



Dear Readers

The theme of this year's budget is "AMIGO" (An Attractive, Modern, Inclusive, Green & Open economy). The measures announced aim to consolidate on the economic reform program engaged two years ago whilst at the same time addressing many topical and very challenging issues.

A number of the fiscal and other measures seek to encourage a greener and more environment friendly Mauritius. As an island blessed with many hours of daily sunshine, the use of solar power equipments is being encouraged.

Traffic congestion is nowadays an extremely serious problem causing hindrance to our economic progress. Significant financial resources have been budgeted to tackle our many challenges in the port, at the airport and on our roads.

On the financial services front new measures have been announced to improve the competitiveness of the sector and to open new avenues on the international front. The full text of the budget speech is available on our website at:

<http://www.dtos.mu.com/newsletter/budget2008speech.pdf>

Jimmy Wong
Managing Director

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Budget 2008

The Deputy Prime Minister, Minister of Finance & Economic Development, Dr. The Honourable Ramakrishna Sithanen presented the budget on 6th June 2008. The budget is geared towards building an "attractive, modern, inclusive, green and open economy". It aims to consolidate booming industries, such as tourism and construction, whilst at the same time giving a spur to emerging pillars.

The major features of the budget can be summarised as follows:

Fiscal Measures

Registration Duty

- Registration duty on acquisition of IRS residence now payable at the rate of 5% on the value of the property or USD 70,000 whichever is higher.
- Agricultural land sold by sugar companies to métayers is not subject to registration duty.

Land Transfer Tax

- New rates introduced on transfer of land with value in excess of Rs 50 million as follows:
 - 15% for transfer within 5 years from date of original acquisition
 - 10% for other cases.
- No land transfer tax on transfer of agricultural land from sugar companies to métayers.
- Land transfer tax now applicable on transfer of shares in companies holding immovable property.

Excise Duty

- Excise duty on hybrid vehicles is being halved as from 1st July 2008.
- Consolidation of different customs duty & excise duty categories into a single excise duty rate of Rs 2,200 per thousand cigarettes.

Customs duty

- Duties removed on farm vehicles, equipment and their spare parts, motor spare parts and accessories, solar water heaters, most food-stuffs, blankets, ceramic tiles, carpets, laminated flooring of wood, plugs, sockets and electrical fittings, tyres with energy saving emission and reducing certification.
- Customs duty reduced from 30% to 15% on detergents and washing products, cosmetics & beauty products, toiletries & personal care, stationary, batteries.
- Customs duty remission is available on double cabin vehicles without rear bed-caisson and on all single cabin pick-ups for some category of persons like small vegetable, fruit, and flower planters, poultry farmers, fishermen's cooperatives, SME's registered with SEHDA with minimum turnover of Rs3m

Special levy

- Introduction of Maurice Ile Durable (MID) levy charged at Rs 0.15 per litre of petroleum products or per kilo of LPG and coal.

Personal Tax:

The income exemption threshold (IET) has increased by Rs 25,000 as follows:

CATEGORY	Current	Proposed	% INCREASE
A	Rs 215000	Rs 240000	11.63%
B	Rs 325000	Rs 350000	7.69%
C	Rs 385000	Rs 410000	6.49%
D	Rs 425000	Rs 450000	5.88%

The Minister has introduced two special IET for those who have reached the statutory retirement age and have stopped working. There will be two new Category E IETs. The first one will be Rs 285,000 where the pensioner has no dependent and the second one will be Rs 395,000 where the pensioner has one dependent.

Value Added tax (VAT)

- There is no change in the VAT rate of 15%.
- Potassium nitrate, mono potassium phosphate and magnesium sulphate are exempt from VAT.
- Zero-rating extended to pharmaceutical products.

Non Fiscal Measures

Building an Open Mauritius

Business Facilitation:

- Simplification of the system of business licensing by Board of Investment.
- Permanent residence for foreign investors whose business turnover exceeds Rs 15 million for 3 consecutive years.
- Set up of a commercial division in the Supreme Court so that the time to settle commercial disputes reduce from 2 years to 7 months.
- Reduction of registration period for a property from 210 days to 15 working days.
- Simplification of import & export process by reducing the number of required permits.

Financial Services:

- New legislations to encourage cross border transactions in securities, swaps, options & other derivatives.
- Amendments to banking act to allow banks to transact business on more flexible terms.
- Amendments of various legislations to improve compliance and reputation of our financial system.
- Regulation of financial leasing activities to be carried out by Bank of Mauritius only.
- Set up regulatory framework to encourage leasing companies to make shariah compliant products.
- Set up of appropriate regulatory framework for Real Estate Investment Trust activities in Mauritius.
- Encouragement of property leasing through amendment of Registration Duty Act & the Land (Duties & Taxes) Act
- Amendments to legislations to make normal banking & Islamic banking tax neutral
- Introduction of the new Constitution Industry Development Board Bill to ensure compliance with established standards.

Domestic Oriented industries :

- Introduction of anti-dumping and countervailing measures Bill to ensure fair competition for domestic oriented industries.
- Set up of manufacturing Adjustment & SME development Fund to sharpen the competitiveness of Domestic Oriented Industries.
- Set up of a scheme together with commercial banks to help SME's with less than Rs 50 million turnover to have better access to loans.
- Rise of equity participation by the SME Partnership Fund in SME's from Rs 3 million to Rs 10 million.
- Review of loan ceiling for both quasi-equity scheme and booster loan scheme from Rs 400,000 to Rs 500,000 and from Rs 75,000 to Rs 100,000 respectively.

Building Modern Mauritius:

A budget of Rs 125 billion has been devoted to enhance the state of infrastructure in Mauritius and will cover the following:

- Construction of a better road network
- Expansion of the airport
- Investment in the Port to sustain increase in container traffic.
- Promotion of sea food hub activities.
- Construction of a new city for knowledge services based industries, health care, ITES & BPO services.

Building Green Mauritius

The Government will inject Rs 1.3 billion to the Maurice Ile Durable Fund so as to support its various measures to build energy security. The following measures will be taken:

- Replacement of imported fossil fuel by local renewable sources .
- Better management of demand for energy by reducing consumption of fossils fuels and achieving efficiency in fuel use .
- Amending the Institutional framework to encourage innovation by households and businesses to produce electricity with emerging technologies.
- Attempt to achieve self sufficiency in the production of potatoes.
- Exploration of capacity for full sufficiency in other vegetables through experimentation.
- Preparation of 1000 hectares of land for plantation by small planters.
- Preparation of an aquaculture master plan to increase fish production.

Building Inclusive Mauritius

- Set up of an e-inclusion foundation. This will be a joint public-private partnership.
- Creation of a new micro credit scheme for the 100% financing of projects implemented by women.
- Professionalism & implementation of a more permanent structure to sustain and enhance the performance of the Empowerment programme, which will operate under the aegis of the National Empowerment Foundation.
- Allocation of Rs 170 million for the construction of 774 Firinga houses on 10 sites across Mauritius for every low income families.
- Allocation of 1000 arpents by Government/MSPA for social housing programmes.

ECONOMIC REVIEW

	Year 2005	Year 2006	Year 2007	Year 2008
GDP at market prices (Rs in billion)	185	206	235	263
GDP growth rate (%)	2.3	5.0	5.7	6.2
Per Capita GDP at market prices (Rs in million)	149,049	164,636	186,831	207,598
Unemployment Rate (%)	9.6	9.1	8.7	8.5
Inflation Rate (%) - FY	5.6	5.1	10.7	8.8
Savings Rate (% of GDP)	17.4	17.1	21.3	20.8
Investment Rate (% of GDP)	21.4	24.3	25.1	26.0
Balance of Visible Trade (Rs in billion) - CY	(30.1)	(41.4)	(51.5)	(56.6)
Overall Balance of Payment (Rs in billion) - CY	(4.9)	(4.6)	8.6	3.3
Net International Reserves (Rs in million)	56,548	74,192	85,834	81,742 *
Budget Deficit (% of GDP)	5.0	5.3	4.3	3.8
Tourist Arrivals	761,063	788,276	906,971	975,000
Tourism Receipts (Rs in million)	25,704	31,942	40,687	48,000

*At the end of march 2008.

Source: CSO and BOM

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