

AFRICA RISK CONSULTING

Mauritius Monthly Briefing June 2025

Mauritius Summary 26 June 2025

Prime minister Navinchandra Ramgoolam (2024-present), who also serves as finance minister, delivers the 2025/26 budget, introducing significant legislative changes aimed at tightening fiscal spending and increasing revenue streams to lower the country's budget deficit. A notable introduction is a new tourist tax, which could prove to be a short to medium term economic risk for the country as it may disincentive travel to the country. United Nations Human Rights Commission (UNHRC) criticises the Chagos Island deal between the United Kingdom (UK) and Mauritius, stating that it did not include Chagossians in the negotiation process.

Budget speech introduces new legislations

Prime minister **Navinchandra Ramgoolam** (2024-present), who also serves as finance minister, delivered Mauritius' budget speech on 5 June, introducing significant changes to revert the current economic trajectory of an increased budget deficit. Ramgoolam seems to have stuck to the recommendations the **International Money Fund (IMF)** gave in its **Article IV Consultation**. IMF mission head **Mariana Colacelli** noted that the IMF expects Mauritius' fiscal deficit to further widen in 2025 to 6.6% of gross domestic product (GDP) from 4.5% in 2024 (see *ARC Briefing Mauritius Apr 2025*).¹ Colacelli recommended that the government consider implementing a medium-term growth-friendly fiscal consolidation plan, to reduce current spending, boost tax revenue and strengthen fiscal governance.

Ramgoolam announced that the government aims to halve its budget deficit in the coming three years by reducing borrowings, increasing revenue and increasing foreign direct investment (FDI).^{2 3} Notably, the \$136m annual payment Mauritius is receiving from the **Chagos Island** deal will be used to service debt and borrowings.⁴ Ramgoolam also emphasised the importance of FDI to increase the country's revenue, and lowered value-added tax (VAT) for the importing of capital goods valued at Rs500,000 (\$10,750) or more.

Although Ramgoolam provided relief for businesses with this legislation, other VAT regulations for businesses have become stricter. Businesses are now required to register for VAT when turnover of taxable supplies are more than Rs6m (\$129,126), which is up from the previously required Rs3m (\$64,563).⁵ Similarly, companies that earn 50% of their annual turnover in a foreign currency will be required to pay their taxes in that currency, which might be beneficial for some companies, but most companies use the **United States (US)** dollar will be paying more tax.⁶

These changes to business VAT regulations are important for the country to collect revenue, but it is also an important strategy for Mauritius to distance itself from its reputation as a tax haven because of its lax tax requirements. However, complicated and over regulation of business tax could also lead to a decrease in FDI. It is a balance for the government to strike between protecting its reputation as a global business hub and revenue streams but not to disincentivise business and FDI, especially considering the country's reliance on foreign business.

¹ Republic of Mauritius, 12 Apr 2025

² KPMG, 5 Jun 2025

³ Reuters, 5 Jun 2025

⁴ KPMG, 5 Jun 2025

⁵ MCCI, 5 Jun 2025

⁶ MCCI, 5 Jun 2025

Another important change the government has introduced is the simplification of personal income tax bands. Previously personal income tax bands were divided into eleven categories, overcomplicating tax requirements. However, the legislation has now been changed to only include three personal income tax band:

- 0% on annual chargeable income up to Rs500,000 (\$10,750);
- 10% on the next Rs 500,000 (\$10,750); and
- 20% on any remaining income.⁷

The simplification and slight lowering of personal income tax is an important measure to address the cost of living crisis because it frees up disposable income and boosts economic activity. This is important as it was one of the major issues the current government campaigned on.^{8 9} The government has also announced that it will gradually be increasing the retirement age from 60 to 65.¹⁰ The government's biggest motivation behind this decision is to ensure longer-term labour force participation but also long-term sustainability. This is another measure to combat the cost of living crisis, by allowing individuals to be economically active for longer.

Overall, the government has made serious attempts to adhere to the IMF's recommendation by tightening fiscal spending and trying to increase revenue streams, while also following through on election campaign promises.

New tourism tax

The tourism industry is a key part of Mauritius' economy, constituting 9% of gross domestic product (GDP) in 2024, but the government has introduced a new legislation whereby tourists will be charged \$4 per night as part of the country's 2025/26 budget.^{11 12} The new levy will apply to all tourists above the age of 12 who are staying in hotels, guesthouses, tourist residences (such as Airbnb's) and on vineyards.¹³ The government states that these funds will be reserved for environmental preservation, infrastructure maintenance, and sustainable tourism development.¹⁴

While this new levy is in line with the government's strategy to increase revenue collection to decrease the budget deficit, the levy could carry unintended consequences. The levy could be too much for price-sensitive travellers who many choose more affordable tourist destinations such as southeast **Asia**. For high-end tourists, the newly introduced levy may signal rising costs without clear value additions.

Although it is important for Mauritius to diversify its economy beyond its reliance on its natural resources for tourism, it is equally important for the country to stabilise its fiscal position. Therefore, it is important that the government place emphasis on alternative industries, such as finance, by incentivising further FDI through competitive tax regulations but not disincentivising other industries, such as tourism.

Considering the state of the budget deficit, trade deficit, and cost of living, it is important for the government to maintain momentum in key sectors while nurturing new ones. A downturn in tourist arrivals could have a ripple-effect on public finances, job creation, and foreign currency reserves.

UNHRC criticises Chagos Island deal

The **United Nations Human Rights Commission (UNHRC)** released a report on 10 June stating that the recently concluded **Chagos Island** deal has failed to properly include Chagossians in the

⁷ MCCI, 5 Jun 2025

⁸ World Bank, 2019

⁹ Reuters, 10 Nov 2024

¹⁰ KPMG, 5 Jun 2025

¹¹ EDB, 2024

¹² Travel News, 17 Jun 2025

¹³ Travel News, 17 Jun 2025

¹⁴ MCCI, 5 Jun 2025

negotiation process and failed to guarantee Chagossians' rights in the islands handover back to Mauritius.¹⁵ The **United Kingdom (UK)** and Mauritius finalised and signed an agreement for the Chagos Islands on 22 May after nearly three years of negotiations and a change of leadership in both the UK and Mauritius (see *ARC Briefing Mauritius May 2025*). The deal includes annual payments from the UK to Mauritius for the 99 year lease of **Diego Garcia**, the biggest island which hosts the joint UK-US military base, as well as a surrounding buffer zone where no infrastructure can be built without the consent of the UK.

The report, which included the opinion of independent professionals, advised the UK and Mauritius to renegotiate the deal to include the consultation of Chagossians and to provide for adequate and effective reparations to reinstitute their rights.¹⁶ Most importantly, the report suggests that the negotiation should facilitate the Chagossians access to cultural sites and their ability to conserve their cultural heritage. The report's allegations reflect poorly on Mauritius, as the essence of the deal between the UK and Mauritius was about protecting Mauritius' sovereignty against its former coloniser, but it has ignored those who were the most impacted. However, it is unlikely that Mauritius will change the deal now or renegotiate as the new government will be seeking to finalise the deal as soon as possible to promote it as a political, economic and diplomatic achievement, once again highlighting what it perceives as the former administration's shortcomings.

Planner

13 Aug 2025 **Port Louis (Mauritius) Bank of Mauritius** (central bank) **Monetary Policy Committee** meeting

Chronology

25 Jun 2025 **Port Louis (Mauritius) Le Mauricien**. Junior finance minister **Dhaneshwar Damry** defends the 2025/26 budget and criticises the former **Mouvement Socialiste Militant (MSM)** administration for creating a culture of dependency and fiscal irresponsibility;

24 Jun 2025 **Port Louis (Mauritius) News24**. Government announces that it is inviting investors to establish and operate a floating power in the ocean to address the country's growing energy needs;

24 Jun 2025 **Port Louis (Mauritius) Ommcom News**. **India's** prime minister **Narendra Modi** holds a telephone conversation with prime minister **Navinchandra Ramgoolam** to discuss bilateral ties;

23 Jun 2025 **Port Louis (Mauritius) Government Information Services**. A delegation from the **National Audit Office of China** holds a meeting with the **National Audit Office** director of auditing **Dharamraj Paligadu**;

22 Jun 2025 **Port Louis (Mauritius) Ministry of Foreign Affairs**. **Greece's** ambassador **George Psiachas**, gives a courtesy visit to foreign affairs minister **Dhananjay Ramful**;

20 Jun 2025 **Port Louis (Mauritius) European External Action Service**. The Mauritian delegation for the **European External Action Service (EEAS)** participates in a training on statistics of the **European Union Global Facility** for the anti-money laundering/countering the financing of terrorism (AML/CFT);

19 Jun 2025 **Port Louis (Mauritius) Le Mauricien**. Mauritius plans to establish a high-level committee to accelerate the framework for parallel importation of medicines, aiming to address recurring drug shortages and high prices by allowing access to equivalent medications from regulated foreign markets;

12 Jun 2025 **Port Louis (Mauritius) Ministry of Foreign Affairs**. **Czech Republic's** ambassador **Tomáš Uličný**, gives a courtesy visit to foreign affairs minister **Dhananjay Ramful**;

¹⁵ UN, 10 Jun 2025

¹⁶ The Conversation, 2 Jun 2025

10 Jun 2025 **Port Louis (Mauritius)** *Le Mauricien*. Prime minister **Navin Ramgoolam** reaffirms his commitment to creating a **Marine Protected Area** around the **Chagos Archipelago** and calls for international cooperation to advance ocean conservation and sustainable development;

9 Jun 2025 **Port Louis (Mauritius)** *Ministry of Foreign Affairs*. **Finland's** ambassador **Pekka Metso**, gives a courtesy visit to foreign affairs minister **Dhananjay Ramful**;

8 Jun 2025 **Port Louis (Mauritius)** *Le Mauricien*. Prime minister **Navin Ramgoolam** attends **World Ocean Day** events in **Nice (France)** as part of preparations for the **2025 Ocean Summit (UNOC3)**, leading a delegation focused on oceanic and maritime issues;

4 Jun 2025 **Port Louis (Mauritius)** *Le Mauricien*. The **Rodrigues Regional Assembly** begins transitioning its official vehicle fleet to 100% electric vehicles, supported by recent acquisitions and the installation of charging infrastructure;

3 Jun 2025 **Port Louis (Mauritius)** *United Nations Mauritius*. Journalists and media professionals from **Mauritius, Seychelles** and neighbouring **East African** countries gathers in Mauritius for a regional training workshop to improve climate change reporting and addressing disinformation;

2 Jun 2025 **Port Louis (Mauritius)** *United Nations Mauritius*. Mauritius commemorates **World No-Tobacco Day** by reinforcing the country's commitment to public health by inviting nursing, medical and university students to an awareness campaign exposing the tobacco industry's marketing tactics;

2 Jun 2025 **Port Louis (Mauritius)** *Le Mauricien*. A group of Mauritian and foreign depositors file a complaint with the **Financial Crimes Commission**, accusing former **Bank of Mauritius** (central bank) governor **Harvesh Seegoolam**, former finance minister **Renganaden Padayachy**, and **Silver Bank** executives of facilitating a large-scale banking fraud;

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Please contact us by email info@africariskconsulting.com

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