

# BUDGET 2022-2023

Business Mauritius considers that the National Budget 2022-2023 addresses, overall, current priorities of the business community, especially regarding the energy sector, real estate and sea connectivity. The economic recovery process remains underway despite the global instability. We also welcome the setting up of the economic research and planning bureau, *Maurice Stratégie*, and look forward to working with Government on better positioning Mauritius internationally. This budget moreover includes much needed support measures for those most affected by the recent price increases, dovetailing the proposed inclusiveness projects of the business community, such as *Moris Solider* and the temporary voucher system. Conversely, reforms of the labour market and pension and fiscal systems are still required. The focus is now on the timely implementation of the measures announced.

## Mauritius Chamber of Commerce and Industry (MCCI)

Our pre-budget proposals included the introduction of smart agriculture to enhance the efficiency of the sector, measures to combat climate change, promote real and potential investments, develop human capital and stimulate digital transformation. While these measures were not addressed in the national budget, we welcome the inclusion and targeting of those most affected, the creation of "*Maurice Stratégie*" to design short, medium and long-term socio-economic strategies. The impact on the cost and ease of doing business, consumption, socio-economic development, and the environment must now be analysed.

## Mauritius Export Association (MEXA)

The Minister of Finance positively acknowledged two of our recommendations: the introduction of an energy transition framework and increased maritime connectivity. These measures will benefit our Export sector and uplift our Textile Export strategy. The redefinition of SMEs' threshold from Rs 50 to Rs 100 million is also a positive step. We moreover welcome the set-up of a committee presided by the Prime Minister over the issuing of work permits and the renewal of schemes for air and sea freight support. We, nonetheless, hoped that we would hear more about measures concerning reconducting the Trade Promotion and Marketing Scheme.

## Association of Mauritian Manufacturers (AMM)

Our pre-budget proposals highlighted measures for industrial innovation, skills development, food, and nutrition security. We appreciate that the measures in the national budget address new energy frameworks, as generating our own electricity while reducing our energy consumption is key. We also welcome the fact that investors can now invest in solar panels. The organisation of events to promote local products is a positive step too, while the launching of feeder vessels to Africa and India will allow local businesses to grow. The promotion of local purchasing, especially in public procurement, is also a strong measure. We deplore the fact that the renewal of the industrial park was left out.

## Association of Hotels and Restaurants of Mauritius (AHRIM)

With the targeting of 1.4 million tourists by the end of June 2023, we find that the 10% increase on MTPA's budget and a 10-year plan to reposition Mauritius as a world-class destination are positive measures. The grant of Rs1 billion to embellish beaches, villages and other landmarks is also a commendable initiative. To improve our destination's attractiveness, nonetheless, the need to relax sanitary protocols should have been addressed, as well as the number of air seats into Mauritius, which to our view should be increased.

## Mauritius Chamber of Agriculture (MCA)

We commend the measures aimed at reinforcing the sector's resilience and efficiency, such as the Micropropagation and Seeds Production scheme and the creation of an Agro Processing Park and Fruit Processing cluster. The Crop Replantation Fund to enhance abandoned agricultural land will revitalise the agricultural industry, whilst the increased subsidy on onion, potato, garlic and bean seeds and new subsidies on liquid fertilisers and locally produced compost will be a breeze for planters. However, there was no update on the Biomass Framework.

## Energy transition and circular economy



Various measures favour the transition to a low-carbon economy: the CEB purchasing electricity under the Medium Scale Distributed Generation Scheme (MSDG) at a feed-in tariff of MUR 4.20 per kWh and the institution of a committee chaired by the Prime Minister (PM) to fast-track the implementation of renewable energy projects to attain the set objective of 60% of renewable energy in the energy mix by 2030 are welcome.

However, the budget lacked an update on the National Biomass Framework and on the wind component of the energy roadmap.

Additionally, Business Mauritius commends Government's promotion of circular economy by paying a tipping fee to local recyclers and the introduction of a framework for sustainable public procurement for vehicles, IT equipment and the construction sector. The planned legislative amendments to allow the sale at a discounted price of eligible food products between their "best before" and expiry dates will contribute to reducing food waste.

## Capacity building and labour market reforms



Measures aiming at boosting the employment of the youth and women, namely the *prime à l'emploi*, are welcome.

Moreover, we commend measures aiming at facilitating the recruitment of foreign workers (the committee to be chaired by the PM on work permits) and at addressing the skills gaps and labour deficits in the construction and digital industries (the setting up of a Construction Industry Training Council and a Digital Industries Academy).

We also note that our proposal pertaining to allowing employees to use their sick leaves to attend to a sick child has been retained.

However, we believe that in-depth reforms of our labour market are necessary, and look forward to engaging further with Government in the medium term.

## Digitalisation, research and development (R&D), and innovation



We support the digitalisation of specific public services, including the application for Certificates of Character and the payment of road traffic fines, and favour their implementation under a public-private partnership model.

On R&D and innovation, we note:

- > A Venture Capital Fund of MUR 5 billion by MIC targeting SMEs and mid-market enterprises.
- > A framework for the setting up of Healthcare University spin-offs to promote R&D of new healthcare products.
- > The extended mandate of the Mauritius Institute of Biotechnology (MIB) to develop the pharmaceuticals, medical devices and nutraceuticals sectors, as well as R&D centres for testing.

Unfortunately, it appears that the Double Deduction of R&D Expenditure for tax purposes has not been extended. A robust Patent Protection system is also required to support the development of research and innovation in Mauritius.

## Structural reforms



The improved access to Occupation Permits and Premium Visas, to property, and the development of a new concept of sustainable living, among others, shall improve the attractiveness of Mauritius to investors and talents.

Furthermore, the Inter-Ministerial Committee chaired by the PM to oversee the streamlining of licenses and permits in the construction, tourism, healthcare, and logistics sectors is a promising measure for the ease of doing business, as is the one-week lead time for the opening of bank accounts.

Moreover, based on optimistic investment and growth forecasts, the announced improvements on public debt and deficit are important measures to boost the country's attractiveness to foreign investors. Regarding fiscal discipline, the planned reduction in capital expenditure and improvements to public procurement are also noteworthy.

In the medium-term, a collaborative approach is necessary to reform our pension ecosystem and to boost our fiscal competitiveness compared to other countries competing for talents and investors.

Finally, '*Maurice Stratégie*', a new economic research and planning bureau to formulate socio-economic policies, is an important announcement on which we should build to position Mauritius in the medium and long term.

## Sea and air connectivity



The business community welcomes the chartering of two regional feeder vessels to Asia and Eastern Africa, to support exports and the development of regional value chains. The tax holiday for Freeport operators also represents an encouraging measure.

A Port Reform Plan to accompany the above-mentioned transformation would nonetheless have been opportune.

Regarding air connectivity, Business Mauritius notes the facilitation of passenger flow with technology improvements at the airport. This said, the one-million tourist target hinges on restoring the pre-crisis airlift.

## Supporting the most vulnerable



Business Mauritius welcomes the wide range of measures aimed at supporting the population in the face of rising food and energy prices, which are a direct consequence of disruptions in supply chains and the Ukraine crisis. However, in the medium term, we would recommend a targeted approach to support the most vulnerable.

Furthermore, with the increased allocation to NSIF, we reiterate our pre-budget proposal under the '*Moris Solider*' project to introduce a voucher system.

Regarding SMEs, we highlight the widening of the definition of SMEs and recognising mid-market enterprises, the extension of moratoriums and the refund of salary compensation up to June 2022 amongst others. Moreover, the tax allowance for Angel investors providing seed equity to SMEs is an important measure.

Unfortunately, the increased TDS scope may lead to cash flow issues for some SMEs, who had on the contrary requested exemption. Further discussions would also be required for the simplification of Trade Fees and other SME-related matters.

## Seizing opportunities



The following measures are highlighted:

- > Further opening up of the real estate sector to provide a boost to investments and to the construction sector;
- > Margin of preference and reserving public contracts to local constructors;
- > Support measures for farming, agricultural products and small scale transformation;
- > Legislative frameworks for developing the healthcare and pharmaceutical sector;
- > Off lagoon aquaculture sites and framework for pearl oyster and algae culture and assessment of our fish and other marine stocks;
- > Upgrading of the Central KYC and the Central Accounts Registry (key for the Fintech sector), blueprint for the ICT sector and the Digital Industries Academy; and
- > The Renminbi Clearing Centre and the collaboration of the National Payments Corporation of India which can help positioning Mauritius as a services hub for Africa (together with convergence of local and global business regimes).

However, it would be right to develop a cohesive roadmap for the Real Estate sector as well as for local production. In the same vein, the knowledge sector would benefit from the elaboration of National Strategy and roadmap. Private Partnerships for private provision of healthcare, a detailed plan for the development of the ocean economy and our Africa Strategy are also important areas of future growth on which further discussions may be necessary.

## Building and Civil Engineering Contractors Association (BACECA)

The reintroduction of a margin of preference for local construction companies; the renewal of the Home Ownership Scheme for real estate development; the awarding of government contracts under Rs 20 million to small local contractors; the continuation of the Flood Management Program to mitigate climate change risks; the construction of a of an additional déchetterie for construction and demolition wastes; the establishment of a Construction Industry Training Council to improve training and develop skills; and the merging of the CIDB and the Building Control Advisory to form the Construction Industry Authority are noteworthy. Yet, we regret a lack of incentives for technology, innovation, research, and digital tools to make the sector more attractive to the younger generation. There was also no mention of support programs for companies in financial distress in the current inflationary climate.

## Mauritius Bankers Association (MBA)

Though we expected the budget to highlight measures regarding pension services and capital market, immigration rules for professionals, big companies and SMEs financing and legal measures for the Insolvency Act, we welcome the significant measures announced to boost the finance and banking sector: Renminbi clearing, introduction of RuPay cards, regulatory integration of domestic and Global Business sectors, etc. The announcement of a Renewable Energy Framework and a 5-year BluePrint on digitalisation are also laudable. We now look forward to working with stakeholders to develop a Carbon Credit and an ESG framework, steadily implement the smooth opening of accounts and thoroughly review the Sale by Levy Act.

## Insurers' Association of Mauritius (IAM)

The announced measures on pension reform are satisfactory, notably the increase in pension thresholds which will further encourage pension provision and accelerate the positive trends observed, as well as the amendments to the National Pension Act and the Private Pension Schemes Act which will provide more flexibility – two of our main recommendations. More functionality in the central KYC system and the multilateral clearing system between insurers will also allow for greater efficiency. We welcome the increased support for victims of hit-and-run accidents. However, we reiterate our call for the transition from a pension fund to the PRGF to be handled carefully to avoid any negative impact on national pension funds.

## Outsourcing and Telecommunications Association of Mauritius (OTAM)

Although our two main budget recommendations – easing the recruitment of foreign workers and lowering the wholesale price of underwater fiber optic cables – were not fully addressed, we are glad to note that the Minister of Finance came forward with the creation of a Digital Industries Academy for skilling, reskilling and upskilling talents. The creation of an Incubator to re-energise the sector, the setting up of a 5-year Blueprint as well as increased mobility and connectivity measures will be determinant in the development of our sector. The launch of a Technology Parks in Rodrigues is also commendable.

