The devil will be in the detail

In his second successive Budget speech, Honourable Pravind Kumar Jugnauth has reiterated his pledge for getting the economy back on track, reducing unemployment rate, taking households out of poverty and achieving development that is environmentally sustainable and more inclusive, in what he refers to as *'the new destiny for our country and our people'*.

His ambition as he put it is to see Mauritius become a high-income economy by 2023 with a GNI per capita in excess of US$13,600 as opposed to US$9,740 presently.

This budget comes within a difficult context characterised by rising uncertainty and volatility at global level notwithstanding pressure from the international community including the OECD specifically on the aspect of our tax practices.

Positive measures that ought to be highlighted include:

• The creation of an Economic Development Board which will consolidate a number of institutions including the BOI and the FSPA hence resulting in less 'office hopping';

• A business process re-engineering exercise as regards permits and licences to fast track business ventures;

• The negotiation of free trade agreements with China, India and European Free Trade Association;

• The creation of a digital youth engagement programme;

• The investment in water infrastructure and the reduction in electricity costs for certain businesses;

• The promotion of innovation-driven activities through an 8-year tax holiday – although it remains unclear as to which activities will qualify for this exemption; and

• The reduction to 15 working days for the issuance of a work permit for the manufacturing sector.

The Prime Minister and Minister of Finance and Economic Development came up with a number of initiatives that include significant infrastructure spending including but not limited to the Metro Express whose implementation is to kick start as from September 2017.

From a fiscal angle, he has also come up with some initiatives, which he qualified as a major tax reform. Key measures read as follows:

• A reduced tax rate of 3% to encourage exports in the manufacturing sector;

• 8-year tax holiday for new companies in the pharmaceutical, medical and high-tech sector;

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• A negative tax for income earners of less than Rs10k per month; and

• A 5% solidarity levy imposed on individuals earning income (including dividends) in excess of MUR 3.5m per annum.

It is always risky at this early stage to ascertain whether these measures will have the desired effect as the 'devil is in the detail'. The Prime Minister was also minded to propose the formulation of a blueprint for the Global Business sector in the light of the forthcoming challenges of this industry in the next 10 years. This is clearly in response to international pressure, mainly from the OECD countries. Given the contribution of the Financial Services industry to the Mauritian economy, including that of the global business sector specifically, we hope that Government will consult with the private sector prior to establishing a strategic roadmap for the industry.

We welcome the clear indication that Africa remains a key target for Mauritius and the commitment to opening our air access further and await to see the measures implemented to make this a reality.

While some measures were announced as regards the education and ICT sector, we are of the opinion that significantly more could have been proposed as to the development and nurturing of our human capital domestically especially in a context characterised by both capacity and capability issues (skills mismatch). We also believe that a bolder approach in terms of public sector reform could have been envisioned.

Eventually and as highlighted in previous exercises, we remain prudent as to the capacity of government to implement budgetary initiatives in a timely and comprehensive manner.