

Income Tax (Amendment) Regulations 2022

GN No. 77 of 2022

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THE INCOME TAX ACT

Regulations made by the Minister under section 161 of the Income Tax Act

1. These regulations may be cited as the **Income Tax (Amendment) Regulations 2022**.
2. In these regulations -
"principal regulations" means the Income Tax Regulations 1996.
3. Regulation 23D of the principal regulations is amended, in paragraph (2) -
 - (a) in subparagraph (a), by deleting the words "44(b), 45(b), 46(b) and 47(a)(ii)" and replacing them by the words "46(b), 47(b), 48(b) and 49(a)(ii)";
 - (b) in subparagraph (b) -
 - (i) by renumbering sub subparagraphs (a), (b), (c), (d), (e), (f) and (g) as sub subparagraphs (i), (ii), (iii), (iv), (v), (vi) and (vii), respectively;
 - (ii) in the newly renumbered sub subparagraph (ii), by adding the following new item and its corresponding entry –

Investment dealer	Acting as an intermediary in the execution of securities transactions on behalf of other persons; trading in securities as principal for own account with the intention of reselling these securities to the public; underwriting or distributing securities on behalf of an issuer or a holder of securities
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- (iii) in the newly renumbered sub subparagraph (iv), by deleting the words "item 44(b)" and replacing them by the words "item 46(b)";
- (iv) in the newly renumbered sub subparagraph (v), by deleting the words "item 45(b)" and replacing them by the words "item 47(b)";
- (v) in the newly renumbered sub subparagraph (vi), by deleting the words "item 46(b)" and replacing them by the words "item 48(b)";
- (vi) in the newly renumbered sub subparagraph (vii), by deleting the words "item 47" and replacing them by the words "item 49".

4. The principal regulations are amended by inserting, after regulation 23N, the following new regulation -

23P. Expenditure incurred on specialised software and systems

(1) For the purpose of section 65B(1) of the Act, specialised software and systems shall -

- (a) be acquired on or after 1 July 2021;
- (b) be used in a business for income producing activities;
- (c) have a lifetime exceeding one year.

(2) Software comprises of—

- (a) non-customized software available to the general public under a non-exclusive licence;
- (b) software acquired from a third party contractor who is at economic risk should the software not perform;
- (c) software that is leased; or
- (d) such other type of software as the Minister may approve.

(3) The eligible deduction shall be in respect of the cost of —

- (a) purchase or lease of the software;
- (b) installation of the software on the taxpayer's computer hardware; and
- (c) configuration of the software to the taxpayer's needs.

(4) (a) The deduction of twice the amount of expenditure incurred on the acquisition of specialised software and systems under paragraph (3) shall apply in respect of expenditures exceeding 100,000 rupees.

(b) The deduction allowed under paragraph (a) shall not exceed 100 million rupees in an income year.

(5) Specialised software shall include software used in relation to -

- (a) additive manufacturing;
- (b) optimisation of manufacturing processes, including production planning and execution;
- (c) robotics;
- (d) artificial intelligence;
- (e) simulation;
- (f) augmented and virtual reality;

- (g) horizontal and vertical system integration;
- (h) industrial Internet of things (IIoT);
- (i) cybersecurity;
- (j) big data and analytics, including efficient data sharing;
- (k) cloud technology;
- (l) digitisation outreach to customers;
- (m) enable Work from Home;
- (n) improve energy efficiency;
- (o) engineering tools; or
- (p) product life cycle management.

(6) Qualifying expenditure for the double deduction shall not include expenditure incurred on -

- (a) hardware;
- (b) an operating system software;
- (c) software performing general and administrative functions such as payroll, bookkeeping, personnel management, spreadsheet, word processing, presentation tools or in providing non-computer services such as accounting, banking services and auditing;
- (d) programming software;
- (e) database software;
- (f) basic Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) software;
- (g) websites;
- (h) mobile applications;
- (i) gaming software, including computer games; and
- (j) point of sale system.

5. Regulation 3(a) and (b)(iii) to (vi) shall be deemed to have come into operation in respect of the year of assessment commencing on 1 July 2020.

6. Regulations 3(b)(ii) and 4 shall be deemed to have come into operation on 1 July 2021.

Made by the Minister on 6 April 2022.