

CHANGES BROUGHT BY THE
FINANCE ACT 2023

TO THE INCOME TAX ACT

CORPORATE TAX

An aerial photograph of a surfer riding a wave, centered in the lower half of the page. The water is a deep blue, and the wave's crest is white and foamy. The overall background is a gradient of blue, darker at the top and lighter near the bottom where the wave is.

Nolands
AUDIT • ADVISORY • LAW

INDEX

Tax Regimes

- Section 44C** **Page 3**
Companies engaged in banking activities
- Section 50J** **Page 4**
Solidarity levy payable by telephony companies
- Section 2** **Page 4**
Definition of exports

Tax Incentives

- Section 161A(58A)** **Page 5**
Tax credit in respect of expenditure on new plant and machinery
- Second schedule to Income Tax Act** **Page 6**
Partial exemption on interest income
- Second schedule to Income Tax Act** **Page 7**
Interest derived by individuals from debentures, bonds or sukuk to finance renewable energy products and from a sustainability bond or a sustainability-linked bond

Tax Deductions

- Section 67** **Page 8**
Double deduction in respect of investment in crèches
- Section 67Q** **Page 8**
Double deduction in respect of new campuses or local training institutions partnering with their African counterparts.
- Section 67R** **Page 9**
Double deduction on expenditure incurred by a local company participating in approved film.
- Section 67Q** **Page 9**
Double deduction in respect of market research and product development
- Section 66** **Page 10**
Donation to charitable institution
- Section 26** **Page 10**
Unauthorised deductions

CHANGES IN TAX REGIMES

1. AMENDMENTS TO SECTION 44C OF THE ITA **TAXATION OF BANKS**

The incentive tax rate of 5% (third tax band) has been removed.

Existing:

- A** Chargeable Income – **First MUR 1.5 Billion – 5%**
- B** Chargeable Income – **exceeding MUR 1.5 Billion** up to the amount equivalent to the chargeable income of the base year – **15%**
- C** Chargeable Income – **Remainder – 5%**

New provision

- The tax rates of Banks will be as follows;
- Chargeable income up to MUR 1.5 Billion – 5%
- Chargeable income above MUR 1.5 Billion – 15%

Existing S 44C – Companies engaged in banking activities

After Finance Act 2023

Section 44C now read as follows:

- (1) Every bank shall be liable to income tax on its chargeable income at the rate specified in Sub-part A of Part III of the First Schedule.
- (2) Repealed
- (3) Repealed
- (4) In this section – “bank” –
 - (a) has the same meaning as in the Banking Act; but
 - (b) does not include the Development Bank of Mauritius Ltd.

Effective as from 20 July 2023 – FA 2023- 38(d)

44

2. AMENDMENTS TO S 50J **SOLIDARITY LEVY PAYABLE BY TELEPHONY SERVICE PROVIDERS**

**Solidarity levy applicable on
Turnover component reduced
from 1.5% to 1%.**

**Applicable even if the Company
has made a loss on the turnover
component.**

After Finance Act 2023

(2B) The levy under subsection (1) shall be calculated at the rate of **5 per cent of the accounting profit and one per cent of the turnover** of the operator in respect of the year of assessment commencing on **1 July 2024** and in respect of every subsequent year of assessment.

(2C) For the purpose of subsection (1), where the operator has incurred a loss in a year, the levy shall be calculated at the rate of one per cent of its turnover.

Subsection (4) which read as follows has been repealed :

(4) No levy shall be paid in a year, where, in the year immediately preceding that year, the operator has incurred a loss.

- *TA Existing S 50J- FA 2023- 38(h)*
- *Effective as from year of assessment commencing on **1 July 2024** and in respect of every subsequent year of assessment*

3. AMENDMENT TO SECTION 2 **DEFINITION OF 'EXPORT OF GOODS'**

**Sale of aviation fuel to an
airline will be considered as
export of goods and will be
subject to tax at rate of 3%.**

The new definition of export of goods in section 2 of the Income Tax Act 1995 reads as follows:

“export of goods” includes –

- (a) international buying and selling of goods by an entity in its own name, whereby the shipment of such goods is made directly by the shipper in the original exporting country to the final importer in the importing country, without the goods being physically landed in Mauritius; and
- (b) **selling of aviation fuel to an airline.
(new item)**

*Effective as from **20 July 2023**; FA 2023- S 38(a)(iii)*



TAX INCENTIVES

AMENDMENT TO SECTION 161A TRANSITIONAL PROVISIONS

Manufacturing Companies

Investment tax credit of 15% over 3 years on new plant and machinery (excluding motor cars) is extended up to 30 June 2026.

After Finance Act 2023

S161A(58A)(a) – Tax Credit in respect of expenditure on new plant and machinery

Subject to paragraph (b), where, during the period 1 July 2020 to 30 June 2023 **2026**, a manufacturing company incurs capital expenditure on new plant and machinery, it shall be allowed, in the year of acquisition and in each of the 2 subsequent income years, a tax credit of an amount equal to 15 per cent of the cost of the new plant and machinery

- *ITA – Existing S161A; FA 2023 – S 38 (ae)(ii)(A)*
- *Effective as from 20 July 2023*

New paragraph (ab) introduced under under section 161A(58A)

(ab) Where a company is engaged in the manufacture of **both alcoholic and non-alcoholic beverages** and has incurred capital expenditure on new plant and machinery used **exclusively for the production of non-alcoholic drinks**, it shall be allowed to claim the deduction under paragraph (a).

Definition of manufacturing company as per section 2

“Manufacturing company”:

- (a) means a company which derives at least 75 per cent of its gross income from manufacturing activities in Mauritius; but
- (b) does not include –
 - (i) a company engaged in the manufacture of alcoholic drinks or cigarettes and other tobacco products; or
 - (ii) a company engaged in carrying on the business of restaurant;

Existing Paragraph (ab) being relettered as (ac)

TAX INCENTIVES – EXEMPTION

AMENDMENT TO SECOND SCHEDULE

ITEM 41

Financial Services – Partial exemption on interest earned by a Collective Investment Scheme and Closed End Fund from 80% to 95%

Item 41 amended as follows:

- (a) Subject to sub-item (b), 80 per cent of the income, other than interest, derived by a Collective Investment Scheme or a Closed End Fund licensed or approved by the Financial Services Commission established under the Financial Services Act.
 - (aa) Subject to sub-item (b), **95 per cent of interest derived** by a **Collective Investment Scheme** or a **Closed-End Fund licensed** or approved by the Financial Services Commission established under the Financial Services Act.
 - (b) The exemption under sub-items (a) and (aa) shall be granted provided the company satisfies the conditions relating to the substance of its activities as prescribed.
- *ITA –Second schedule Part II;; FA 2023 – S 38 (ag)(ii)(B)*
 - *Effective as from YOA commencing on **1 July 2024** and in respect of every subsequent year of assessment*

AMENDMENT TO PART II OF THE SECOND SCHEDULE

ITEM 3A

Item 3A of Sub Part B of Part II of the Second Schedule repealed

3A. Interest derived by individuals and companies from debentures, bonds or sukuks issued by a company to finance renewable energy projects, the issue of which has been approved by the Director-General on such terms and conditions as he may determine.

New Item 3A has been introduced as follows:

- (a) Interest derived by individuals and companies –
- (i) from debentures, bonds or sukuks issued by a company to **finance renewable energy projects** on such terms and conditions as the Director-General may approve; and
 - (ii) from a **sustainability bond** or a **sustainability-linked bond** issued in accordance with the bond principles, guidelines and handbooks administered by the International Capital Market Association to finance sustainable projects in Mauritius.

- (b) In this item –

“**sustainability bond**” means a bond which finances a range of both social and environmental projects that are aligned and **contribute** to the achievement of the **Sustainable Development Goals (SDGs)**;

“**sustainability-linked bond**” means a bond for which the financial or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability, Environmental, Social and Governance objectives which are measured through predefined Key Performance Indicators and assessed against predefined Sustainability Performance Targets.

- *ITA –Second schedule Part II; FA 2023 – S 38 (ag)(ii)A*
- *Effective as from 20 July 2023*

TAX DEDUCTIONS

S 67

INVESTMENT IN CRÈCHES

Two hundred percent (200%) deduction to companies on the Cost of setting up a Child Day Care Centre.

Existing S67 – Investment in crèches

After Finance Act 2023

(1)(a) Notwithstanding section 57, where, in an income year, a company incurs capital expenditure on a crèche **or the cost of setting up a Child Day Care Centre** for the benefit of its employees, it may be allowed a deduction from its gross income of twice the amount of such expenditure in that income year.

(b) Where a company claims a deduction in respect of a crèche **or Child Day Care Centre** under this section, it shall not be entitled to annual allowance in respect of that crèche **or Child Day Care Centre** under section 63.

Child Day Care Centre means such Child Day Care Centre as prescribed under the Children's Act 2020

- *ITA – Existing S67; FA 2023 – S38 (a) (v) & S 38(k)*
- *Effective as from 1 July 2023*

NEW S 67Q

JOINT TERTIARY EDUCATION WITH AFRICAN UNIVERSITIES

Two hundred percent (200%) deduction on costs incurred by higher education institution partnering with their African counterparts.

67Q. Joint tertiary education with African universities

(1) Where, in an income year, a **higher education institution** registered under the **Higher Education Act** enters into contract with **an African University** to provide joint tertiary education for **the final year of a course in Mauritius**, it may deduct from its gross income, twice the amount of any expenditure incurred in that income year on costs so incurred in connection for the conclusion of the contract with the African University.

(2) In this section – “costs” –

- (a) includes marketing cost, cost of hiring consultants and such other costs as the **Economic Development Board may approve**; but
- (b) does not include any cost of a capital nature.

- *ITA – New S 67Q; FA 2023 – S 38(m)*
- *Effective as from 1 July 2023*



NEW S 67R PARTICIPATION IN APPROVED FILMS

Two hundred percent (200%) deduction on expenditure incurred by a local company participating in approved film.

67R Participation in approved films

A company incorporated in Mauritius may, in an income year, deduct from its gross income, **twice** the amount of any **expenditure incurred** in the **financing, sponsorship, marketing or distribution** of a film provided that the film –

- (a) has been approved under the Film Rebate Scheme under the Economic Development Board Act; and
- (b) **after post-production**, is made up of **at least 90 per cent** of the principal **photography of Mauritius**, as certified by the Economic Development Board.

- ITA – New S 67R; FA 2023 – S 38(m)
- Effective as from **01 July 2023**

S 67P MARKET RESEARCH AND PRODUCT DEVELOPMENT

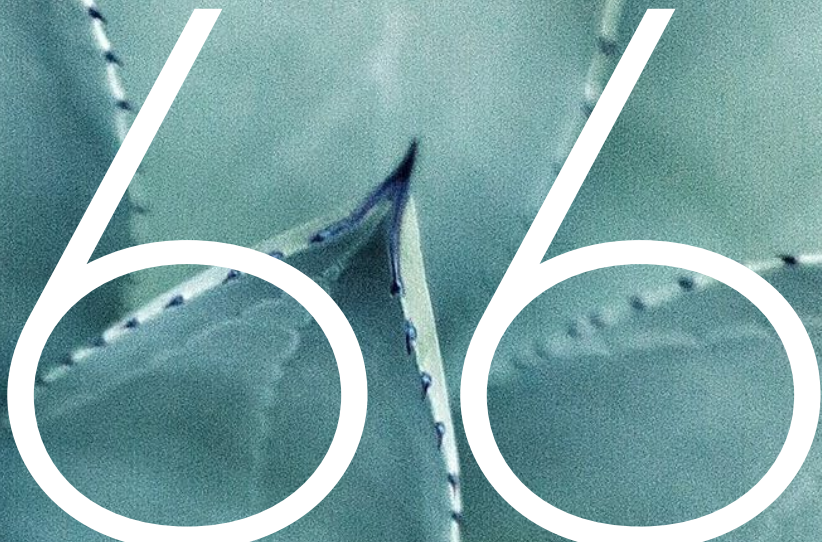
Two hundred percent (200%) in respect of expenditure incurred on market research and product development.

After Finance Act 2023

67P. Market research and product development *for African market*

- (1) Subject to subsection (2), where, in an income year, a manufacturing company **having an annual gross income derived from exports of goods not exceeding 500 million rupees** incurs expenditure on market research and product development *for the African market*, it may deduct, from its gross income, twice the amount of such expenditure incurred in that income year.
- (2) Where a company claims a deduction under this section, it shall not be entitled to annual allowance in respect of that expenditure under section 63.

- ITA – Existing S67P; FA 2023 – S 38(l)
- Effective as from **1 July 2023**



NEW S 66

DONATION TO CHARITABLE INSTITUTIONS

New section 66 introduced

A deduction from its gross income of an amount representing thrice the amount of donation made through electronic means by companies to charitable institutions, involved in;

- (a) supporting persons with health issues and disabilities;
- (b) protection or rehabilitation of street children; or
- (c) animal welfare and protection

The amount of deduction shall not exceed MUR 1 Million in an income year.

- *ITA – New S 66; FA 2023 – S 38(j)*
- *Effective as from 1 July 2023*

EXISTING S 26

UNAUTHORISED DEDUCTIONS

In section 26, in subsection (1),

New paragraph (i)

(i) any sum which has been given, directly or indirectly as a bribe shall not be deductible.

- *ITA – Existing S26; FA 2023 – S38 (c) (iii)*
- *Effective as from 20 July 2023*



TAX DEDUCTION AT SOURCE (TDS)

AMENDMENT TO S 111B APPLICATION OF SUB-PART BA

TDS not applicable on payments to management companies and investment advisors

S 111B–Application of Sub-Part BA

- (e) payments to a provider of services “**except a company holding a management license and an investment advisor holding a license issued by the Financial Services Commission established under the Financial Services Act**“ specified in the Fifth Schedule made by any person, other than an individual;
- Repealing paragraph (l): payments by any person, other than an individual, to consultants other than those specified in the Fifth Schedule
- *ITA –Existing S111B ,FA 2023- S 38(s(ii))*
- *Effective as from 20 July 2023*

TDS extended to include payments made:

(i) Sc 111B (n) repeal and replace as follows:

Payments by insurance companies to motor surveyors and any other person for repairs of motor vehicles of policy holders.

- (ii) The following new services added to the fifth Schedule
- Interior Decorator/Designer
- *ITA –Existing S111B ,FA 2023- S 38(s(iii))*
- *Effective as from 20 July 2023*

AMENDMENT TO S111C(5) APPLICATION OF SUB-PART BA

After Finance Act 2023

TDS (Cont'd) Amendment to S111C(5)
Application of Sub-Part BA

- (5) Where income tax is deducted from the interest, payments to an entertainer or sportsperson, or from rent or royalties in an income year under subsection (4), the amount of *tax so deducted tax so deducted, at the option of the payee* shall be deemed to be the final amount of tax payable in respect of the interest, payments to the entertainer or sportsperson, or from rent or royalties for that income year.
- *ITA –Existing S111B ,FA 2023- S 38(t)*
- *Effective as from 20 July 2023*

