment in developed countries. Growth in trade was at 4.9% in 2017 thereby dissipating the gloomy picture of industrial production which had sustained for the past two years. In 2016, growth in global trade loomed around 1.3%. This current upsurge in global trade reflects a corresponding increase in global investment since their initial retreat due to low commodity prices couple of years ago.

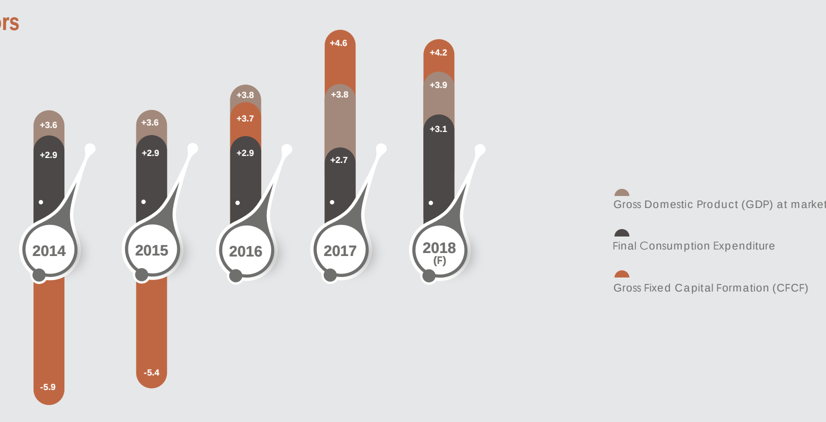


According to the International Monetary Fund, the global economy is poised to grow to 3.9% in 2019. This strong growth will be underpinned by strong momentum, favourable market sentiment, expansion in many emerging economies, accommodative fiscal conditions and a large tax and expenditure stimulus in the United States.

Local Economic Context

The GDP growth rate of Mauritius stood at 3.8 % for 2017, the same as in 2016, amounting to a national output of MUR 560 billion. This improved and sustained performance is slightly above an average growth rate of 3.6 % noted over 2012-2016, and is mainly due to an uptick in investment, sustained surges in final consumption expenditure (both by households and by Government), and enhanced business confidence, leading to the unemployment rate dropping to 7.1 %.

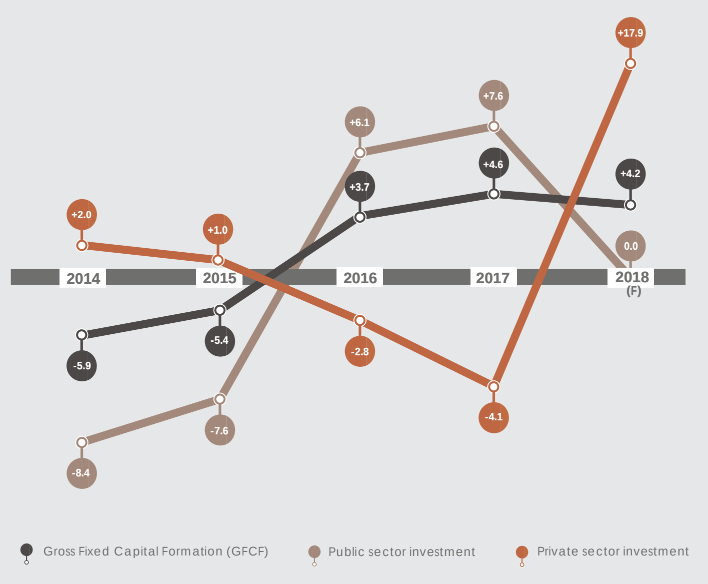
Major Economic Indicators



Investment

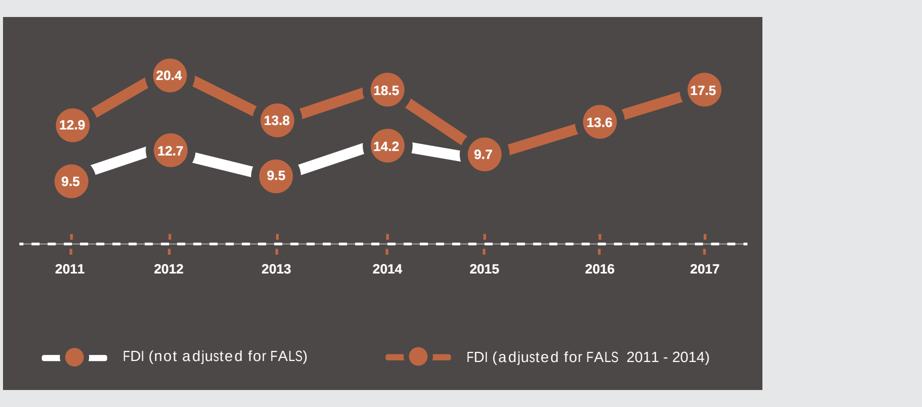
Amongst the major macro-economic indicators, Gross Fixed Capital Formation (Investment) made the larger impact on growth, with total investment increasing by 4.6 % during the year, and a contraction in public sector investment largely offset by a strong growth of 7.6 % in private sector investment.

Investment (% growth)



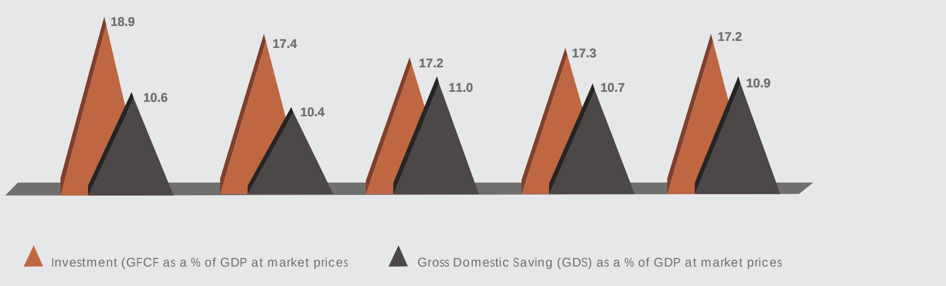
The uptick in private sector investment may be explained by the start of several major projects in the construction sector as well as significant inflows of foreign direct investment which, before accounting for re-invested earnings, reached record levels of MUR 17.5 billion in 2017 after a growth of nearly 14% from 2016. The major sectors recipient of FDI were real estate and financial services.

FDI Inflows (MUR BN)



These propelled an increase in the investment rate in 2017, which reached 17.3 %. The savings rate on the other hand fell below to 10.7 %, as a result of historic lows in domestic interest rates.

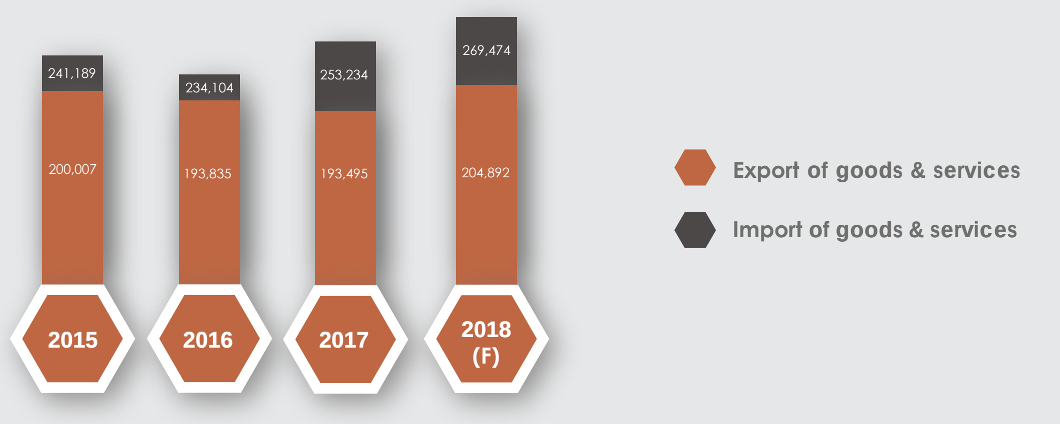
Investment Rate and Savings Rate



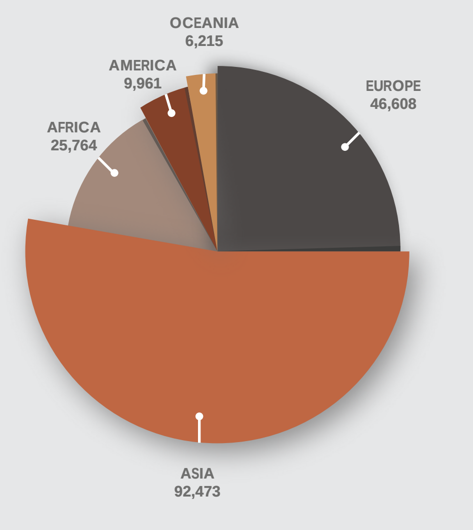
Trade

Trade remains an important driver of the Mauritian economy, with a trade-to-GDP ratio of 97% in 2017. At the end of 2017, import of goods and services reached MUR 253 billion whereas total exports of goods and services were at Rs 193 Billion. This therefore generated a trade deficit of MUR 60 billion.

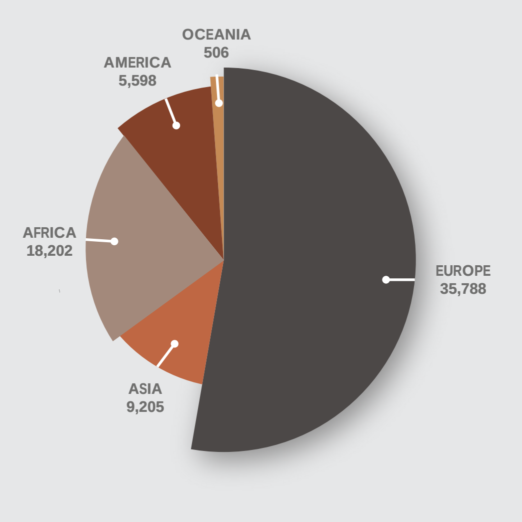
TRADE (RS MN)



Our main import partners remained China, India and France. The 13 % increase in our imports as compared to 2016 was largely explained by a hike in the import of miscellaneous manufactured articles, mineral fuels and lubricants, machinery and transport equipment, and food and live animals.



Import Sources (RS MN)



Export Destination (RS MN)

The decrease in total exports amounted to 4.4% against the performance recorded in 2016. Products which account for this decline are food and live animals, machinery and transport equipment, and miscellaneous manufactured goods. With regard to export destinations, a decrease in our sales to traditional markets namely UK, France and South Africa was witnessed. Reunion, Spain, USA and Madagascar were some of our leading markets for the year 2017. Textiles and apparel, sugar, seafood were our major exports.

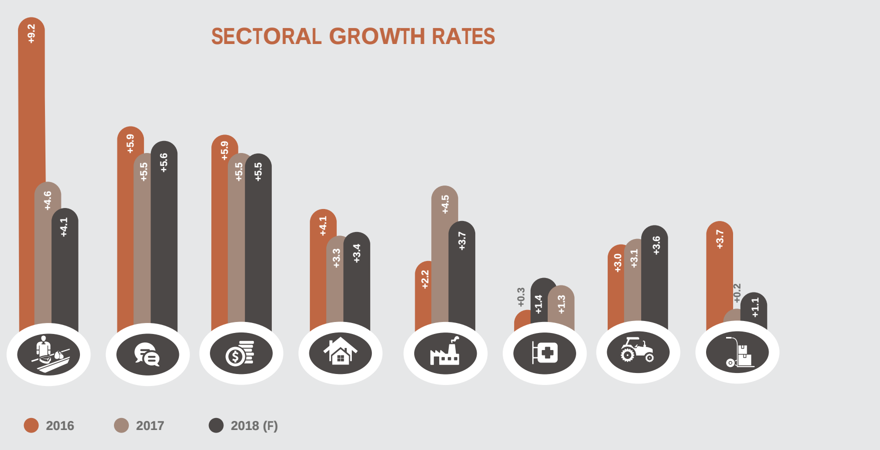
As data indicates a cross-exchange of similar imports and exports in and out of Mauritius, the importance of re-export activities is highlighted. Nonetheless, the fact that traditional products such as textiles, sugar and seafood still lead our exports, legitimises the strong framework of support to the manufacturing sector which has been granted under this budget 2018-2019.

On the other hand, export of services is on the increasing trend, reaching Rs 112 bn in 2017. Travel and tourism was the most exported services.

Sectoral overview

On a sectoral level, accommodation and food service activities, ICT, financial services, real estate activities, human health and social work activities registered strong growth rates, displaying a renewed dynamism in these sectors. The momentum is expected to be carried in 2018 as well. For the manufacturing sector, although growth remained tepid in 2017, there was still some improvement noted in 2017, which is expected to be maintained in 2018. The agricultural sector, especially the sugar sector faces important challenges. A negative growth was registered last year. However, a rebound is forecast for 2018.

SECTORAL GROWTH RATES



For 2018, it is forecast that investment will grow by 4.2 %, encouraged by a significant increase of 17.9 % in public sector investment in major infrastructural projects such as the metro express and the road decongestion programme. Consumption on the other hand is forecast to increase by 3.1 %, especially with the implementation of the negative tax and minimum wage. These will combine into an estimated GDP growth of 3.9 %.

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Research & Innovation

Government has introduced several incentives and initiatives through the last two budgets to trigger innovation in different sectors and empower entrepreneurs and SMEs in this direction. The Regulatory Sandbox Licence (RSL), the Innovation Box and the National SME Incubator Scheme (NSIS) are a few of the initiatives recently taken by the Government, and so far, 5 innovative projects have received their RSL, the Innovation Box is already operational, and 5 incubators have been accredited under the NSIS. As Mauritius steps in a new era of development with 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.

Budget Measures

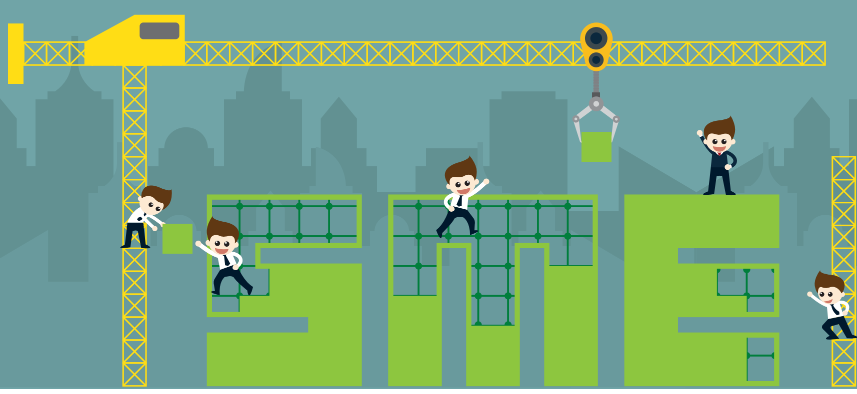
Implementation of a number of Research and Innovation schemes including the Pole of Innovation, etc. by the MRC.

Setting up of the Mauritius Innovation and Entrepreneurship Framework to encourage brainstorming and development of innovative projects within a free 24/7 open space facility.

Setting up of a Mauritius Artificial Intelligence Council (MAIC) which will be responsible to advise on and drive AI related activities;

50 annual scholarships to students who wish to specialize in digital technologies, including AI and Blockchain.

DBM will offer loan facilities for start-ups, young entrepreneurs and women entrepreneurs at an interest rate of 3 percent



SME Development

SMEs play an important role in the development and growth of our economy. Estimated at around 125,500 units, they contribute to some 40% to the Gross Domestic Product and employ approximately 300,000 workers, representing 55% of total employment in Mauritius. 12 % of SMEs are in the manufacturing sector, of which 25% are export oriented. The rest are involved mainly in wholesale and retail, transportation and storage, manufacturing, construction, accommodation and food services.

In line with its vision to foster entrepreneurship, the Government has set up various initiatives such as in-house mentoring and productivity improvement programs geared towards increasing the supply capacity through technical assistance provided by local and international experts. Moreover, to empower SMEs, the Go-Export Program was designed to develop the capacity, knowledge and skills of local entrepreneurs. The SME Grant Scheme on the other hand, provides financial assistance to SMEs for participation in international fairs.

Budget Measures

Launching of SME Employment Scheme to support and attract graduates to serve SMEs. The scheme will target 1,000 graduates and will be managed by the HRDC.

Support for setting up of 100 farms on a Ready-To-Operate basis under the Sheltered Farming Scheme. EDB will assist in marketing their products locally and abroad.

Equipment of rain harvesting systems and photovoltaic technology to sheltered farms.

Introduction of a Mini Sheltered Farming Scheme to promote micro gardens, vertical agriculture and roof top gardening.

Sensitisation and training of households in aquaponics for the production of water adaptive vegetables in freshwater ponds and basins.

Small planters and cooperatives to benefit from a new scheme (electricity production) to improve their income.

Creation of a Land Data Bank to encourage agricultural use of abandoned lands.

Creation of 3 new business parks:

- A High-Tech Park at Côte D'Or extending over 150 acres of land;
- A Logistic Park at Riche Terre;
- A Pharmaceutical and Life Sciences Park at Rose Belle.

Provision of quick working capital and non-financial support by DBM

Elimination of VAT on import of machinery to ease the cash flow of business on amount payable of Rs150,000.

Refund in training expenses up to 75% to upgrade the skills of SME employees

To encourage the consolidation of SMEs, the following measures will be implemented:

- Introduction of a Certification Scheme to provide technical assistance;
- Launching of an SME Productivity Improvement Programme to enhance productivity and minimize waste;
- Setting up of a Foreign Expertise and Technical Assistance Scheme to boost the competitiveness of Handicraft Sector;
- Introduction of a National Entrepreneurship Campaign to boost the sector and give visibility to products & services offered by SMEs.

A conducive business environment is sine qua non for fostering economic development and is fundamental for the country's competitiveness. The Government in its Budget 2018/2019 builds on the momentum to continue reforming the doing business climate by initiating cross sectoral reforms to that effect. These reforms, besides being a catalyst for attracting more foreign direct investment into the country, also aim at promoting local investments and the development of small and medium enterprises.

While several measures are announced to further streamline processes to expedite licensing and permitting in several areas, this budget lays down the foundation for some major changes in the business environment by espousing institutional reforms and revolutionizing business-related rulemaking in Mauritius.

Budget Measures

Introduction of a Single Licensing Agency.

A Single Licensing Agency (SLA) will be set up at the EDB which would be a one-window system for investors to apply for business permits and licences. The SLA will be responsible to receive applications, liaise with relevant authorities and issue licences and permits. Relevant authorities will be responsible for policy, enforcement and monitoring.

Streamline procedures and review of the regulatory environment

- The Economic Development Board has been empowered to re-engineer business processes in public sector agencies and carry out Regulatory Impact Assessment.

- In view of reducing administrative burdens on citizens and businesses, banks and insurance companies will be authorized to connect through the InfoHighway to conduct KYC verifications.

Registering property made easier and less costly

- Authorised professionals such as Notaries, Banks and Attorneys will be able to pay amounts not exceeding MUR 2 million through the 'direct debit scheme' operated by the Bank of Mauritius.

- No fresh site plan will be required to register property provided that the immovable property being transferred has already been assigned a Parcel Identification Number (PIN) and that there has been no change in the extent and boundaries of that property.

- To facilitate access to finance especially to MSMEs, an electronic movable collateral registry will be set up at the Registrar General Department.

Expedite processing of construction permits

- Streamlining application for Environment Impact Assessment (EIA) and Preliminary Environment Report (PER)

  - Applications for an EIA and PER will be submitted electronically through the National Electronic Licensing System (NELS).
  - The Director of Environment (DOE) will issue an acknowledgement receipt within 3 working days of receipt of a complete application and in case of an incomplete application request for more information within 5 working days the proponent shall submit electronic documents in case of transfer of undertakings.

  EIA

  - Proponents will be required to submit only 3 printed copies of the EIA report instead of 15.
  - DOE shall give notice for public inspection within 3 working days instead of 14 days.
  - Publication of notices in Government Gazette has been removed. Publishing in 2 dailies would be required.
  - EIA Committee members shall provide views electronically within 7 working days.
  - EIA Committee shall examine an application within 28 working days of the date of expiry of the time limit set for public comments.
  - EIA committee shall provide its recommendations to the Minister within 7 working days.
  - The technical advisory committee shall advise the Minister within 7 working days.
  - Minister shall advise, approve or reject an EIA application within 5 working days.
  - Minister's decision will be published within 3 days.

  PER

  - Minister shall advise, approve or reject a PER within 5 working days.
  - No PER required for parceling of land above 5 hectares for agricultural purposes.
  - No PER required when applying for a morcellement permit.

- Land surveyors shall provide an electronic copy of a memorandum of survey, survey report or plan to their clients. He would otherwise commit an offence.

- Morcellement Unit shall request for additional information from the applicant within a maximum of 2 weeks.

- On application of a Building and Land Use Permit, no clearance will be required from the CEB, CWA and WMA in respect of land or building for EIA/PER approved projects.

Strengthening shareholders protection

- Directors which act in breach of their duty will commit an offence and on conviction, be liable to a fine and imprisonment.
- Companies will be required to publish major transactions in their annual report.

Re-enforcing insolvency procedures

- The Insolvency Act will be amended to provide for continuation of support of essential goods and services to a company during the insolvency process.

Trade facilitation

- The process for issuance of the Electronic Conformity Report will be reviewed to facilitate the clearance of controlled goods at import.

Training & Skills Development

Enhancing the country's capacity to produce highly skilled and qualified workers will play an important role in attracting foreign investment improving competitiveness. To bring down unemployment and increase productivity, a series of schemes have been introduced to foster and encourage employment, but also to address the skills mismatch issue and meet the urgent needs of the private sector. These schemes have been devised to ensure that appropriate training is provided to youth to promote the development of necessary skills in the labour force and to assist employers in obtaining appropriate skilled manpower, with the National Skills Development Programme and the YEP having been successful in achieving part of these objectives.

Budget Measures

Rs 1 billion has been earmarked to target some 14,000 unemployed.

Around 3,000 youths have been earmarked to join the National Skills Development Programme (NSDP) for technical training. A new component, the Youth Service Programme (YSP) for an initial batch of 1,000 young adults aged 17 to 25 has been added in this scheme. The YSP will help in developing skills such as: team building, discipline, communication and work ethics to improve their employability.

3,000 unemployed people will be enrolled in the National Apprenticeship Programme run by the MITD.

An unprecedented measure has been introduced, the SME Employment Scheme which will target some 1,000 graduates. Under this scheme, each graduate will be paid a stipend of Rs 14,000 over a period of two years of employment by the HRDC.

The Youth Employment Programme (YEP) will now cater for post HSC unemployed.

Rs 160 million will be invested in the construction of the Civil Service College at Reduit.

Provisions are being made for the training of an additional 2,000 students in primary schools & 2500 students in secondary schools in coding.

Funds will be provided for the sensitization and training of households in aquaponics for the production of water adaptive vegetables in freshwater ponds & basins.

Recruitment of 114 firefighters who will be trained in the swift water & Rope rescue programme.

Refund of training cost for employers contributing to the National Training Fund will be increased from 60% to 70%.

For SMEs, the refund of training cost will be increased from 60% to 75%.

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Infrastructure Development

Government is investing massively in public infrastructure projects such as the Road Decongestion Programme, the Metro Express and Utilities infrastructure. The Metro Express project which kicked off in September 2017 for an investment value of Rs 18.8 bn will span over a distance of 26 km from Curepipe to Port Louis and comprise 19 stations, and 6 urban terminals.

Some Rs 50 billion have been earmarked for projects under the Road Decongestion Programme to be undertaken across the country within the next five years, including the construction of grade separated junction at Jumbo/ Phoenix/Dowlut Roundabouts with 3 flyovers and the A1-M1 Bridge. Furthermore, the Cote d'Or Sports Complex with investments to the tune of Rs 1.8 bn will be ready in 2019 to host 'Les Jeux des Îles de L'Océan Indien'.

The water sector will see some Rs 4.4 bn of investment in several projects for improving water supply, including Rs 2.3 bn for the replacement of 264 Km of water pipes. The Bagatelle water treatment plant, with investments around Rs 1 bn, is also expected to be operational by December 2018. An investment amount of MUR 3.8 bn has been earmarked for waste water management facilities over the next three years as well.

Budget Measures

To achieve a high-income economy status, Government is emphasizing on strategic and modern infrastructure projects:

- Some Rs 3 billion will be invested in 3 port related projects: construction of breakwaters, a fishing port at Fort William and the Cruise Terminal Building
- Extension of the new passenger terminal at the airport to reach a passenger handling capacity of 8 million annually
- The masterplan for Cote D'Or City project at Highlands, over 920 ha, has been prepared. The project relates to the development of new and modern urban spaces
- Some Rs 37 billion has been allocated to transport infrastructure projects
- Phase 1 of the Metro Express (Rose Hill to Port Louis) will be completed in September 2019 and phase 2 (Rose Hill to Curepipe) in September 2021
- Rs 12 billion will be invested in the construction and upgrading of roads over the next 3 years
- Ten major projects under the Road Decongestion Programme will be implemented:
  - The Jumbo-Phoenix roundabouts
  - The A1M1 bridge linking Coromandel to Sorèze
  - The fly-over at Decaen Street, Port Louis
  - A third lane on M2 between Jin Fei roundabout and Port Louis
  - The Cap Malheureux bypass
  - Completion of Terre Rouge – Verdun motorway by December 2019
  - A fly-over across M1 at Hillcrest Avenue in Quatre Bornes
  - The upgrading of Radier St Martin at Bel Ombre
  - Upgrading of Ebène Flyover
  - Construction of the La Vigie - La Brasserie Link Road
- 1,178 new NDU projects will be implemented for a project value of Rs 5.6 billion. Some Rs 1.2 billion has been earmarked for construction and upgrading of drains, secondary roads and small sport facilities
- Rs 1.2 billion will be invested for the next 3 years for the undergrounding of 150 Km of low voltage distribution lines

Economic Diplomacy & Africa Strategy

Africa will be the main contributor to the world's economic growth in the medium to long-term. The continent boasts 13% of the world population, with over 50% under the age of 20. It has over 30% of the world minerals reserves and around 60% of world's arable land, and its population is expected to double by 2050 to reach nearly 2 billion.

As Mauritius is strategically located at the crossroads of Asia and Africa, the country is positioning itself as the bridge to Africa. With a wide network of bilateral agreements, comprising 21 Double Taxation Avoidance Treaties (DTAs) and 23 Investment Promotion and Protection Agreements (IPPAs) already signed with African states, Mauritius offers a trusted and well-regulated platform for doing business. Building on several decades of expertise in cross-border finance, Mauritius is home to a vibrant and sophisticated international financial centre (IFC). The IFC is a tested and proven jurisdiction for investments in emerging markets.

Furthermore, the Government has embarked on an ambitious program of setting up special economic zones in key African countries, including Senegal, Ghana, Côte d'Ivoire and Madagascar. In addition, the setting up of Permanent Joint Commissions across Africa to complement its membership to existing trading blocs such as SADC, COMESA and the Tripartite Agreement along with the CFTA will further spur cross-border investments. Government is pursuing other efforts to find new markets, with an upcoming CECPA with India and an FTA with China.

Budget Measures

Africa Strategy

In pursuance of the Africa Strategy, Government is:

- Constructing the Twin Technology Towers in Technology Park in Grand Bassam, Côte d'Ivoire through private sector investment. This project is driven by the Mauritius-Africa Fund.
- Developing Phase 2 of the "Parc Industriel International" in Senegal.
- Introducing a 5-year tax holiday to cover investment in SEZ infrastructure for Mauritian companies collaborating with the Mauritius Africa Fund for the development of infrastructure in the Special Economic Zones. Two eligible categories of firms are: project developers and project financing institutions.
- Setting up of a loan guarantee facility in collaboration with EU in order to support cross border investment.
- Setting up of an Africa Infrastructure and Industrialisation Fund by SBM and the Mauritius Africa Fund in order to assist Mauritian investors to execute projects in the SEZs on the African continent.
- Acquisition of a new multipurpose cargo vessel by the Mauritius Shipping Corporation Ltd to transport food and fuel to Rodrigues and Agalega, and also to strengthen inter-regional maritime trade opportunities with Eastern Africa.

Economic Diplomacy

Finalization of the following negotiations:

- The Comprehensive Economic Cooperation Partnership Agreement (CECPA) with India;
- The Free Trade Agreement with China;
- The enhanced bilateral cooperation with Saudi Arabia and Middle East countries;
- Renewed partnership with the member states of the Commonwealth Group
- A framework agreement for the continental FTA in Africa.

Openness

As Mauritius aspires to graduate to a high-income economy, it is imperative to address structural challenges such as lack of adequate skills to develop new sectors, a looming economic bane of a rapidly ageing population, and cumbersome administrative processes to allocate permits for both high skilled and low skilled workers. Without a new strategy, there will be a worsening of the dependency ratio. Indeed, today, 100 working persons are contributing for 58 non-workers. By 2100, the latter figure will rise to 100.9, which could impose severe pressure to increase taxes. The proportion of elderly (65+) will increase from around 10% of the population today to 26.1%, while the working age population will gradually fall to 55.9 % from 63 % today according to UN Population Prospects 2017.

Budget Measures

Introduction of two schemes to attract High Net Worth individuals:

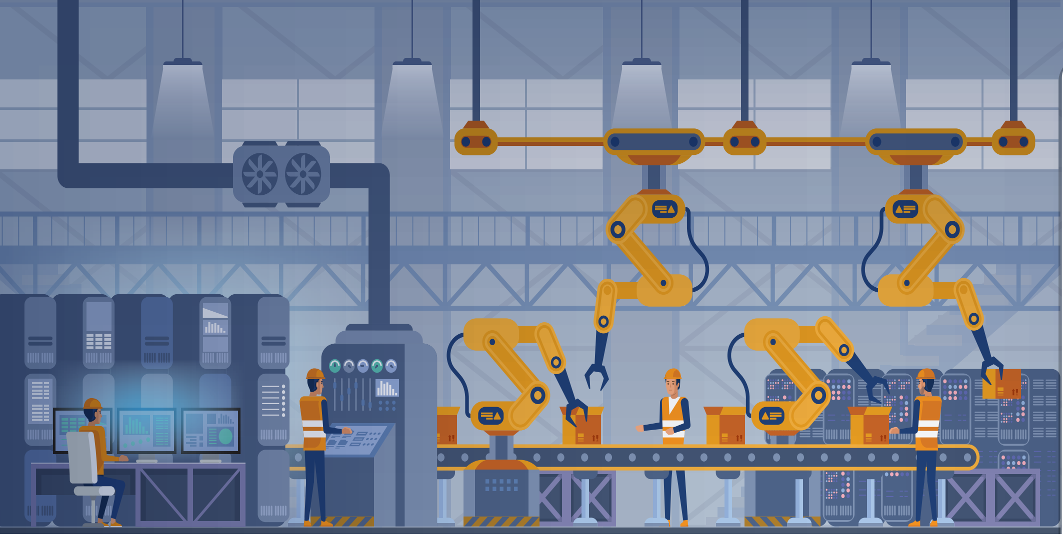
- Acquisition of Mauritian citizenship subject to making a non-refundable contribution of USD 1 million to the Mauritius Sovereign Fund. Additional contribution of USD 100,000 required per dependent.
- Acquisition of Mauritian passport subject to contribution of USD 500,000 to the Mauritius Sovereign Fund. Additional contribution of USD 50,000 required per dependent.

Operation of a Foreign Manpower Scheme by EDB to attract foreign talents in emerging sectors such as Artificial Intelligence, Biotechnology, Smart Agriculture and Ocean Economy amongst others.

Attract foreign retirees

- New package of fiscal and non-fiscal facilities ranging from right to acquire apartment to exemption from payment of customs duties up to a value of Rs 2 million on import of personal effects.

Measures to streamline and expedite the processing of applications for work permits.



Manufacturing

The manufacturing industry is the backbone of the economy accounting for 13.4% of the GDP and currently employing 98,700 workers which represent 24.7% of the total workforce. The main segments contributing to this industry are food processing (including seafood) 35.1%, textile and apparel 29.5%, sugar processing 1.4% and others 34%. The manufacturing sector has shown resilience despite fierce competition from low cost emerging countries and challenges posed by BREXIT. The challenge today is to diversify into niche activities such as Medical Devices and Pharmaceuticals, Technical textiles, High-End Jewellery, Precision engineering, Food processing amongst others.

Last year, the implementation of 4 major projects, in the areas of adhesives, specialty nets, apparel (safety wear and workwear) and flexible packaging resulted in an inflow of FDI of around MUR 108 million and generated some 150 jobs. This year, it is expected that major manufacturing projects encompassing different sectors such as optic cables, steel bars, automotive spare parts, electronics and food processing will channel significant amount of the economy. Additionally, with the allocation of land in the Riche Terre Industrial and Business Park, manufacturing projects in key sectors such as Food Processing, Packaging, and construction materials will begin operations this year.

Budget Measures

Tea

- Provision of a monthly income support of 50 cents per kilo of tea leaves harvested by small planters during the 3 months winter period

Sugarcane

- Setting up of a Ministerial Committee to assess the situation of the cane industry and to come up with an appropriate action plan
- Increase of customs duty on import of sugar from 15 percent to 80 percent in order to support small planters.
- Making provision in the budget of the Mauritius Cane Industry Authority (MCIA) to meet the shortfall arising from the suspension of CESS payments for Crop 2018.

New business parks will be set up across the island:

- A High-Tech Park at Côte D'Or extending over 150 acres of land;
- A Logistic Park at Riche Terre; and
- A Pharmaceutical and Life Sciences Park at Rose Belle.

Setting up of higher standards of quality and safety for imported products. Food items having less than 50% of expiry date left will not be allowed to enter our country.

Streamlining of procedures for recruitment of foreign workers:

- Review of checklist for documents required for application of work permits;
- Incomplete application will be classified as 'Missing Documents Cases' and will not be entertained;
- Companies, having less than 20 employees, will no longer be required to advertise jobs in the press and will instead use the facilities provided by the Employment Information Centres;
- Setting up of a Special dedicated Unit at the Ministry of Labour, Industrial Relations, Employment and Training (MLIRET) to update information regarding accommodation permits and quotas of companies;
- Review of policy regarding ratio of local workers to expatriates for certain sectors;
- Introduction of a Dormitory Facilities Scheme under which promoters/investors will be allowed to rent dormitories to employers for lodging their foreign labour;
- Allow late applications for work permit/renewal against payment of penalties; and
- Allow companies to effect payment for work permit fees within a maximum period of 30 days instead of 10 days.

Refund of training cost

- Review of the refund of training cost for employers contributing to the National Training Fund from 60% to 70%.
- For SMEs, review of the refund of training cost for employers contributing to the National Training Fund from 60% to 75%.

Investment Tax Credit

- An investment tax credit of 5% over 3 years will be granted in respect of expenditure in new plant and machinery (excluding motor cars) by a company importing goods in semi knocked-down form on the condition that at least 20% local value addition is incorporated therein. The credit will be available in respect of investment made up to 30th June 2020.

Agro-Industry

The contribution of the agro-industry to GDP is estimated at 3.5 %. New measures encouraging bio-agriculture, sheltered farming incentives, coupled with inducements towards the creation of new high-end agricultural activities provided in the last Budget are set to improve this figure in the foreseeable future. Moreover, innovative projects such as macadamia cultivation, regeneration of the tea sector and animal farming activities, will provide for new growth impetus and product diversification. In addition, the sector remains strategic with its possibility to reduce dependency on imports. Major projects underway include Mauristea, Dodo Miel and Dale Capital. The grafting of nutraceuticals on the agricultural sector will result in moving up the product value chain, increase revenues and export earnings.

Budget Measures

Government will provide the necessary support to set up 100 farms under a Sheltered Farming Scheme with the following features:

- The farms will be made available to eligible agripreneurs on a Ready-To-Operate basis.
- Marketing and security facilities will be made available to eligible agripreneurs. EDB will also assist the agripreneurs in promoting their products in domestic and export markets.
- FAREI will extend technical assistance and mentoring facilities to eligible agripreneurs.
- Credit facilities will be extended by the DBM at a concessional rate of 3%.
- All income derived from selected projects will be exempted from tax for the first 8 years of operation.

Sheltered farms will be encouraged to be equipped with rain harvesting systems and photovoltaic technology.

A grant of Rs 10,000 will be given under the Mini Sheltered Farming Scheme to eligible families to encourage the setup of micro gardens, roof top gardening and promote vertical agriculture.

Funds will be allocated to sensitise and train households in aquaponic techniques for the cultivation of adaptive vegetables in freshwater ponds and basins.

A new scheme to promote hybrid agricultural and electricity generation projects will be destined to small planters and cooperatives.

A land data bank to map out all abandoned agricultural land will be created in an endeavor to bring back those land under cultivation with optimised yields.

The DBM will provide loans up to a maximum of Rs 1 million to operators of organic farms with a moratorium of 2 years on capital repayment.

Digital Economy

2017 was distinctive, with the emergence of technologies cutting across various industries, new innovative platforms, and the rise of start-ups and incubators. The sector grew at 4.4 %, with some 8000 companies employing 24,000 people today. Internet penetration rose to 90.1 %, while mobile penetration increased to 142.4%.

In view of reinforcing connectivity and significantly enhance the development of the country's broadband infrastructure, the first phase of the IOX Submarine Cable (Indian Ocean Exchange) project, was launched. In addition, the agreement for the construction and launching of METISS broadband cable was also signed with the objective of meeting the need for connectivity in the Indian ocean region as well as enhance the route diversity. 3 regulatory sandbox licenses pertaining to blockchain and fintech activities were also issued. There are furthermore major private investment projects in the pipeline Cybersecurity and digital forensics and French accountancy outsourcing services.

Budget Measures

Setting up of a Mauritius Artificial Intelligence Council (MAIC) to strengthen the foundations and ecosystem for AI to develop

Institution of a Steering Committee, under the Prime Minister's Office to ensure greater coherence in the digitisation of public-sector services and the monitoring of its implementation in a timely manner

Provision of special electricity rate by CEB to support the development of data hosting as a key component in the digital eco-system to accredited data centre operators having at least a Tier 3 infrastructure

Setting up of a new scholarship scheme that will target 50 students annually to enable them to specialise in digital technologies, including AI and blockchain

Necessary support will be provided to the University of Mauritius to double its intake of students in Computer Science and Software Engineering to 240

Provision for the training of additional 2,000 students in primary schools and 2,500 students in secondary schools in coding

Operation of a Foreign manpower scheme by EDB to attract foreign talents in AI, amongst others. Employer will have to contribute the equivalent of one-month salary per foreign worker recruited

Introduction of a Work@Home Scheme to raise productivity

Double deduction allowance from tax of wage and salary costs of employees under the Work@Home for the first two years

Employers under the Work@Home scheme will be granted an annual tax credit of 5% for three years on investment in the required IT system

Construction of a Technology Park in Rodrigues to promote entrepreneurship and employment in the field of ICT

Introduction of internet connectivity through satellite bandwidth for the first time in Agalega as from September 2018

Implementation of a number of Research and Innovation schemes by The Mauritius Research Council including the Pole of Innovation, National SME Incubator and the Collaborative Research and Innovation Grant Scheme to usher the country on a higher growth trajectory.

Establishment of a new Mauritius Innovation and Entrepreneurship Framework for young inventors and entrepreneurs to embrace Artificial Intelligence (AI) to:

- push their ideas into the market and refine them accordingly;
- adopt state-of-the-art technologies to build prototypes from 3D printing, machining, to having a local datacentre to sandbox their technologies, a digital library with access to all journals, regular workshops from world experts and innovators; and
- allow investors to help them to raise capital and push their product forward

Provision of a free service to Small and Medium businesses that wish to operate internationally to develop their online presence, use quantitative and computational methods to improve their business, and connect them with local entrepreneurs who can help them improve their process

Provision of free 24/7 open space to the younger generation for cross-disciplinary thinking, brainstorming, and prototyping so that they can create globally competitive technologies in the future

Setting up of a National Regulatory Sandbox License (RSL) Committee to consider all issues relating to the issue of Sandbox licensing for Fintech activities and provide guidance to stakeholders on the functioning of the RSL framework. These guidelines will cover the investment and development of blockchain technologies and cryptocurrencies as digital assets

In view of ensuring a secured IT infrastructure, investment will be made in:

- an Anti-Cyber Threat Monitoring System to monitor and coordinate cyber-threats at the national level;
- a new Certification Authority for issuance of digital signatures and
- a Disaster Recovery Site at the Government Online Centre for secured delivery of vital business processes and Government services on a 24/7 basis

Increase in refund of training cost for employers contributing to the National Training Fund from 60% to 70% and for SMEs, from 60% to 75%.

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Logistics

The setting up of the Mauritius Freeport in 1992 was aimed primarily at developing Mauritius as a competitive logistics and distribution platform for international trade. Over the years, the Mauritius Freeport has developed into a full-fledged logistics platform for the region.

Today there are over 230 active freeport operators, 6 third party freeport developers, 3 private freeport developers operating in an area of approximately 295,000 m2 employing around 3,648 persons. Investment in infrastructure has been to the tune of MUR 7 billion. Currently, 33 companies are conducting high value-added activities such as minor processing, light assembly, and manufacturing, employing a total of 603 persons.

Moreover, 3 major projects are in the pipeline for the development of new Freeport zones near the port and airport with a cumulative investment of about MUR 1 billion, with plots of over 500 acres earmarked in the vicinity of the port and airport (Riche Terre Business & Industrial Park, JinFei, AML & Trade Park Mon Tresor).

Budget Measures

To transform the Freeport into an internationally trusted platform, the Freeport regime has been aligned with the OECD, EU and WTO requirements

Abolition of corporate tax exemption previously granted to freeport operators and private freeport developers on export of goods

Extension of current tax regime until 30th June 2021 for companies which have been issued a freeport certificate before 14th June 2018

Introducing repair and maintenance of heavy duty equipment as a freeport activity

Authorisation for the use of an exhibition area dedicated solely and exclusively to vault activities

Abolition of the 50% cap imposed on sales of goods to the local market

Maximum period for warehousing of goods in the Freeport aligned to time frame of bonded warehouse at 24 months. Moratorium period of 42 months to be granted on goods already warehoused in the Freeport before 14th June 2018

Provision of services related to mobile capital no longer authorised within the Freeport. Holders of freeport certificates, issued before 16th October 2017 may continue to provide services until 30th June 2021

Manufacturing activities will no longer be allowed in the Freeport. Transitional period to be granted to existing manufacturing companies

Enterprises outside the freeport zone will no longer be allowed to store goods in a freeport zone. Exception applies to authorisation already granted, for warehousing facilities to third party freeport developers, until 30 June 2020

Healthcare & Biotechnology

Today, there are more than 4,500 beds in both public and private sectors, with 5 major public hospitals, 6 specialized public hospitals, 18 private clinics and 11 Speciality centres. There are also 28 private medical laboratories and 37 Private Residential Care Homes. Major projects are underway to widen the scope of the sector and include Nenuphars Residential Care Village, Anna's Retreat, Aegle Surgical and Medical Center.

With an increase in the proportion of older people and improvement in life expectancy, the healthcare industry is poised match the upcoming challenges to cater for physical and social infrastructure that can foster better health and wellbeing. Diversification and innovation of service offerings would remedy the burden of chronic and non-communicable diseases. Furthermore, the consolidation of the existing framework will provide a boost to the medical tourism sector.

Biotechnology has evolved from a single set of technologies in the mid-1970s into a full grown technological field that is the driving force in innovation processes cutting across various industrial sectors (pharmaceutical, medical, agriculture, food, chemical, environment, instruments). The global industry is valued at around $ 300 billion and worldwide growth is expected to be in the 3.7% mark. This promising economic sector is set to attract productive investment and enable the graduation of Mauritius to a status of high income economy. Currently, there are in Mauritius some 24 companies involved in biotech applications, with employment of around 1,300. Revenue in the sector is estimated at MUR 2.8 Billion. The are 4 Contract Research Organisations involved in Clinical Trials, with more than 30 studies submitted to the Clinical Research Regulatory Council, and trials on various pathologies such as Diabetes, Hepatitis and Lupus. Major Projects underway are Centre d'études Cliniques and Axonova.

Budget Measures

Amendment of the Nursing Council Act to allow private healthcare institutions to recruit trained qualified nurses in fields other than General Nurse, Midwife and Mental Health Nurse;

Earmarking MUR 100 million for development of e-Health;

Setting up of a Pharmaceutical and Life Sciences Park at Rose-Belle;

Building of a new Teaching Hospital in Flacq;

Development of a medical hub at Côte d'Or City comprising a modern Eye Hospital, a warehouse for medical products, a New National Health Laboratory Services Centre and the AYUSH Hospital for ayurvedic treatment;

Setting up of a new cancer centre;

Recruitment of 10 Specialists, 10 Community Physicians, 7 Clinical Psychologists, 50 Trainee Nurses and 30 Trainee Midwives, amongst others;

Increasing the monthly grant to employees of residential care homes, mostly for those catering for the elderly with disabilities, from MUR 6,071 to MUR 8,500.

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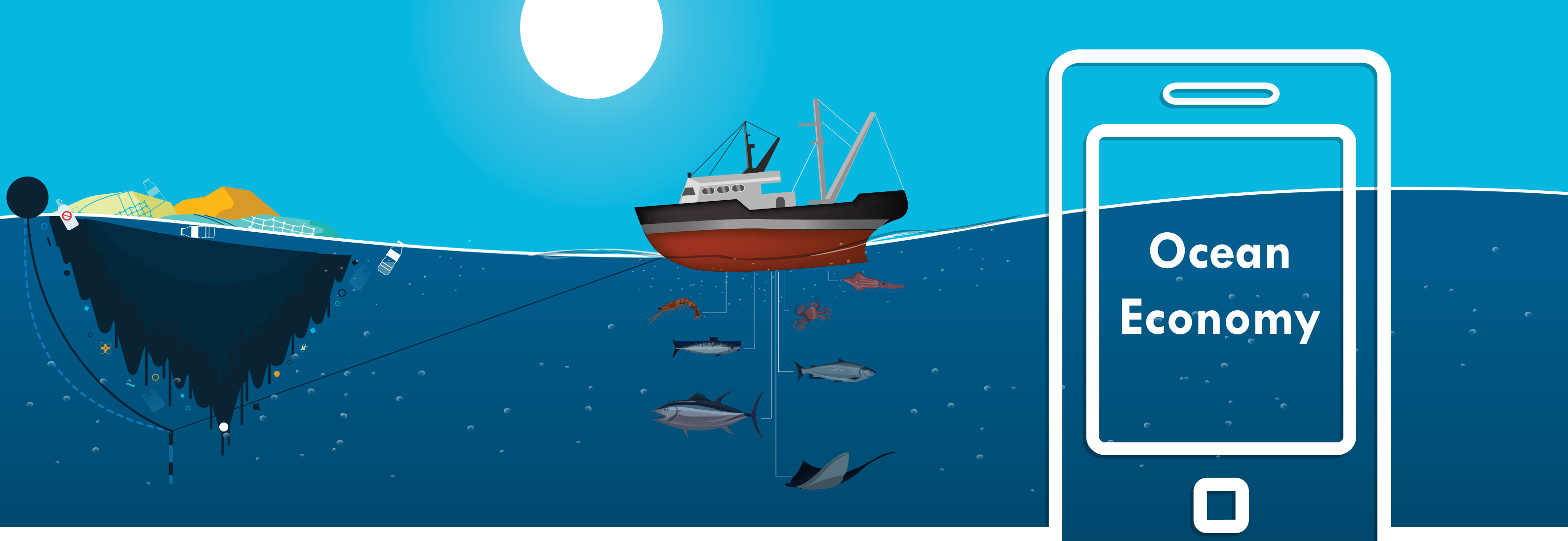
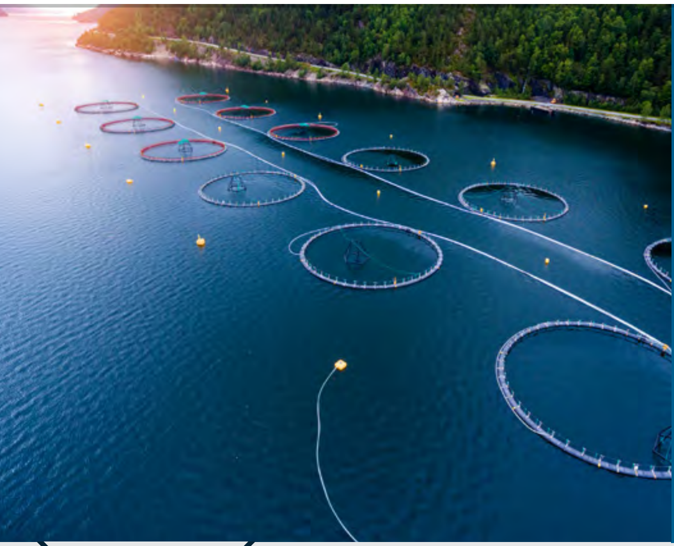


Ocean Economy



Poised as one of the future driver of economic growth, projects in the Ocean Economy sector have ramped up during the past two years. Seafood exports have increased by some 30% and the Mauritius fishing fleet is expected to reach 50 industrial and semi industrial vessels by 2025. Six aquaculture projects for a total investment of some MUR 2 billion are in the pipeline. Moreover, bunker sales at Port-Louis have increased by 39% during the year 2017. Bunkering projects with a total investment of some MUR 1 billion have reached financial closure and will start this year. Exploration contract for the Joint Management Area between Mauritius and the Seychelles has been awarded and activities are expected to kick off in the foreseeable future. Fully leveraging on the accrued potential of servicing the upcoming regional oil and gas industry, Mauritius welcomed a leading player oil and gas support service sector in 2017.

With these developments, it is expected that the GDP contribution of this sector will substantially increase from its current 10.3% in the medium term.

Budget Measures

Setting up of an Ocean Economy unit responsible for the preparation of a National Ocean Policy Paper;

EDB will work towards the development of fishing and seafood hubs in Agalega and other outer islands;

Merging of the Mauritius Oceanography Institute and Albion Fisheries Research Centre to stimulate research capacity in the ocean economy;

Development of an Ocean Observatory e-platform to support the Marine Spatial Planning Initiative of Mauritius;

Geotechnical study of the extended continental shelf management area of the Mascarene region to explore its potential;

MUR 3 billion will be invested in port expansion works namely, the construction of breakwaters, fishing port at Fort Willian and the Cruise Terminal Building;

Allowing foreign industrial fishing companies to fish in our shallow water banks and sell all their catch on the local market;

Introduction of a grant of 60 % of the cost of acquisition of outboard engines and fishing nets, by fishermen cooperatives, up to a maximum of MUR 60 000;

Introduction of a Group Life Insurance scheme for registered fishermen.

Knowledge

In line with Government's vision to develop a knowledge-based and innovation-driven economy, Mauritius is positioning itself as the leading education hub for the region providing high quality education and training. The knowledge sector will play a catalyst role in broadening the Mauritian economy, by providing necessary support to the existing and upcoming sectors.

Mauritius is today a significant provider of quality education and is progressively building its reputation as an education hub with the participation of an increasing number of local and international students. Since 2007, the number of international students has gradually increased from 528 to 2,900 in December 2017, coming from 80 different countries, mainly India, Nigeria, South Africa, Madagascar, France in students are mainly enrolled in management, information technology, computer sciences, law, hospitality management and medical programs. The sector contributes 4.8 % of GDP, and employs 26,680 persons. There are also 10 publicly-funded tertiary educational institutions and 41 private tertiary educational institutions.

Budget Measures

Rs 17.2 billion will be allocated to the education sector so that reforms can be implemented expeditiously.

A new scholarship scheme will be set up annually for 50 students who are wishing to specialize in digital technologies such as Artificial Intelligence and Blockchain.

Funds will be provided for the construction of 2 pre-primary schools in Grand Baie & Montagne Ory.

Provisions have been made for the recruitment of 150 trainee primary school educators.

Specialist rooms for Food and Textile studies & Design Technology will be set up in all regional state secondary schools.

Science blocks will be constructed in 3 state secondary schools.

114 Educators will be recruited for secondary schools.

Income tax deduction in respect of a dependent child who is pursuing tertiary studies has been raised as follows:

- If abroad from Rs 135,000 to Rs 200,000
- If in Mauritius, from Rs 135,000 to Rs 175,000

Renewable Energy

A 4% increase in total electricity consumption was noted from 2016 to 2017. The production of renewable energies declined by an overall 0.9% during this period mainly due to decreased in production mainly from bagasse and hydro. However, electricity production from solar energy will increase by over 100% to reach 2.4% of the electricity mix. Currently, some seven solar PV farms with total aggregated installed capacity of some 58 MW and a 29.4 MW wind farm requiring over MUR 5 billion of investment are implementation. Key projects exceeding 10Mw of installed capacity are Voltas Yellow, Voltas Green and Akuo Energy Mauritius. Upon commissioning of these projects, the Government's vision of increasing the renewable energy contribution in excess of 35% by 2025 is well underway.

Budget Measures

Commissioning of 6 additional solar farms

Increase in battery storage from 4MW to 18MW

Implementation of a waste-to-energy project that will generate at least 20 MW of electricity

Introduction of a new Small-Scaled Distributed Generation (SSDG) Scheme

Installation of around 25,000 smart meters annually to pave the way for automatic metering and the development of smart grid

Mandatory efficiency labelling to be extended to include air conditioners and washing machines. Framework to be developed to encourage the use of efficient air conditioners

In line with the objective of promoting production of electricity from renewable sources in Rodrigues, two measures are announced:

- Installation of a 1 MWh battery energy storage system
- Expansion of the capacity of the solar photovoltaic farm from 800 kW to reach 1 MW in 2019

VAT exemption on photovoltaic panels, generators, batteries and inverters extended to all components forming part of an integral part of a photovoltaic system.

Creative Industry

The nascent creative and film industry is rapidly developing and emerging as a new driver of economic growth. Since the implementation of the Film Rebate Scheme (FRS) in 2013, the EDB has approved 103 film projects, out of which 61 film projects have been produced under the FRS. The contributions made by these foreign productions to the tune of MUR 1.85 billion were spent across different sectors of the economy. This has propelled the development of the local film ecosystem and open opportunities for more verticals and businesses within the creative ecosystem.

Budget Measures

Artists

- Increase in the subsidy for the production of CDs from Rs 30,000 to Rs 40,000.
- Extension to the VAT Refund Scheme to cover musical instruments purchased by our local artists registered with
- the Mauritius Society of Authors (MASA).
- Addition of local artists registered with the MASA as a new category of beneficiary to benefit from refund on VAT paid on musical instruments including guitar, drum set, dhol, flute and violin.
- Registered unsalaried Mauritian artists, earning less than Rs 300,000 in a year, will be given the option to deduct 50% of earnings generated from his artistic work other than literary work without having to document or specify his/her expenses.
- Enterprises not engaged in the business of buying and selling of artwork, will be allowed to deduct the cost of acquisition of artworks from a local artist up to a maximum of Rs 500,000 if they are displayed in the place of business where the public can view them and the artworks are kept for at least 3 years.

Funds are being catered for the following projects:

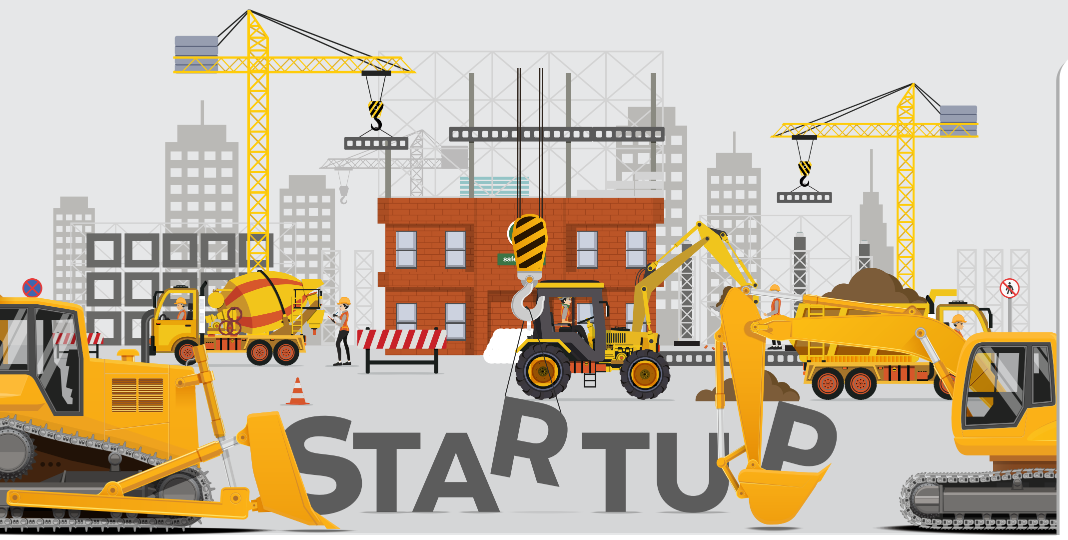
- An Intercontinental Slavery Museum at the Ex-Labourdonnais Military Hospital in Port Louis;
- The rehabilitation of 8 heritage sites; and
- Renovation of the Grand River North West Hospital Building (ex-Borstal) to accommodate the National Art Gallery and the National Heritage Fund.

Film Promotion Fund

- A Film Promotion Fund will be created under the EDB with a seed capital of Rs 500 million.

New Grant Schemes to be set up under the National Arts Fund for

- Encouraging emerging talents;
- Production of art work;
- And stimulating research in various fields of arts and culture.



Construction & Real Estate

The construction and real estate sector accounts for 10.5% of GDP. In 2017, the construction sector grew by 7.5% with recorded investments to the tune of MUR 41 billion and generating above 56,400 jobs with the setting up of smart city projects namely Mauritius Jinfei, Uniciti, Mon Tresor Smart City, Moka City and other private sector projects having started construction. The sector is set to further grow by 9.5% in 2018 as new private projects are being implemented including Cap Tamarin Ltee, Molinea Property Ltd, Barachois Villa Company Ltd, Nexteracom, Caudan Phase 3, Cyber City 1 phase 2 and Oceanarium (Mauritius) Ltd. Investments to the tune of MUR 44.3 billion, representing an increase of around 8% are estimated for 2018.

Budget Measures

National Regeneration Scheme (NRS)

Our towns and villages must undergo a complete restoration, consolidation and improvement in order to enhance the environment and amenities in the interests of the residents, businesses and visitors.

To this effect, a National Regeneration Scheme (NRS) will be introduced under the Smart City Regulations.

A package of incentives will be provided to a project approved under the scheme:

- a property developer undertaking substantial renovation works on an existing building, demolishing and reconstructing an existing building or providing basement parking within an existing building will be eligible to the following incentives provided it is completed within 2 years from the approval date:
    - be eligible to claim refund of VAT on buildings, capital goods, professional fees and fit-out works.
    - benefit from customs duty on import of construction materials, machinery, equipment and other inputs including on furniture in semi knocked down form on the condition that at least 20% local value addition is incorporated therein.
    - an investment income tax credit of 5% over 3 years over qualifying capital expenditure.
- a 5-year income tax holiday on income derived from smart parking solutions and other green initiatives.
- exemption from income tax over 2 years on newly rented space for cultural purposes or to artists as from the date the plan is approved; and
- expenditure on approved renovation, embellishment works in the public realm by private companies as well as cleaning of public infrastructure will be deductible for income tax purposes.

The renewal of towns and villages with the refurbishment of old, under-utilised and derelict buildings as well as the construction of new infrastructure would boost the economic sectors, create employment, preserve cultural and local heritage and reduce traffic. It will also make the existing settlement areas more secure, lively and pleasant.

Tourism

The tourism sector, with a GDP contribution of 8.0%, remains one of the main pillars of the economy and provides some 30,000 jobs. In 2017, 112 hotels were in operation with an average occupancy rate of around 70%. Tourist earnings for year 2017 amounted to MUR 60,262 million, representing an increase of 7.9% from 2016. For the year 2018, tourism earnings are forecast around MUR 62.5 billion, thus representing growth of 3.7%.

As at date, Le Chaland Hotel Limited at La Cambuse is under construction for an investment of around MUR 1.3 billion. In 2018, major projects underway include Les Salines Golf and Resort Ltd, Hyvec Partners Ltd, Societe Horizon Sweets, Mauritius Jinfei and KPMM (Mauritius) Ltd. The total investment is estimated around MUR 13 billion, over a period of 2 to 3 years, with the creation of some 800 jobs.

Budget Measures

Mahebourg regeneration - The Mahebourg regeneration project provides an unrivalled development potential offering developers the opportunity to reimagine and demonstrate innovative built form with a compelling vision to enhance the distinctive heritage and character of Mahebourg as a 'Village Touristic'.

Developers will have the opportunity to come up with a project design that reflects the beauty and majesty of Mahebourg, in keeping with the overall vision for the Waterfront to become a world-class destination to visit, live, work and play.

Lease of State Lands– Facilities for Hotel Reconstruction and Renovation

- The scheme for hotel reconstruction and renovation is being extended for 2 years that is covering renovation/reconstruction which starts in the financial years 2018-2019 or 2019-2020.
- Under the scheme, a hotel on State Lands that closes to undergo renovation or reconstruction is granted a reduction of 50 % in its rental payable in respect of its lease for a maximum of one year provided that the:
  - hotel had opted for a fresh lease under the Industrial Lease Policy; and
  - hotel safeguards employment, including the terms of service of all employees during the period of renovation/reconstruction

Financial Services

The financial services sector of Mauritius registered a growth rate of 5.5 % with a GDP contribution of 11.9 % for the year ended 2017. While the GDP contribution has slightly declined by 0.2 %, this prominent sector is expected to bounce back to reach 12.2 % of GDP for the year ending 2018. The EDB has been working towards its mission of facilitating the long-term development of the financial services industry and enhancing the position of Mauritius as a reputed International Financial Centre (IFC). Diversification and deepening of financial services activities play a huge part in adding certainty and boosting the Mauritius IFC.

Today, there are 11,632 GBC1 structures, 10,154 GBC2 structures, 186 Management Companies and 989 Global Funds licensed. Asset Under Management exceed USD 85 billion.

The acquisition of ABAX by the Ocorian group further demonstrates the confidence of international companies in the Mauritius jurisdiction. Two investment banks will soon set their footprints in the country. In addition, Dentons, the world's largest law firm, has confirmed that it shall partner with two law firms in Mauritius to form Dentons Mauritius.

Budget Measures

Reforming our Financial Services Sector

- Set up of a Steering Committee under the Prime Minister's Office to ensure the timely and effective implementation of the recommendations of the Financial Services Blueprint.

Global Business Sector

- Introduction of a new harmonized fiscal regime for domestic and Global Business Companies.
- Introduction of a specific fiscal regime for banks.
- The FSC will cease to issue Category 2 Global Business Companies licences as from January 2019; grandfathering is being catered for existing companies.
- Enhanced substance requirements for Global Business Companies.
- Establishment of a new framework to govern and improve the oversight of Management Companies.
- Removal of all restrictions applicable to dealings in Mauritius.

Enhancing the Mauritius IFC

- The Financial Services Commission (FSC) will partner with other key jurisdictions for the development of equivalence frameworks to enhance our competitiveness as a financial center.

Banking Sector

- Amendments in the Banking Act to cater for Private Banks to import Gold and other precious metals for investment portfolio of their clients along with safety vault services.
- Beneficial owners for a banking license will be required to provide identification and certification of good conduct.
- Financial institutions will be liable to a fine of Rs 1 million for failure to comply with guidelines issued by the Bank of Mauritius.
- Banks will be liable to a fine of up to Rs 1 million for unlawful disclosure of confidential information by banks.
- Non-bank deposit taking institutions to maintain a minimum capital of Rs 200 million or higher amount as may be prescribed.

Capacity building

- The FSC will collaborate with the Organisation of Economic Cooperation and Development (OECD) to host a Regional Centre for capacity building and best practices in our mutual combat against financial malpractices.

Insurance and Captive Insurance

- Amendments to the Insurance Act to cater for insurance manager to manage domestic insurance business.
- Ensure conformity of the Captive Insurance Act with substance requirements under OECD standards.

AML/CFT Framework

- Our Anti-Money Laundering/Countering Terrorism Financing (AML/CFT) regulating framework for banking and non-banking financial services will be harmonized and revamped with respect to development in Fintech.
- Financial institutions using new or developing technologies will be required to assess, mitigate and implement measures with respect to AML/CFT risks.
- Amendments under the FIAMLA will allow for the imposition of sanctions for non-compliance with Bank of Mauritius (BOM) guidelines.

Capital Market

- Amendments to the Securities Act for new market participants in Derivatives and Commodities Segments.

Fintech

Mauritius is keen to leverage on new technologies, and, in this context, the Government is committed to positioning Mauritius as a Fintech Hub for Africa with the setting-up of a 'Fintech and Innovation-driven Financial Services Regulatory Committee'. A committee had been set up by the FSC to assess the current regulatory set up with respect to implementation of Fintech regulations in Mauritius and the possibility of establishing a sovereign fund in Mauritius to provide seed capital for the development of Fintech activities in the region.

The grant of a sandbox license to SALT Technology Ltd, the first blockchain project in Mauritius and a Peer to Peer Lending License to Fundkiss Technologies Ltd, reaffirms the willingness of the country to position itself as a fintech hub.

Budget Measures

National Regulatory Sandbox License Committee

- The Government will implement a National Regulatory Sandbox License Committee for activities relating to Sandbox Licensing for FinTech activities.

New Licenses

- The FSC will create new licenses to provide investors with a regulated environment for the safe custody of digital assets and to enable digital assets exchange.
    - Creation of Custodian of Digital Assets license; and,
    - Creation of the Digital Asset Marketplace license.

Crypto Currencies and Digital Assets

- The FSC will implement guidelines on investment in crypto currency as a digital asset.

Fintech Activities

- The FSC will ensure that applicants for FinTech Activities will have appropriate cyber-security and cyber-resilience policies and capacities.

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Environmental Measures

In 2012, the World Health Organization issued a global air quality ranking and Estonia, Mauritius and Canada rank as the top three.

However, as the country has developed, pressure has been building on the fauna and flora namely in terms of waste disposal, ocean pollution and coral bleaching, soil and sand erosion among others. Several initiatives have already been taken by Government to protect the environment, including an application of an excise duty of MUR 2 on PET Plastic Bottles, the ban on plastic bags, the inception of a graduated refund scheme to encourage recycling companies to increase collection rate of used plastic P.E.T bottles, the structuring of large and small scale wind and solar energy projects, the introduction of a compost subsidy scheme, the construction of an interim storage facility for hazardous wastes at La Chaumiere, the allocation of 1000 tons of waste to the CEB for waste to energy projects, and the structuring of a marine spatial planning system.

Today, the objective is to ensure that economic development does not come at the expense of the natural environment.

Budget Measures

Transfer of MUR 2 billion to the National Environment Fund, including MUR 450 million from the King Salman Humanitarian Aid and Relief Centre and the Adaptation Fund Board of the United Nations, as well as a revamping of the Fund to mobilise funding from international sources, such as the Green Climate Fund and the Global Environment Facility, to:

- Construct drain infrastructure in more than 25 flood prone regions across the country;
- equip the 12 Local Authorities to undertake continuous maintenance and cleaning of drains, rivers and canals;
- acquire a high resolution and aerial 3D imagery Digital Elevation Model to update our flood map and prepare a full-fledged Land Drainage Master Plan;
- rehabilitate, protect and manage our beaches, lagoons and coral reefs;
- carry out the Clean Up Mauritius and Embellishment Campaign – "Moris Nou Zoli Pei";
- expand Solid Waste Management facilities and develop a comprehensive Waste Recycling Framework;
- undertake Landslide Management initiatives; and
- conduct Disaster Risk Reduction Operations.

Review of the granting of morcellement permit to provide for Drain Impact Assessment to be undertaken as part of the EIA report

Amendment of the legal framework to allow for pulling down of illegal constructions

Audit of rivers and water courses to assess their carrying capacity with a view to taking remedial action

Integration of climate resiliency in all infrastructure projects of the public sector including new Social Housing projects

Excise duty of MUR 2 per unit on non-biodegradable disposable plastic containers (take-aways, plates, bowls, cups, and trays), with effect from 1st February 2019

Increase of the subsidy given to local manufacturers to promote local recycling of used PET bottles from MUR 5 to MUR 15 per kilo of used PET bottles

Mandatory compliance to Euro standards for new auto cycles and motor cycles and banning of vehicles with 2-stroke engines and which emit high level of pollutants

Establishment of a legislative framework to regulate the disposal of vehicles in specialized scrap yards, with mandatory scrapping of accidented vehicles declared as total loss

Support to the private sector to stimulate investment in recycling and refurbishment of telecommunication and electronic devices

Extension of mandatory efficiency label to include air conditioners and washing machines

Installation of a 1 MWh battery energy storage system and expansion of the capacity of the solar photovoltaic farm at Grenade by 800 kW to reach 1 MW in 2019 in Rodrigues

Fiscal Measures

The last Budget established the foundation for a more equitable society with the implementation of a series of measures to improve fiscal transparency and simplicity. The Government moved towards a fairer and more adequate tax ecosystem to optimise revenue collection to further invest in current and capital public expenditures while ensuring social balance, with the negative income tax being a key measure in this sense. Furthermore, our uniform 15% tax rate has catered for a more efficient collection of taxes which approximated to Rs 76 billion for the period 2016/17 as compared to Rs 70 billion for the previous year, representing an increase of 8.6%. The Government's strategy is to keep the tax burden at less than 20 % of the GDP.

Budget Measures

Global Business Sector

- The Deemed Foreign Tax Credit regime available to companies holding a Category 1 Global Business Licence to be abolished as from 31st December 2018.
- Introduction of a partial exemption regime, subject to satisfying pre-defined substantial activities requirement by the FSC, whereby 80% of specified income will be exempted from income tax, except for banks, and shall be applicable on:
  - Foreign source dividends and profits attributable to a foreign permanent establishment;
    Interest and royalties; and
    Income from provision of specified financial services.
- The existing credit system for relief of double taxation will continue to apply where partial exemption is not available.
- Abolition of the Category 2 global business regime, with a transitional provision for the current regime to continue until 30th June 2021 for companies, which have been issued a licence prior to 16th October 2017.

Banking Sector

- The Deemed Foreign Tax Credit regime available to banks is being abolished as from 1st July 2019 and replaced by a new regime making no distinction between Segment A and Segment B income. The tax rates will be as follows –
  - chargeable income up to Rs 1.5 billion - 5 %
  - chargeable income above Rs 1.5 billion – 15%
- Introduction of an incentive system for banks with chargeable income exceeding Rs 1.5 billion. Income in excess of the chargeable income for a set base year taxed at a reduced rate of 5% based on pre-defined conditions.
- Extension of the current formula for special levy on banks from end June 2018 to June 2019, and then replaced by a special levy under Value Added Tax, charged on the net operating income derived by banks from its domestic operations.

Islamic Finance

- Extension of the income tax exemption granted on interest income received from debentures and bonds quoted on the stock exchange to returns from sukuks.
- The profit charge payable under an Islamic Financing Arrangement for the construction of a house will qualify for interest relief if the arrangement is secured on immovable property.

Freeport

- Removal of the corporate tax exemption granted to freeport operator and private freeport developers on export of goods.
- Exemption from the Corporate Social Responsibility (CSR) contribution for Freeport operators and private freeport developers maintained.
- Transitional provision: The current tax regime will continue to apply until 30th June 2021 to companies which have been issued with a freeport certificate before 14 June 2018.

Investment in SEZs with the Mauritius Africa Fund

- 5-year tax holiday for Mauritian companies collaborating with the Mauritius Africa Fund for the development of infrastructure in the Special Economic Zones.

Local Value Addition

- Investment tax credit of 5% over 3 years on expenditure in new plant and machinery (excluding motor cars) by a company importing goods in semi knocked-down form on the condition that at least 20% local value addition is incorporated therein. The credit will be available in respect of investment made up to 30th June 2020.
- Goods imported in semi knocked-down condition will be exempted from customs duty, provided there is at least 20% value addition domestically.

Sheltered Farming Scheme

- All income derived from projects under the scheme will be exempted from tax for the first 8 years.
- Concessionary road tax granted to farmers engaged in sheltered farming, poultry breeders and growers of fine herbs on commercial scale.

Global Trading Activities

- Extension of the 3% corporate tax rate applied on profits derived by any company from export of goods to global trading activities effected by companies.

Work@Home Policy

- Double deduction from tax of the wage and salary costs of employees under the Work@Home for the first 2 years.
- Employers granted annual tax credit of 5 % for 3 years on investment in IT system.

Telephony Service Providers

- Solidarity Levy payable by Telephony Service Providers extended by 2 years, until June 2020.
- Requirement for book profit of a company to exceed 5% of its turnover to be liable to the levy removed.

Artists

- Registered unsalaried Mauritian artist, earning less than MUR 300,000 in a year, can opt to deduct 50% of earnings generated from his artistic work other than a literary work without having to document or specify his/her expenses.
- Incentives for enterprises to buy artworks of local artists – Deduction of up to Rs 500,000 if they are displayed in the place of business where the public can view them, and the artworks are kept for at least 3 years
- Refund of VAT paid on musical instrument to local artists registered with the Mauritius Society of Authors.

Personal Taxation

- Income exemption threshold for all categories has been increased by MUR 5,000, effective as from income year starting on 1st July 2018.
- An individual having annual net income of up to MUR 650,000, will be taxed at the rate of 10% instead of 15%.
- Eligibility criteria and conditions for paying the Negative Income Tax have been relaxed.
- Deduction in respect of a dependent child pursuing tertiary studies is being raised to MUR 200,000 if studying abroad and, if in Mauritius, from MUR 135,000 to tuition fees paid in a year in excess of MUR 135,000 up to MUR 175,000.
- Tax deduction allowed when investing in a rainwater harvesting system for a house.
- The profit charge payable under an Islamic Financing arrangement for the construction of a house will qualify for interest relief if the arrangement is secured on immovable property.
- The exemption threshold on the lump sum received as severance allowance, pension or retiring allowance raised from MUR 2 million to MUR 2.5 million.
- Domestic customers who have a swimming pool will have to pay a fixed additional monthly charge of Rs 500 if their monthly water consumption exceeds 50 cubic meters.

Value Added Tax

- VAT Refund Scheme - Planters
  - The list of equipment on which VAT is refunded to a planter under the VAT Refund Scheme extended to include other equipment.
  - Extension of VAT refund to include land preparation works and rental of land leased for agricultural purposes.
- Supply of Manual Labour in the Agricultural or Construction Sector
  - VAT exemption on the supply of manual labour by an individual, to a VAT-registered person, operating in the agricultural or construction sector.

Customs Duty

- Customs duty on acoustic doors and iron bars is being abolished.
- 10% customs duty on imported blended oil imposed.

Excise Duty

- Full duty exemption on the purchase of a single/double space cabin vehicle extended to a planter engaged in hydroponic activities.
- Excise duty of Rs 2 per unit on non-biodegradable disposable plastic containers with effect from 1st February 2019.

Social Measures

In 2015, 193 countries, including Mauritius adopted the 2030 agenda that sets out the Sustainable Development Goals. The No. 1 goal among the 17 SDG's remains Poverty Alleviation – 'No to extreme poverty'. The latest Household Budget Survey estimates the proportion of households below the relative poverty line, set at half of median household income per adult equivalent, at 9.4% in 2017, same as for 2012.

In the 2017/2018 budget, poverty occupied the centre stage whereby several social and business needs were addressed. A novel measure was announced in the form of a negative income tax in support of those earning less than MUR 10,000 a month and this benefited 150,000 employees. These complement efforts on existing social assistance programmes, subsidies for basic food items, the ZEP program in schools to improve the level of education, microfinance for small and medium sized enterprises, greater participation of women in the labour market.

Budget Measures

Housing Needs

- NHDC will start a vast programme of construction in 2018-2019 with the aim of constructing 6,800 new social housing units over the next two years. These housing units will provide amenities such as creches, commercial and recreational facilities.
- Rs 1.3 billion will also be provided for the completion of 3,041 housing units.
- Funds will be provided for the construction of housing units for some 200 families who have lands but no means for the construction of a house.
- Rs 176 million will be provided for the rehabilitation of 41 NHDC housing estates which are more than 20 years old.
- Provision has also been made to increase the grant for the casting of roof slab.
- The monthly grant to employees of residential care homes has been revised from Rs 6,071 to Rs 8,500.
- Provisions have been made for the construction of 50 housing units in Agalega.

Gender Equality

- A Gender Equality Bill will be presented.
- Employment Rights Act will be amended to allow payment of a remuneration for those mothers reckoning less than 12 months service.
- 250 government officials will be trained across all Ministries and departments to deal with gender issues.
- Rs 200,000 will be allocated to each ministry to promote and implement activities on gender mainstreaming.
- The current one-off grant under the Creche Scheme has been doubled from Rs 200,000 to Rs 500,000 & companies investing in creche will benefit from a double deduction under corporate tax.

Vulnerable Group and less privileged Citizens

- Rs 760 million has been earmarked for poverty alleviation and empowerment.
- Taxi fare benefits will be extended to Special need students attending primary & secondary schools also.
- Assistance for wheelchairs, hearing aids, spectacles and dentures have been doubled to Rs 30 million.
- Monthly carer's allowance to bed-ridden persons has been raised from Rs 2,500 to Rs 3,000.
- Full duty exemption on the purchase of motor-car of engine capacity of up to 1,600 cc for disabled persons.
- Rs 60 million has been allocated for the construction of a new shelter for children in distress at Pointe Aux Sables.

Lifting up the Quality of Life

- Government will increase their support under the Water Tank Scheme to reach out to an additional 30,000 households over the next three years.
- Rs 38 million will be provided to promote sports and physical activity programmes.
- Rs 30 million have been earmarked for the Rehabilitation Programme for Alcoholics Drug Addicts.
- Funds will be provided for the construction of two Elderly Day care centres at Bambous & Chemin Grenier
- Income threshold for persons benefiting from Legal Aid will be raised from Rs 10,000 to Rs 15,000.
- Funds will be provided for the construction of 9 new playgrounds for children.
- Incontinence allowance has been extended to eligible cases aged between 70 and 74 years old.