

# BUDGET 2023-24

## MEASURES IMPACTING THE INSURANCE SECTOR

INSURERS ASSOCIATION OF MAURITIUS

### PENSION REFORM >



After the introduction of tax incentives in respect of an individual pension scheme in previous budgets, it was noted that such measure stimulated the market and encouraged citizens to actively purchase pensions plans with a view to reduce their dependence on government.

This is mutually beneficial for both the citizens and government whereby the latter will gradually benefit from a reduced burden for welfare as citizens participate in available schemes and share the burden to become more self sufficient and autonomous.

This year, the budget speech has announced measures that will further encourage pensions provision and also bring flexibility to pension management.

This will also mean leaving one's pension money professionally invested.

### 1. THE PRIVATE PENSION SCHEMES ACT WILL BE AMENDED TO:

- ▶ Define the word "person" insofar as it applies in case of transfer or amalgamation of a private pension scheme;
- ▶ Cater for the approval of transfer of pension benefits from a private pension scheme to an insurance company through an annuity buyout;
- ▶ Provide for settlement of unclaimed benefits by a beneficiary's assignee, legal heirs or legal representative, seven years or more after death of the beneficiary;
- ▶ Impose on a beneficiary's assignee, legal heir or legal representative, the obligation to respond to a notice issued by a private pension scheme on accrued pension benefits of the beneficiary;
- ▶ Enable the FSC to maintain records of abandoned funds so as to ensure the refund of these funds to the legal representative as well, if need arises; and
- ▶ Introduce micro pensions through the setting up of a private pension scheme targeting the informal sector.

### 2. THE WORKERS' RIGHTS ACT WILL BE AMENDED TO:

- ▶ Provide for an employer who has sponsored a worker in a private pension scheme to pay the Portable Retirement Gratuity Fund (PRGF) contribution for any period that the worker was not covered by the private pension scheme;
- ▶ Harmonise the provisions of the Workers' Rights Act with the rules of the FSC, by requiring the administrator of a private pension scheme or the governing body of a self-administered scheme to ensure that the employer is complying with the eligibility criteria of the PRGF prior to the submission of a certificate to the FSC;
- ▶ Facilitate conversion of the rate of contribution of a private pension scheme to the PRGF rate by providing that the amount of the employer's monthly contribution in the private pension scheme cannot be less than the amount of the employer's monthly contribution if it was based on the PRGF prescribed rate; and
- ▶ Better protect workers' gratuity on retirement by providing that an employer who has sponsored a worker in a private pension scheme does not make any deduction from any gratuity payable where the private pension scheme is not adequately funded.

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### INVESTMENT CLIMATE >

Regulatory reform is a key component of removing the barriers to investment and also encouraging sustainable investment.

It is important for investments made by insurance companies and pension fund to generate a decent yield which in turn is translated to decent bonus/returns for the policyholders.

Long term insurers have been negatively impacted due to Covid 19 and are facing investment challenges to secure favourable terms for policyholders.

With an asset base of over MUR 100 billion held by insurers and pensions schemes, access to high return and sustainable investment is important for the ultimate benefit of the policyholders.

- ▶ Investments linked to production of materials for renewable energy technologies will henceforth benefit from incentives under the Premium Investor Certificate;
- ▶ In line with our sustainability agenda and to promote the greening of our economy:
  - The exemption of interest income derived from bonds to finance renewable energy projects is being extended to all sustainable projects; and
  - The Bank of Mauritius will develop a Carbon Trading framework for both blue and green credits.
- ▶ The Securities Act will be amended to enhance the attractiveness of Mauritius as a Fund domicile by allowing Funds to invest in loans or similar debt instruments.



### ROAD ACCIDENT >

**ROAD ACCIDENTS AND FATALITIES SHATTER THE LIVES OF CITIZENS AND GOVERNMENT WILL CONTINUE TO ADDRESS THIS CHALLENGE.**

- ▶ Speed calming measures at identified risky areas will be provided;
- ▶ For victims of hit and run road accidents, the maximum amount of compensation payable will be doubled to Rs 1,500,000;
- ▶ The Insurance Act will be amended to enable the Insurance Industry Compensation Fund to provide for appropriate non-pecuniary assistance to victims of hit and run road accidents; and
- ▶ **The Road Traffic Act will be amended to cater for arbitration either through the Motor Vehicle Insurance Arbitration Committee (MVIAC) or private through the Insurers' Association of Mauritius.**



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### DIGITAL TRANSFORMATION >



- ▶ To encourage the adoption of e-signatures, ICTA will now recognise Certifications including DocuSign and Adobe Sign;
- ▶ The Digital Rupee will be rolled out in November this year on a pilot basis;
- ▶ To introduce a new framework to support the licensing and operation of Electronic Money Institutions (EMI); and
- ▶ The Virtual Asset and Initial Token Offering Services Act will be amended to allow a Virtual Asset Custodian to also hold custody of securities tokens; remove the requirement for an applicant to be considered as issuer of initial token offerings to submit an approval letter, in respect to the initial token offerings, issued by the virtual asset exchange or its equivalent acceptable to the FSC, and empower the FSC to make Rules for the setting up of a Virtual Asset Register on virtual asset service providers.

Digitalisation is a must for all industries. The benefits are both clear and compelling.

For insurers, digitalisation means huge gains in speed and efficiency, while consumers now expect products and services to be on-demand and personalised. They want insurance solutions that reflect their needs and lifestyles and are immediately available through technology.

As a customer centric industry, our members are responding to market needs and the various measures announced in the budget speech are key elements for our members to continue embracing digitally-powered solutions and promoting change.

### SUSTAINABLE ECONOMY >

The budget speech makes mention of the government commitment to continue the transformation of Mauritius into a sustainable economy, be it in terms of energy, water or the circular economy.

Various programmes have been announced to protect our environment and reduce our carbon footprint:

- ▶ A bold strategy to reduce our reliance on non-renewable sources of energy and for our transition towards a more secure, cleaner, greener homegrown energy supply to make of Mauritius a Carbon Neutral Economy;
- ▶ A public transport decarbonization programme and the continuation of promoting the shift towards electric vehicles with the Negative Excise Duty of 10 percent extended up to June 2024;
- ▶ An ambitious flood mitigation programme across the island; and
- ▶ Other mitigation against climate change.

### SILVER ECONOMY >

The FSC will issue guidelines to insurance companies to cater for retirees including foreign retirees and to ascertain that new risks are being properly reinsured and ring-fenced.

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### AML/CFT >



- ▶ Introduce a new set of legislative amendments to reinforce the existing AML/CFT legal framework and a Whistleblowing Act to sustain the fight against corruption.
- ▶ Commission an independent assessment of the effectiveness of our AML/CFT system ahead of the ESAAMLG mutual evaluation in 2025.
- ▶ The Financial Intelligence and Anti-Money Laundering Act (FIAMLA) will be amended to clarify that entities such as Fintech Service Provider, reinsurance companies and brokers, travel insurance, health insurance, actuarial services, credit rating agency and insurance salesperson do not fall under the scope of the FIAMLA.

### THE FINANCIAL SERVICES ACT WILL BE AMENDED TO:

- ▶ Define “AML/CFT”, “AML/CFT legislation” and “administrative penalty”;
- ▶ Specifically empower the FSC to take enforcement actions in case of breach of AML/CFT legislation;
- ▶ Provide that the FSC can enter into arrangements and extend assistance to a foreign supervisory institution if that institution satisfies relevant confidentiality requirements imposed by the FSC;
- ▶ Require moneylenders to comply with any requirement of the FSC instead of prudential requirements;
- ▶ Align sanctions for non-payment of administrative penalties with that of non-payment of license fees;
- ▶ Provide for the delegation of the Chief Executive's power to issue directions for the purpose of an investigation;
- ▶ Provide that licensees will be under an obligation to submit independent compliance reports to the FSC;
- ▶ Include breach of the AML/CFT legislation as a ground for referral to the Enforcement Committee;
- ▶ Remove the Chief Executive as a member of the Settlement Committee to avoid possibility of conflict;
- ▶ Clarify that the issuance of a certificate of good standing is also applicable to Authorised Companies;
- ▶ Provide for the electronic filing of documents by licensees; and
- ▶ Provide that recovery of annual fees and late charges due to the FSC will not be time barred to enhance recovery capacity of the FSC.

### TAX ADMINISTRATION: INCOME TAX >



### TAX DEDUCTION AT SOURCE (TDS) - BROADENING OF SCOPE

The Income Tax Act will be amended to broaden the scope of TDS to cover:

SERVICES	RATE OF TDS
Payment of fees made by insurance companies to panel beaters and spray painters for repairs of motor vehicles of policy holders	3%

Disclaimer: In a spirit to highlight the key measures announced in the National Budget Speech 2023-24 and other constituent proposals, this document has been put forward summarising the key budgetary measures for the insurance sector, subject to enactment of the appropriate legislation to give effect to these measures. This document should not be construed as a complete compilation of all measures announced, and the members / readers should refer to the source budgetary documents and enactment for any clarification or precision.