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Budget 2026-27

Government Rewrites the Social Contract



Arnaud Lagesse,
President, Business Mauritius

Private Sector endorses competitiveness drive while flagging outstanding questions



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COO of Tylers (Leal Group)

“Cybersecurity is essential to achieving the Budget’s digital goals”

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Cumulative Performance as at May 2026:

MCB Funds	1 month	1 year	3 years	5 years
*MUR Denominated Fund				
MCBGF - Retail Inc. Class	2.4%	6.4%	30.2%	39.6%
MCB TF - Retail Inc. Class	-1.1%	-3.6%	28.0%	53.3%
MCB DEF - Retail Inc. Class	-0.6%	-5.3%	24.0%	48.7%
MCBYF - Retail Inc. Class	0.2%	4.6%	11.8%	19.5%
MCBOF - Retail Acc. Class	4.8%	20.4%	44.1%	37.7%
MCB2025TDF - Retail Acc. Class	-0.3%	-1.1%	18.9%	34.5%
MCB2030TDF - Retail Acc. Class	1.5%	7.3%	32.4%	44.0%
MCB2035TDF - Retail Acc. Class	1.7%	7.2%	34.2%	46.8%
MCB2040TDF - Retail Acc. Class	1.3%	4.6%	28.3%	40.7%
*USD Denominated Fund				
MCBUBF - Retail Acc. Class	0.3%	6.5%	24.6%	18.2%
MCB Africa Bond Fund (Class A)	2.2%	11.2%	3.1%	-20.5%
MCB Africa Bond Fund (Class B)	2.2%	11.5%	3.4%	-20.0%
African Domestic Bond Fund	2.5%	21.4%	38.1%	5.2%

* Performance is calculated on a total return basis in the currency of denomination

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Government Rewrites the Social Contract

The most consequential reform in the 2026-27 Budget is neither a tax measure nor an infrastructure project. It is the overhaul of the country's pension system. By replacing the universal Basic Retirement Pension with a means-tested State Age Pension and introducing a new contributory retirement framework, the government is attempting to contain one of the largest pressures on public finances while preserving support for lower-income retirees. According to CareEdge Africa, the reform strengthens the credibility of fiscal consolidation and represents the Budget's most structurally significant measure.

FROM A UNIVERSAL PENSION TO A TARGETED SYSTEM

From 1 January 2027, the universal Basic Retirement Pension (BRP) will be replaced by a new means-tested State Age Pension (SAP). The new scheme will absorb the existing CSG retirement benefits of MUR 1,000 payable from age 65 and the additional MUR 1,500 payable from age 75. At the same time, the government has abandoned the previously announced gradual increase in retirement age from 60 to 65. Eligibility for the new pension will continue to begin at age 60. The reform introduces a flexible retirement framework allowing beneficiaries to claim their pension at any age between 60 and 70. The standard pension at age 65 will be MUR 16,555 per month. Those choosing to retire earlier will receive a reduced pension, while those delaying retirement will benefit from higher monthly payments. A person claiming at age 60 will receive MUR 11,589, whereas someone deferring until age 70 could receive MUR 24,005 per month. These adjustments will apply for life.

INCOME TESTING BECOMES CENTRAL

For single pensioners, the full pension will be payable where monthly income does not exceed MUR 14,000. Benefits will then be reduced by 50 cents for every additional rupee earned above that threshold. A minimum pension of MUR 1,000 will remain payable up to an income level of MUR 50,000 per month, beyond which no pension entitlement will exist. Income from dividends, interest, retirement lump-sum payments, social benefits and the pension itself will not be included in the assessment. For couples where both spouses qualify for the pension, entitlements will first be calculated individually before being assessed at household level. Combined pension payments may be reduced according to household income but will be subject to a maximum reduction of 25% and a floor equivalent to 75% of the combined means-tested entitlement. A minimum payment of MUR 1,000 per spouse will be maintained. Couples with no income will not be affected by any reduction.

EXISTING BENEFITS RETAINED

While introducing a more targeted approach, the reform preserves several existing social protections. Age-related supplements of MUR 1,500 at age 75, MUR 7,995 at age 90 and MUR 5,185

Beneficiary aged below 65			
Monthly Income	Adjustment in SAP	Adjusted SAP	Income+ Adjusted SAP
Rs			
0	-	15,555	15,555
2,000	-	15,555	17,555
5,000	-	15,555	20,555
10,000	-	15,555	25,555
14,000	-	15,555	29,555
15,000	500	15,055	30,055
20,000	3,000	12,555	32,555
25,000	5,500	10,055	35,055
30,000	8,000	7,555	37,555
35,000	10,500	5,055	40,055
40,000	13,000	2,555	42,555
43,110	14,555	1,000 (de minimis)	44,110
50,000	14,555	1,000 (de minimis)	51,000
Above 50,000	15,555	0	Above 50,000

Beneficiary aged 65 and above			
Monthly Income	Reduction in SAP	Adjusted SAP	Income + Adjusted SAP
Rs			
0	-	16,555	16,555
2,000	-	16,555	18,555
5,000	-	16,555	21,555
10,000	-	16,555	26,555
14,000	-	16,555	30,555
15,000	500	16,055	31,055
20,000	3,000	13,555	33,555
25,000	5,500	11,055	36,055
30,000	8,000	8,555	38,555
35,000	10,500	6,055	41,055
40,000	13,000	3,555	43,555
45,110	15,555	1,000	46,110
46,110	15,055	1,000 (de minimis)	47,110
50,000	15,555	1,000 (de minimis)	51,000
Above 50,000	16,555	0	Above 50,000

at age 100 will remain in place. The annual December bonus will also be maintained.

New residency conditions will nevertheless apply. Claimants will need to have lived in Mauritius for at least 15 years after the age of 40, including the three years immediately preceding their pension claim. Beneficiaries will also be required to submit annual declarations of expected income,

which will subsequently be reconciled with actual earnings to determine future pension payments.

A NEW CONTRIBUTORY RETIREMENT MODEL

The reform extends beyond the State Age Pension itself. From 1 July 2027, the National Pensions Fund will be transformed into a new National



The reform marks a decisive structural shift from a universal, age-only Basic Retirement Pension to a means-tested State Age Pension.

Pension Provident Fund (NPPF). The Contribution Sociale Généralisée (CSG) and the Portable Retirement Gratuity Fund will be abolished and replaced by a contributory retirement system. Employees earning up to MUR 50,000 per month will contribute 1.5% of their salary, while employers will contribute 7.5%. For earnings between MUR 50,000 and MUR 225,000, employee contributions will increase to 3%, with employers contributing 10.5%. Contributions will be credited to individual retirement accounts and will finance a monthly pension as well as an optional lump-sum payment upon retirement. The system aims to provide a replacement ratio of between 40% and 50% of pre-retirement income and will be supervised by a new Pensions Regulator.

A FISCAL REFORM WITH LONG-TERM IMPLICATIONS

For CareEdge Africa, the significance of the reform lies not only in the savings it may generate but also in the signal it sends regarding fiscal discipline. The agency argues that pension expenditure has become one of the largest structural pressures on public finances and that the new framework redirects resources towards lower-income beneficiaries while improving the sustainability of the welfare system. The rating agency notes that the reform shifts part of the longevity and investment risk away from the State and towards a contributory model, helping to improve the long-term trajectory of public finances. However, because savings will emerge progressively, the immediate impact is expected to be more visible in the credibility of fiscal consolidation than in headline budget figures. According to CareEdge, the success of the reform will ultimately depend on effective implementation and complementary measures aimed at strengthening revenues and containing expenditure elsewhere in the public sector.

Government turns to AI, Infrastructure and Pension Reform to drive sustainable growth

Mauritius' Budget 2026-27 marks an attempt to move beyond fiscal stabilisation and towards a new growth model built on productivity, innovation, infrastructure and private-sector-led investment. In its analysis of the Budget, CareEdge Africa describes the package as a coherent reform agenda combining fiscal consolidation, pension reform, digital transformation, export development and major infrastructure investments. While the rating agency views the direction as broadly positive for the country's long-term competitiveness and sovereign credit profile, it cautions that success will ultimately depend on implementation, revenue mobilisation and the government's ability to navigate an increasingly uncertain global environment.

For CareEdge Africa, the Budget represents far more than a traditional fiscal exercise. It reflects a deliberate attempt to reposition Mauritius within a changing global economic landscape marked by geopolitical tensions, technological disruption and growing competition for investment. The agency notes that the six-pillar strategy places artificial intelligence, digitalisation and export-led growth at the centre of national ambition, supported by major investments in logistics, transport and strategic infrastructure.

Alongside economic reforms, the Budget also seeks to preserve a social dimension through measures aimed at purchasing power, food security, water security, housing, renewable energy and social protection. CareEdge highlights the extension of maternity leave to one year as a notable measure designed to support work-life balance and demographic sustainability.

FISCAL CONSOLIDATION REMAINS THE ANCHOR

Despite the ambitious growth agenda, fiscal consolidation remains the Budget's central objective.

The fiscal deficit is projected to narrow from 6% of GDP in FY2025/26 to 3.7% in FY2026/27 before declining further to 3% by FY2028/29. Public sector debt is expected to fall from 87.8% of GDP to below 80% over the same period. Total revenue is forecast to increase significantly, supported by stronger tax collections and structural reforms.

However, CareEdge warns that revenue projections remain ambitious. During FY2025/26, recurrent revenue fell short of expectations by approximately MUR 20 billion, largely because anticipated Chagos-related inflows did not materialise and tax collections underperformed. While the fiscal deficit improved substantially from 9.3% of GDP to 6%, the agency stresses that maintaining the consolidation trajectory will require continued expenditure discipline and successful revenue mobilisation.

Debt servicing also remains a major constraint. Interest payments already absorb more than 13% of government revenue and are



expected to rise further in the coming years, while domestic debt repayments remain substantial.

PENSION REFORM: THE MOST CONSEQUENTIAL STRUCTURAL MEASURE

Among all measures announced, CareEdge identifies pension reform as the most significant from a fiscal and sovereign-credit perspective.

The universal Basic Retirement Pension will be replaced by a means-tested State Age Pension from January 2027. The new system introduces income-based eligibility, household assessments for couples and actuarial adjustments for early or deferred retirement. Beneficiaries will be able to claim pensions between ages 60 and 70, with corresponding reductions or enhancements to monthly benefits.

The reform also transforms the National Pensions Fund into a contributory National Pension Provident Fund, replacing the current CSG framework with individual retirement accounts funded by employee and employer contributions.

CareEdge argues that the reform improves the long-term sustainability of public finances by targeting benefits more effectively and shifting part of the longevity and investment risk away from the State.

TAX REFORM: BROADENING THE BASE WHILE ENCOURAGING INVESTMENT

The Budget seeks to strengthen public finances without undermining competitiveness.

For businesses, a new investment tax credit of 15% over three years applies to qualifying expenditure on plant and machinery, patents and artificial intelligence solutions. The measure is intended to stimulate automation, productivity and technological upgrading.

Several preferential tax regimes have been streamlined, while the personal income-tax framework has been revised. Income between MUR 1 million and MUR 12 million will now be taxed at 20%, while earnings above MUR 12 million will attract a 35% rate. The temporary Fair Share Contribution has been absorbed into

the new structure.

The government has chosen not to increase VAT. Instead, additional revenues will come primarily from higher excise duties on alcohol, tobacco, sugary products and plastics.

ARTIFICIAL INTELLIGENCE MOVES TO THE CENTRE OF ECONOMIC POLICY

Few areas receive as much prominence as artificial intelligence.

The government plans to position Mauritius as a regional hub for AI, cloud computing and digital services. Key initiatives include the creation of a National AI Learning Platform, AI training programmes, National Artificial Intelligence Guidelines and targeted support for AI adoption across schools, businesses and public institutions.

The Côte d'Or Special Economic Zone is expected to serve as the flagship platform for attracting technology-driven investment and advanced industries. Mauritius also intends to strengthen international digital connectivity through new

subsea infrastructure and strategic partnerships with global technology players.

CareEdge believes these initiatives could improve productivity, support innovation and create higher-value employment opportunities while reinforcing the country's attractiveness as a regional digital-services centre.

FINANCIAL SERVICES ENTER A NEW PHASE OF MODERNISATION

The Budget outlines an extensive reform agenda for the banking and financial-services sector.

Measures include the creation of a National Crime Agency, specialised financial-crime investigation capabilities, enhanced cybersecurity mechanisms and a national fraud-reporting framework. The Bank of Mauritius will also establish a Threat Intelligence Sharing Platform to facilitate real-time information exchange among banks.

At the same time, Mauritius is laying the foundations for next-generation financial services through the regulation of stablecoins, tokenised assets and digital finance. An Open Banking Framework will facilitate secure data-sharing among banks, fintech operators and virtual-asset service providers.

New banking legislation is expected before the end of the year, including a revised Bank of Mauritius Act, Banking Act and resolution framework aimed at strengthening governance, prudential oversight and financial stability.

For CareEdge, these reforms support Mauritius' objective of preserving its reputation as a trusted international financial centre while preparing for the 2027 ESAAMLG evaluation.

REBUILDING PRODUCTIVE CAPACITY AND EXPORTS

Export-led growth is one of the defining themes of the Budget.

The government aims to strengthen manufacturing competitiveness through investment incentives, logistics improvements and support for technological upgrading. The tax-credit regime for productive investment, combined with infrastructure investments and the development of the Côte d'Or Special Economic Zone, is intended to support a transition towards higher-value manufacturing activities.

CareEdge notes that the manufacturing sector has experienced years of declining investment and employment, making productivity gains and innovation increasingly important for future competitiveness.

The broader objective is to strengthen export performance, improve integration into regional value chains



and reduce structural vulnerabilities associated with a narrow economic base.

TOURISM SEEKS A MORE DIVERSIFIED FUTURE

The Budget signals a strategic evolution of the tourism sector.

Rather than relying solely on traditional beach tourism, the government intends to promote nature-based tourism, cultural tourism, wellness tourism and community tourism. Environmental sustainability and the protection of lagoons, beaches and biodiversity are placed at the centre of the tourism-development strategy.

A MUR 1 billion Tourism Transformation Fund will support diversification initiatives, while an e-visa system and investments in Rodrigues airport infrastructure are expected to improve accessibility and support future growth.

According to CareEdge, the strategy seeks to increase resilience by broadening the tourism product and reducing dependence on traditional visitor segments.

BLUE ECONOMY GAINS STRATEGIC IMPORTANCE

The blue economy receives significant attention as Mauritius seeks to leverage its maritime assets more effectively.

Measures include the development of a modern fishing port, the creation of 28 aquaculture zones, new hatchery facilities and freight-support mechanisms for fish farming. The government also plans to establish a Mauritius Ocean Technology Incubator, an International Centre for Ocean Studies and a National Research and Innovation Institute.

CareEdge believes these initiatives can improve food security, support economic diversification and create

new opportunities in marine research, aquaculture and ocean technology.

ENERGY TRANSITION AND CLIMATE RESILIENCE ACCELERATE

The Budget places considerable emphasis on renewable energy and environmental resilience.

Plans include tenders for approximately 220 MW of solar photovoltaic capacity combined with battery storage systems, expanded rooftop solar incentives and investments in climate adaptation. Coastal protection and environmental rehabilitation projects form part of a broader effort to strengthen resilience against climate-related risks.

CareEdge considers these measures essential to achieving the country's objective of generating 60% of electricity from renewable sources while reducing dependence on imported fossil fuels and improving energy security.

INFRASTRUCTURE EMERGES AS A GROWTH MULTIPLIER

A defining feature of the Budget is the scale of public investment.

The Public Sector Investment Programme totals MUR 231.2 billion over five years, with major allocations directed towards economic affairs, public services, housing and environmental infrastructure.

Large-scale investments are planned in port expansion, airport modernisation, logistics connectivity and transport infrastructure. State-owned enterprises such as Airport of Mauritius, the Central Electricity Board, Cargo Handling Corporation and the Mauritius Ports Authority are expected to play central roles in implementation.

CareEdge argues that these investments strengthen Mauritius'



The risk is not direction but delivery, and the margin for error remains essentially zero



role as a regional trade and transshipment hub while creating the foundations for future private-sector investment.

HOUSING, SOCIAL PROTECTION AND THE RENEWED SOCIAL COMPACT

While pursuing fiscal consolidation, the Budget also seeks to preserve social cohesion.

CareEdge highlights measures relating to housing, food security, water access, purchasing power and renewable energy as evidence of a renewed social compact. Social expenditure remains substantial, although the composition of spending gradually shifts towards more targeted interventions and productive investment.

The agency sees the balance between reform and social inclusion as an important component of the government's broader transformation strategy.

POSITIVE FOR CREDITWORTHINESS, BUT EXECUTION IS EVERYTHING

Overall, CareEdge Africa concludes that Budget 2026-27 presents one of the most comprehensive reform agendas in recent years. The combination of fiscal consolidation, pension reform, digital transformation, infrastructure investment and sectoral modernisation is viewed as broadly supportive of Mauritius' medium-term growth prospects and sovereign credit profile.

Yet the report repeatedly returns to a single caveat. The challenge is no longer identifying the reforms required. It is delivering them.

Whether in artificial intelligence, financial services, infrastructure, exports, energy or public finances, the effectiveness of the Budget will depend on implementation capacity, policy consistency and the ability to attract private investment while navigating external economic shocks. As CareEdge concludes, the direction is clear; the test now lies in execution.

Private Sector endorses competitiveness drive while flagging outstanding questions

- **Business Mauritius said several measures warrant closer examination, particularly the extension of maternity leave, the introduction of a new bank holiday and the decision to restore the CSR allocation to 25%, citing potential implications for business costs, operations and implementation.**

Business Mauritius welcomed the strategic direction of the 2026-27 Budget. The organisation, however, cautions that implementation will now determine whether the announced reforms translate into higher investment, stronger productivity and improved living standards.

The country's main private-sector representative body has given a cautiously positive assessment of the 2026-27 Budget, highlighting a number of measures that respond directly to priorities outlined in its pre-budget memorandum while warning that execution will be the decisive factor in determining the Budget's success.

In a statement issued following the Budget presentation, Business Mauritius said the government's emphasis on competitiveness, sustainability and economic resilience was encouraging, particularly given the limited fiscal space available and an increasingly uncertain global environment.

Among the measures welcomed by the organisation are initiatives aimed at improving the ease of doing business, the introduction of a migration policy, efforts to mobilise the Mauritian diaspora and measures facilitating access to foreign talent. The business community also viewed pension reforms positively, notably proposals to strengthen the regulatory framework and encourage voluntary retirement schemes.

Business Mauritius further noted the government's ambitions in artificial intelligence, including investments in digital infrastructure and skills development, as well as support measures targeting start-ups, entrepreneurs and small and medium-sized enterprises.

"We are encouraged by the direction taken and the intentions expressed in this Budget. Several announcements respond to structural requests from the business community. The challenge now will be to translate them rapidly into concrete results for investment, productivity, employment and purchasing power," said Arnaud Lagesse, President of Business Mauritius.

The organisation also welcomed measures related to food and water security, the blue economy, coastal rehabilitation and the revival of the Maurice Île Durable initiative, viewing them as part of a broader strategy to strengthen both economic and climate resilience. Announcements relating to renewable energy were similarly well received.

EXECUTION NOW BECOMES THE KEY TEST

While supportive of the overall direction, Business Mauritius stressed that implementation will be critical. It argued that policy announcements must be backed by clear timelines, defined responsibilities, measurable performance indicators and monitoring mechanisms involving both the public and private sectors.

Particular attention, it said, should be paid to the port, which remains a strategic infrastructure asset for the economy. The organisation is seeking greater clarity on how the government's announced decisions in this area will be implemented. It also intends to closely monitor measures designed to address the persistent mismatch between available skills and the needs of businesses.

QUESTIONS REMAIN OVER SEVERAL MEASURES

Business Mauritius indicated that a number of proposals require further analysis. These include the implications of extending maternity leave and introducing a new bank holiday, both of which could have consequences for business organisation and operating costs. The organisation also wants greater clarity on the rationale and implementation of the decision to restore the Corporate Social Responsibility (CSR) contribution to 25 per cent.

Additional details are being sought regarding the mandate and operating framework of the proposed Just Transitions Commission.

The private sector body also identified several areas where further clarification is needed, including the absence of measures relating to biomass, the practical implementation of policies supporting the circular economy and provisions governing parallel imports.

Business Mauritius said it would continue its assessment once the budget annexes and detailed financial figures become available. A more comprehensive evaluation, it noted, will depend on a closer examination of the impact, financing arrangements and implementation mechanisms associated with the various measures announced.



The challenge now is to turn budget intentions into tangible gains for investment, productivity, employment and purchasing power.



ARNAUD LAGESSE, PRESIDENT, BUSINESS MAURITIUS

PRAVESH GAONJUR, COO of Tylers (Leal Group)

“Cybersecurity is essential to achieving the Budget’s digital goals”



What are the main security vulnerabilities that hackers exploit in financial and banking mobile applications?

Contrary to popular belief, the biggest threats are not always highly sophisticated attacks. In many cases, cybercriminals exploit weaknesses such as insecure APIs, weak authentication mechanisms, poor session management, outdated software components and misconfigured cloud environments. However, from our experience in Mauritius, identity compromise remains one of the most common attack vectors. Many fraud cases reported publicly involve victims claiming that money disappeared after receiving a WhatsApp call or message seemingly coming from a trusted institution. In reality, successful fraud usually involves some form of user interaction, whether through the disclosure of credentials, the sharing of an OTP, the approval of a fraudulent request or interaction with a malicious website or application.

Has this been addressed in the Budget 2026-27?

The 2026-2027 Budget has directly acknowledged this reality. CERT-MU – the Computer Emergency Response Team of Mauritius – is being tasked with establishing a national fraud reporting and response mechanism specifically designed to better protect citizens and businesses from cyber fraud and scams. This is an important signal that identity-based threats are now recognised as a national-level concern, not just an issue confined to individual institutions.

Do these attacks stem more from sophisticated techniques or from basic negligence in the design and maintenance of applications?

It is a combination of both, but many successful attacks still exploit weaknesses that could have

Cases of fraud via mobile banking applications or even discussion platforms such as WhatsApp have increased drastically in recent months. According to Pravesh Gaonjur, while financial institutions are doing everything possible to strengthen cybersecurity, the human aspect remains the weak point. In the era of AI, where digital fraud is rapidly intensifying, the COO of Tylers calls for massive awareness among the population. But there is cause for comfort. The 2026-27 Budget, he believes, has managed to grasp the importance of cybersecurity by proposing concrete measures to curb digital fraud and protect the data of Mauritians.

SHAREENAH KALLA

been prevented through proper governance, secure development practices and regular security testing. That said, a growing number of incidents affecting banking customers are not necessarily due to vulnerabilities in the application itself. Attackers are increasingly targeting people rather than technology, because it is often easier to manipulate a user than to compromise a well-secured platform.

What role does social engineering (phishing, user manipulation...) play in this type of hacking?

Social engineering plays a central role. Even the most secure banking platform can be compromised if a customer is persuaded to reveal credentials, approve a transaction or install malicious software. Phishing, smishing and vishing have existed for years, but artificial intelligence has significantly increased their effectiveness. We are now seeing highly convincing voice impersonation, AI-generated content and even deepfake technologies being used to build trust and deceive victims.

By the way, the Budget has explicitly acknowledged the dual nature of AI: as a

transformative opportunity and as a vector of risk. The Government’s commitment to issuing a National Artificial Intelligence Guideline governing responsible use of AI in the public sector and education reflects a growing awareness that unregulated AI capabilities can be weaponised. As AI tools become more accessible, the sophistication of social engineering attacks will increase, making awareness, governance and responsible AI frameworks more critical than ever.

Why do banks and financial institutions often seem unprepared to face such threats?

I would not necessarily say that banks are unprepared. Most financial institutions invest heavily in cybersecurity, fraud prevention and regulatory compliance. The challenge is that cybercriminals continuously evolve their techniques. Financial institutions can strengthen controls, but they cannot entirely eliminate the human factor. This is why customer awareness remains one of the most important layers of defence. Cybersecurity awareness should not be viewed as a banking issue alone, but as a national priority involving regulators, financial institutions, educators, businesses and consumers.

The 2026-2027 Budget reinforces exactly this national-priority framing. The government has announced a national cybersecurity survey to assess the state of preparedness and resilience across the ecosystem; a measure that will provide a clearer picture of where gaps exist beyond the largest institutions. The establishment of a Cyber Forensic Laboratory to strengthen investigative capabilities also signals that the response to cybercrime is being elevated to an institutional level. Taken together, these measures indicate that preparedness is increasingly being treated as a collective national responsibility.

Is there a lack of coordination between traditional banks and fintechs when it comes to strengthening cybersecurity?

Collaboration has improved considerably over the past few years, but there is still room for greater coordination. Traditional banks often bring mature governance and risk management practices, while fintechs bring innovation and agility. Cybercriminals do not distinguish between banks, fintechs, payment operators or crypto platforms. As digital financial ecosystems become more interconnected, information sharing, threat intelligence collaboration and common security standards become increasingly important.

“**Many successful attacks still exploit weaknesses that could have been prevented through proper governance, secure development practices and regular security testing.**”

The Budget has directly addressed this coordination gap with the implementation of two concrete measures. First, the Bank of Mauritius will roll out a Threat Intelligence Sharing Platform, enabling real-time exchange of cybersecurity intelligence among banks – a foundational step towards a shared early-warning system. Second, an Open Banking Framework will be introduced to facilitate the secure sharing of customer financial data between licensed banks, virtual asset service providers and authorised fintech providers. This framework will require all participants to meet common security standards, raising the baseline across the ecosystem and reducing the risk that a weaker player becomes the entry point for an attack.

What urgent measures should be implemented to protect users and restore trust?

The priorities are clear: stronger multi-factor authentication, continuous security testing, real-time threat monitoring, improved fraud detection capabilities, enhanced customer awareness programmes and robust third-party risk management. However, technology alone cannot solve the problem. As financial services become increasingly digital, digital literacy and cyber hygiene will become just as important as financial literacy. Long-term success will depend on educating users to recognise risks and adopt safe digital behaviours.

In fact, we are happy to note that the 2026-2027 Budget introduces a number of measures that directly align with these priorities. The national cybersecurity survey will establish a baseline of resilience across the country. The Cyber Forensic Laboratory will strengthen the investigative and deterrence capacity of law enforcement, addressing one of the most frequently cited gaps in the response to financial cybercrime. CERT-MU's national fraud reporting mechanism will create a structured channel for incident reporting, enabling faster response and better data to inform future policy. And the Bank of Mauritius's Threat Intelligence Sharing Platform will operationalise real-time threat monitoring at the sector level. These are exactly the kinds of systemic, coordinated interventions that are needed alongside the individual institution-level measures.

How do these attacks affect consumer trust in digital financial services?

Trust is the foundation of any digital financial ecosystem. When consumers hear about fraud incidents or account compromises, confidence can be affected very quickly. A single negative experience can influence not only the victim, but also their family, friends and wider social network. Social media amplifies this effect significantly. Media reporting therefore plays an important role in raising awareness, but it is equally important that incidents are reported with sufficient context to avoid misinformation and unnecessary panic.

Can a loss of trust slow down the adoption of digital solutions in a country like Mauritius?

Absolutely. Mauritius has made significant progress in digital transformation and fintech innovation. However, adoption ultimately depends on trust. If users perceive a platform as unsafe, many will simply stop using it or delay adoption. In extreme cases, misinformation and fear can severely impact the viability of an otherwise secure digital service. Maintaining trust is therefore not only a cybersecurity objective, but also an economic and national competitiveness objective.

The Budget's Pillar 1 – Leveraging AI and

Digitisation – is directly relevant here. The government's ambition to train 50,000 Mauritians in practical AI skills over the next year, positioning Mauritius as a trusted hub for AI and cloud services, and to attract AI infrastructure investment through the new high-tech Special Economic Zone at Côte d'Or, all depend on maintaining a high level of digital trust. A serious erosion of confidence in the security of digital financial services could undermine this broader national strategy. Cybersecurity is therefore not a separate agenda. It is foundational to the success of the digital economy ambitions articulated in this Budget.

Do financial institutions properly assess the reputational impact of these incidents, beyond the direct financial losses?

Today, most boards and executive teams understand that reputational damage can have far greater long-term consequences than the direct financial impact of an incident. Loss of customer confidence, increased regulatory scrutiny and brand erosion can take years to recover from. This is why many institutions are investing more heavily in fraud prevention, stronger authentication controls, behavioural analytics and AI-driven fraud detection. The challenge is finding the right balance between security, usability and customer experience.

Are Mauritian regulators imposing sufficient cybersecurity standards for financial applications?

Mauritian regulators have made significant progress and are broadly aligned with international best practices. However, one of the challenges is ensuring that requirements remain achievable across the entire ecosystem, from large institutions to smaller operators. Advanced technologies such as threat intelligence platforms, dark-web monitoring and predictive analytics can significantly improve cyber resilience, but not all organisations have the same resources. The same applies to consumers. Technologies such as biometrics, MFA and Mobile Device Management (MDM) can significantly improve security. With Apple's device management ecosystem now more accessible to Mauritian organisations, there are additional opportunities to enforce stronger security baselines on mobile devices used to access financial services.

The 2026-2027 Budget represents a meaningful step-change in the regulatory and institutional response to cybersecurity. The Bank of Mauritius's Threat Intelligence Sharing Platform will operationalise a capability that is considered best practice in more mature financial markets. The national cybersecurity survey will give regulators the evidence base they need to calibrate requirements more precisely across different categories of institutions. The Cyber Forensic Laboratory adds an enforcement and deterrence dimension that has been missing from the ecosystem. And the introduction of the National AI Guideline covering responsible use of AI in the public sector signals that governance of AI-enabled risks is being taken seriously at the highest level. Cumulatively, these measures indicate that the regulatory bar is being raised, which will benefit the entire digital financial ecosystem.

What international best practices could be adapted to the local context?

Frameworks such as NIST, ISO 27001, the SWIFT Customer Security Programme and modern operational resilience frameworks provide valuable guidance. Beyond compliance, leading



The challenge is finding the right balance between security, usability and customer experience.



organisations are adopting zero-trust principles, continuous threat monitoring, cyber resilience testing and stronger board-level cyber governance. The key is not simply to copy international standards, but to adapt them pragmatically to the Mauritian context while gradually raising the overall maturity of the ecosystem.

The Budget's approach to AI governance offers an instructive parallel. Rather than simply adopting international AI frameworks wholesale, the government is developing a National Artificial Intelligence Guideline tailored to the local context, while also engaging with global partners – including through participation in the AI Impact Summit in New Delhi and the Google America-India Connect initiative – to ensure that Mauritius benefits from international best practices and connectivity. A similar pragmatic, locally adapted approach applied to cybersecurity frameworks would be the right model: using international standards as a foundation, building local institutional capacity through the Cyber Forensic Laboratory and CERT-MU, and progressively raising the maturity of the ecosystem through the "Champion of AI" Programme and broader digital skills initiatives.

The Budget Beyond the Numbers

Why Governance May Be Mauritius' Most Important Competitive

By **SHAHANNAH ABDOOLAKHAN**

FOUNDER & GROUP CEO
OF ABLER GROUP

Every Budget is remembered for its numbers. The best Budgets, however, are remembered for what they change.

Tax measures, public expenditure, pension reforms and sectoral incentives naturally dominate the headlines. Businesses calculate the immediate impact on costs, while households assess what the measures mean for their daily lives. Those conversations are both necessary and expected.

What often receives less attention is what a Budget signals about the strength of a country's institutions. For a jurisdiction like Mauritius, whose economic future is closely linked to its position as an international financial centre, that may be the more important conversation.

Having advised financial institutions, multinational businesses and regulated entities across multiple jurisdictions, I have observed that international clients are increasingly asking different questions. While tax competitiveness remains relevant, they want to know whether institutions are strong, whether regulation is predictable and whether reforms are likely to be implemented consistently.

In short, they are assessing confidence. That is why one of the defining features of this year's Budget is its emphasis on governance and institutional credibility.

The Government's commitment to strengthen Mauritius ahead of the 2027 ESAAMLG Mutual Evaluation, reinforce the country's financial crime framework, establish a National Crime Agency, enhance beneficial ownership transparency and modernise the regulatory environment sends an important signal to international markets. These measures are not simply about compliance. They are about strengthening the credibility of

Mauritius as a jurisdiction that takes governance seriously. This distinction matters.

Successful international financial centres do not compete on tax policy alone. They compete on trust. Investors, correspondent banks and international partners increasingly favour jurisdictions where institutions are effective, regulation is clear and public authorities consistently implement internationally recognised standards.

Governance has therefore evolved from being a regulatory obligation into a strategic economic advantage. The Budget also proposes legislating a minimum of 25 per cent female representation on the boards of parastatal bodies. This should be viewed not only as a diversity initiative, but also as a governance measure.

Effective boards benefit from diversity of experience, professional expertise and independent thinking. At the same time, diversity should never come at the expense of merit. The real opportunity now is to broaden the pipeline of board-ready women, strengthen transparent appointment processes and ensure board appointments continue to be based on competence, integrity and the needs of the institution. Good governance is strengthened not merely by who sits around the board table, but by the quality of oversight and decision-making that follows.

The Budget's emphasis on start-ups, artificial intelligence and digital transformation also deserves recognition. As an entrepreneur, I appreciate the focus on creating a more enabling environment for innovation and business growth. Initiatives such as a dedicated Start-Up Act, a ten-year tax holiday for qualifying start-ups and measures to reduce administrative barriers demonstrate an ambition to position Mauritius as a more attractive place to build businesses. More importantly, they recognise

that innovation flourishes where entrepreneurs have confidence in the broader institutional environment, not only in fiscal incentives.

Yet entrepreneurs know that incentives alone are rarely enough. Businesses adapt to change. What they value most is certainty. Efficient institutions, predictable regulation and timely implementation often influence investment decisions just as much as fiscal incentives.

Ultimately, every Budget presents a vision. Its success, however, will not be measured by the number of announcements made on Budget Day. It will be measured by whether those commitments translate into stronger institutions, greater investor confidence and sustainable economic growth.

Budgets shape the next financial year. Institutions shape the next generation. If Mauritius succeeds in delivering on its governance ambitions, this Budget may ultimately be remembered not for its tax measures, but for reinforcing the one asset upon which every successful international financial centre depends.

“
Successful international financial centres do not compete on tax policy alone”

About the Author

Shahannah Abdoolakhan is the Founder and Group CEO of Abler Group, a governance, risk and compliance advisory firm advising financial institutions and businesses across Mauritius and other international financial centres.

Staying the Course: From Fiscal Discipline to Future-Ready Growth



By **KESA VEN MOOTH OOSAMY**

EXECUTIVE DIRECTOR,
INTERCONTINENTAL TRUST LTD

The Honourable Dr. Navinchandra Ramgoolam, Prime Minister and Minister of Finance, presented his second National Budget, on Friday 19 June 2026, in a markedly more demanding world than his first. A Middle East war had closed the Strait of Hormuz for more than three months and sent oil prices to record highs, straining the import bills of an economy that buys nearly all its fuel and imports much of its food, and only a fragile, conditional United States-Iran framework, concluded in the days before the Budget, has since eased crude back towards US \$80.

Against that backdrop, this Budget is the second instalment of a reform programme begun a year earlier. If the 2025-2026 Budget was about halting fiscal deterioration and restoring national credibility, this one is about holding that line and converting early stability into durable growth. A Budget of continuity and fine tuning that, as the Prime Minister was candid to acknowledge, stays with the difficult choices rather than reaches for the easier ones, in the knowledge that an economy cannot be rebuilt in a single year.

FISCAL CONSOLIDATION, NOT AUSTERITY

The Budget is deliberately framed around fiscal consolidation rather than austerity, anchored on four guiding principles: responsibility, solidarity, economic efficiency and social justice. The Mauritian economy showed clear signs of improvement in 2025. Headline inflation fell to 3.7%, unemployment eased to 5.7%, gross official foreign currency reserves reached USD 10.3 billion, tourism earnings reached a record Rs 103 billion (USD 2.2 billion), and the economy grew by 3.2%. The financial services sector expanded by 5%.

For the year ahead, the Prime Minister projects a budget deficit of 3.7%. Public-sector debt is expected to ease from 87.8% of GDP to 85.5% by June 2027, with a stated ambition to bring it below 80% by 2029. The government also wants to lead by example through savings at the top. Members of Parliament will now be entitled to only one duty-free car per mandate, rather than one every three years. For the most senior officeholders, including the President, Vice-President, Prime Minister and Deputy Prime Minister, multiple non-contributory State pensions are being ended. The

emoluments of the serving President and Vice-President, and the pensions of their predecessors, will also become fully taxable. The message is deliberate: it signals solidarity with the nation as the country holds its course on fiscal discipline.

BUILDING A FUTURE-READY ECONOMY

At the heart of the Budget is the ambition to build a future-ready economy. The growth strategy spans several pillars, beginning with leveraging AI and digitisation, which the Prime Minister places at the front of the agenda. Over the coming year, the government intends to enable or train 50,000 Mauritians in practical AI. Mauritius's participation in Google's subsea-cable initiative is also expected to strengthen the island's digital connectivity with South Africa, India and Singapore. The remaining pillars complete an investment-led growth agenda:

- Start-ups and SMEs: a dedicated Start-Up Act and a ten-year income-tax holiday for qualifying start-ups.
- Economic space: a new high-tech Special Economic Zone and an ambition to double goods exports to USD 3 billion within five years.
- Existing sectors: modernisation of manufacturing, agriculture and tourism through new legislation and a sustainability-led tourism blueprint.
- Blue economy: investment in oceanic research, aquaculture and fisheries as a long-term growth frontier.
- Port development: an Island Container Terminal – a USD 1 billion project under a government-to-government arrangement with India – forming part of a wider masterplan to position Mauritius as a premier regional port.

Taken together, these pillars signal a clear intent to move Mauritius from a consumption-driven model towards a production-led, export oriented and technology-enabled economy, while supporting sustainable tourism and strengthening the country's visibility abroad. First impressions matter when entering a country, and with that in mind, a new e-Visa system and biometric e-gates at the airport should replace long immigration queues with a faster, scanner-based process.

FINANCIAL SERVICES: WEALTH MANAGEMENT AND EXTENSION OF PER

For the financial services sector, the standout measure is the introduction of a Private Wealth Management Licence. The policy direction is clear: Mauritius wants to become a genuine home for wealth managers and family offices.

The Partial Exemption Regime (PER) has also been widened, so that income derived by investment advisers and asset managers from dealing in loans, mortgage-backed assets and invoice financing can now benefit from the 80% partial exemption.

Equally significant are the proposed AI assistant at the Financial Services Commission and the AI powered tools on the national licensing platform. These should help deliver the faster turnaround times that the sector has long identified as a competitive necessity.

SAFEGUARDING THE REPUTATION: COMPLIANCE AND THE ESAAMLG REVIEW

Beneath the growth narrative, the Budget also stays the course on the compliance agenda that underpins the entire Mauritius International Financial Centre as it prepares for the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) mutual evaluation due in 2027.

THE NATIONAL CONTRIBUTORY RETIREMENT SCHEME

Another encouraging move is the rebuilding of the country's pension architecture. The old National Pension Fund will be replaced by the National Pension and Provident Fund (NPPF), designed to support the payment of a decent retirement pension. The reintroduction of the NPPF carries an additional benefit that the financial sector would welcome. As members' contributions build year after year, the NPPF could become a large and steadily growing pool of long-term Mauritian savings. If properly managed, these funds could flow back into the domestic economy and bolster liquidity on the Stock Exchange of Mauritius. A national pension fund of real scale could breathe new life into the capital market, supporting local listed companies, adding depth and liquidity, and providing the patient long-term capital needed to finance the country's growth ambitions. In other words, a reform designed to protect pensioners could also help finance Mauritius' future.

CONCLUDING REMARKS

Among the most consequential of these reforms is the rebuilding of the pension architecture, which confronts one of the State's heaviest fiscal burdens directly. The basic retirement pension alone already absorbs nearly 25% of recurrent government spending, and an ageing population will only deepen that pressure in the years ahead, making the move to the NPPF as much a fiscal necessity as a social one. This is, above all, a Budget of continuity. It is one that consolidates the discipline of the past year and sets a clear course away from a consumption-driven economy towards one built on efficiency, production, exports and technology.



An economy cannot be rebuilt in a single year.



Driving with momentum across uncertainty and against the gravitational pull of unpredictability



By SHAMIN A. SOOKIA,

MANAGING DIRECTOR,
PERIGEUM CAPITAL LTD

The new elephant in the room, according to various stakeholders, is the application of a new tax band.

Dr The Honourable Navinchandra Ramgoolam, Prime Minister and Minister of Finance, delivered his Budget Speech for year 2026/2027 in the context of a challenging world environment characterised by economic upheavals, geopolitical tensions exacerbated by militarised confrontations and renewed nationalist sentiments coupled with our local key economic indicators already in bad shape.

The focus of the present budget revolves around seven pillars, which include Artificial Intelligence (AI) & digitisation, unleashing the potential of SMEs and start-ups, modernisation of the economy, reinforcement of existing sectors, unlocking the potential of the Blue Economy and addressing investment. In order to achieve the objectives of our country, the Prime Minister stated that one has to adhere strictly to four guiding principles, which are responsibility, solidarity, economic efficiency and social justice.

The Minister of Finance stated that in a world mired in uncertainty and in total disarray, Mauritius must stand prepared and get ready for a future which is becoming more unpredictable. Therefore, all actions undertaken must be supported by the principles of good governance and responsibility.

There are also challenges weighing heavily on the well-being of the Mauritian people and as such, there is a need to deal with them adequately and meaningfully. Four flagship projects have been announced, which are the Purchasing Power Shield project, the 25by35 food security initiative, Access

to Water for All, and the Energy Secure Mauritius project.

The Minister of Finance has also announced a series of measures that would act as a bedrock to strengthen the social compact for a future ready Mauritius. The policies geared towards achieving that objective are anchored on Inclusive Education, Healthcare - Investing in Wellbeing and Better Services, Housing for Low- and Middle-Income Families, Ageing with Dignity, Poverty Reduction, Youth Empowerment, Strengthening the Nation through Sport, Upgrading Public Services, Law and Order, Gender Equality, Empowerment and Child Protection, and Environment Enhancement.

When it came to tackling the issue of fiscal consolidation, the Minister of Finance made the clear distinction with fiscal austerity. He stated that in FY 2024-2025, the budget deficit was 9.3% and the debt-to-GDP ratio nearly 90%. The fiscal situation is now seen as the major constraint to future development, and it will take some time to reverse the trend. Total revenue for the current fiscal year FY 2025-2026 is expected to be Rs 203.6 bn and total expenditure would amount to Rs 250.1 bn, leading to a budget deficit of Rs 46.5 bn, that is, 6% of GDP. The budgeted Rs 10 bn from Chagos would have brought the budget deficit to 4.7%, marginally lower than the initial forecast of 4.9%.

For FY 2026-2027, total revenue, inclusive of receipts from Chagos, is expected to reach Rs 235.5 bn, and total expenditure Rs 266.7 bn, which would translate into a budget deficit of 3.7% of GDP. The public sector debt

is projected to continue its downward trajectory, reaching 85.5% of GDP by end June 2027, and to fall below 80% of GDP by June 2029 through sustained commitment to restore fiscal sustainability and balance with inclusive growth.

The new elephant in the room, according to various stakeholders across many industries, is the application of a new tax band, which is 20% of chargeable income above Rs 1m up to Rs 12m, and 35% tax on chargeable income above Rs12m. The varied repercussions on taxpayers within those bands will be surely felt across the whole economy, especially with regard to expatriates who have elected to move to our jurisdiction based on their potential to bring their knowledge, expertise and experience along. Commendably, Value Added Tax (VAT) will not be increased.

As was announced in previous budgets, the reform of our pension system was an imperative for the survival of our economy in the long term. Some useful measures have been brought, and it remains to be seen how these will be implemented. Of note, the State Age Pension (SAP) has now replaced the Basic Retirement Pension (BRP).

The Minister of Finance has also announced that a Committee will be set up to examine the expenditure of each Ministry and ensure that the findings of the Director of Audit are acted upon accordingly. It remains to be seen to what extent this can be scrupulously followed, given that its proper implementation will surely instil much-needed efficiency within our public sector.

AMM Backs Food Security Agenda, Investment Incentives and AI Push

The Association of Mauritian Manufacturers (AMM) has described the Budget 2026-2027 as a positive signal for local industry, particularly in a context marked by fiscal constraints, geopolitical uncertainty and continued pressure on the cost of living. In a statement issued jointly with the Made in Moris label, the association welcomed the emphasis placed on food security, purchasing power, the circular economy, innovation and entrepreneurship. Among the measures most appreciated by the manufacturing sector is the government's commitment to food security. The AMM said it was important that the Prime Minister had recognised food insecurity as a genuine threat to Mauritius and reiterated its belief that national food security must rest on a strong local productive base. "We are ready to play our role in this ambitious and essential programme and enable our country to achieve this objective of 25% by 2035," the

association said, referring to the government's target for greater food self-sufficiency. It noted that its network includes a significant number of Mauritian agro-food brands capable of contributing to this objective. The AMM also welcomed the extension of the investment tax credit until June 2029 and its expansion to include investments in artificial intelligence solutions and patents. The measure, which featured in the association's Budget Memorandum, is seen as an important incentive for manufacturers seeking to improve productivity, modernise equipment and strengthen competitiveness. "The inclusion of artificial intelligence solutions reflects the need for the Mauritian manufacturing sector to accelerate its technological transformation in order to improve operational efficiency, production quality and innovation capacity," the organisation said. The Budget's objective of doubling

exports and reaching Rs 3 billion in exports within five years also attracted attention. The AMM said the target aligns with its own "En Route Vers l'International" programme and welcomed measures such as port modernisation and the opening of a second cargo licence. The association further expressed interest in contributing to the development of a Comprehensive Migration Policy, arguing that greater coherence is needed to address labour challenges and maintain industrial activity. It recalled that two out of every five jobs in Mauritius are linked directly or indirectly to the manufacturing sector. At the same time, the AMM identified several measures that warrant closer monitoring, including parallel imports, the extension of maternity leave, changes to public holidays, and the increase in the sugar tax from 12% to 15%, alongside its application to additional products. The organisation also called for the



rapid implementation of the Industry Bill and the Waste to Wealth Programme, which it considers essential for strengthening local industry and advancing the circular economy. According to figures released by the association, the manufacturing ecosystem contributes 13% of national GDP, generates Rs 83.5 billion in value added and supports 232,800 direct and indirect jobs. For the AMM, these figures underline why local production remains central to strengthening purchasing power, food security and Mauritius' economic sovereignty.

“Mauritius does not suffer from a shortage of economic strategies, but from a shortage of implementation”



By ANTHONY LEUNG SHING,

COUNTRY SENIOR PARTNER,
PWC MAURITIUS

Mauritius has, in recent years, grappled with the challenge of balancing economic growth, social cohesion and fiscal sustainability. Budget 2026/27 underscores how complex this balancing act has become. Against a difficult global backdrop marked by geopolitical tensions and heightened uncertainty, the economy has remained resilient, expanding by around 3% in 2026. At the same time, public sector debt remains close to 90% of GDP, inflation continues to weigh on household purchasing power and external vulnerabilities persist. Combined with weaker-than-expected revenue performance and the absence of anticipated Chagos related inflows, these factors have left the government with limited fiscal room to pursue its economic and social objectives.

The Budget sets out a vision of transforming Mauritius into a future-ready economy through a startup revolution, the modernisation of strategic infrastructure, the development of the blue economy and measures aimed at addressing investment constraints. Startup incentives are a welcome step for an economy where SMEs play a central role, with further scope over time to strengthen Mauritius’ appeal to international entrepreneurs, startups and venture capital. Likewise, investments in the island container terminal and airport infrastructure should enhance trade efficiency, connectivity and the country’s competitiveness. In the blue economy, the focus on research and aquaculture is encouraging and provides a foundation for broader sector development. Building on these initiatives by attracting international operators and investment into marine concessions and ocean-based industries could further accelerate growth, bring specialised expertise and expand export opportunities. While these initiatives hold significant long-term promise, translating ambition into economic outcomes will require far greater investment, skills and institutional capacity than currently available, making sizable short-term gains unlikely. The more immediate growth opportunity lies elsewhere. Mauritius does not suffer from a shortage of economic strategies; it suffers from a shortage of implementation. Dismantling investment constraints and improving institutional efficiency can deliver faster and more tangible results than many of the longer-term initiatives announced. Faster permit approvals, streamlined work permit processes, greater digitalisation and regulatory simplification can unlock private investment, boost productivity and strengthen competitiveness at relatively low cost and with a much quicker impact on growth.

On the fiscal front, the Budget takes important steps towards consolidation, most notably through pension reform and the introduction of the new State Age Pension scheme. While the full mechanics remain to be assessed, the tapering of benefits for higher-income earners restores a degree of equity to the system, while the alignment of public officers’ pension arrangements sends a positive signal of shared responsibility. Pension expenditure is projected to decline by nearly 12% to Rs 68.1 billion by 2028 compared with the previous system, representing a positive step towards improving fiscal sustainability. Nevertheless, pensions will remain a significant component of public expenditure for years to come. At the same time, the Budget maintains its commitment to supporting household purchasing power through the introduction of the Purchasing Power Shield on selected food items. These measures provide broad-based relief at a time when many households continue to face cost-of-living pressures. The price tag: subsidy expenditure is set to double to Rs 6.2 billion next year. Looking ahead, there may be scope to further enhance the effectiveness of social spending by gradually complementing universal support measures with more targeted forms of assistance. Such an approach could help direct resources towards the most vulnerable households while generating fiscal savings that strengthen the long-term sustainability of public finances. Although more demanding from an administrative perspective, a targeted approach can often achieve stronger poverty-reduction outcomes at a lower fiscal cost than universal schemes.

The Budget also introduces several measures to strengthen Mauritius’ attractiveness as a hub for talent, investment and innovation, including a comprehensive migration policy, an e-Diaspora platform, a framework to attract world class universities and post-study work visas for foreign graduates. The Special Economic Zone at Côte d’Or further supports this ambition by targeting investment in AI, digital industries and advanced manufacturing. However, labour shortages remain a significant constraint on growth, and the introduction of a 35% top marginal tax rate risks making Mauritius less attractive to the highly skilled foreign professionals and specialised expertise required to support its economic transformation. This Budget will ultimately be judged not on the breadth of its ambitions, but on the effectiveness of its execution. The theme, “The future depends on what we do in the present,” captures this challenge well. The priority now is to translate fiscal discipline and structural reforms into stronger, more inclusive and sustainable growth. Success will depend less on new policy announcements and more on the government’s ability to deliver practical reforms that remove bottlenecks, unlock investment and restore confidence among businesses, investors and households.

“Pension expenditure is projected to decline by nearly 12% to Rs 68.1 billion by 2028.”

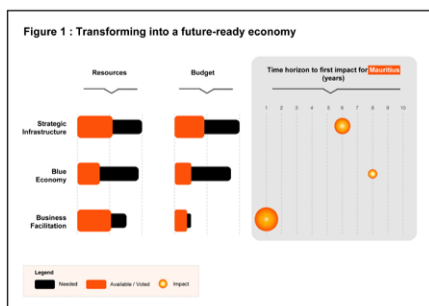
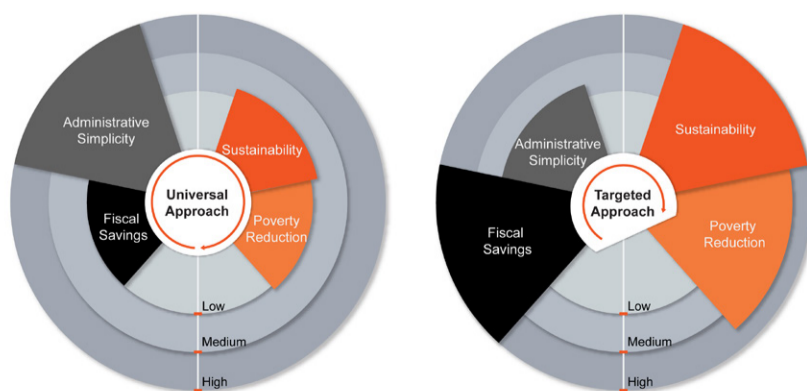


Figure 2: Universal vs Targeted Approach



“This Budget will ultimately be judged on the effectiveness of its execution.”

Staying the Course



By **FAZEEL SOYFOO**,

PARTNER | ANDERSEN IN MAURITIUS

The government's second Budget shows that fiscal repair is taking hold, but it is, by any measure, a higher-tax and higher-cost Budget, and the burden falls most heavily on employers and on the international business sector.

In presenting his second Budget, the Honourable Prime Minister and Minister of Finance, Dr Navinchandra Ramgoolam, borrowed a thought: we cannot change the beginning, but we can change the ending. A year on from a first Budget framed as a journey From Abyss to Prosperity, the test this time was not to name the problem, but to show the cure is working. On the numbers, it can fairly claim that it is. The deficit has narrowed to 6.0% of GDP, public debt has edged down to 87.8%, inflation has fallen to 3.7%, and reserves stand at record levels. The progress is real, if slow. Debt remains the binding constraint on the country's development, and the Minister was right that it cannot be reversed overnight. He was also at pains to call this consolidation, not austerity. For households shielded by subsidies and social support, that holds. For employers, and for the international business community that relies on the Mauritius International Financial Centre, it is harder to sustain this is a Budget that protects the vulnerable and rewards future-facing investment, while quietly raising the cost of being here for almost everyone else.

TAXATION: THE TEMPORARY BECOMES PERMANENT

The defining change is the new, permanent 35% tax on chargeable income above Rs 12 million, which absorbs last year's Fair Share Contribution for individuals. The rate is not new; its permanence is. What was sold in 2025 as a temporary crisis measure is now a structural feature of the system, and the promised return to lighter taxation has quietly slipped off the agenda. As the old line has it, there is nothing so permanent as a temporary tax. For companies, the design is deliberately two-sided. The government is collecting more, and faster, from the established base – the corporate Fair Share Contribution is widened, and the Corporate Climate Responsibility Levy loses its credit offsets and moves to quarterly payment – while offering real incentives to the investment it wants: a 45% investment tax credit for manufacturing, now extended to AI and patents, a longer captive-insurance holiday, and a useful widening of the partial exemption regime for asset managers.

GLOBAL BUSINESS AND FINANCIAL SERVICES

For Global Business players, the strategic direction is encouraging. A new Private Wealth Management Licence to anchor a family-office hub, frameworks for fintech, stablecoins and open banking, and a more workable minimum top-up tax all point to a jurisdiction competing on capability. Underpinning this is a necessary focus on governance, with the 2027 ESAAMLG

mutual evaluation kept squarely in view and continued investment in the country's anti-money-laundering defences – for an international financial centre, the price of staying in the game, and rightly treated as such. But one technical measure deserves far more attention than it received: management services supplied to Global Business Companies, as well as non-resident trusts and foundations move from zero-rated to VAT-exempt, stripping management companies of their input-VAT recovery. In a sector built on servicing international structures, that quietly raises the cost base of the whole value chain at the very moment Mauritius is asking it to invest in more substance. The message is coherent: Mauritius remains open, and is repositioning firmly around substance and credibility, but that position now comes at a higher price. What the Budget does not do is press its advantage. With geopolitical instability driving international capital towards stable, neutral and well-regulated jurisdictions, the Mauritius International Financial Centre had a rare opening to present itself as precisely that. Yet, little here seizes the moment. There is no bold, targeted pitch to the capital that is actively seeking a new home. For a financial centre that has spent two decades competing on access, that silence is a striking omission.

ATTRACTING TALENT... AND TAXING IT

One of the Budget's real strengths is its honesty about the country's talent gap. A new migration policy to attract foreign skills, post-study work visas to retain foreign graduates, wider work rights for international students, a diaspora platform, and a Golden Visa tied to permanent residence all acknowledge that growth needs people the island does not yet have. These measures are welcome, and overdue. Yet, the talent agenda pulls against itself. The same Budget that courts senior international professionals also makes Mauritius, permanently, a 35% jurisdiction at the top – the very cohort, mobile and highly paid, that a competitive headline rate was meant to attract and keep.

PENSIONS AND THE RISING COST OF EMPLOYMENT

The pension overhaul is the Budget's most consequential structural reform, and its cost lands squarely on employers. The Basic Retirement Pension becomes a means-tested State Age Pension, and a funded, defined-contribution National Pension and Provident Fund replaces the old National Pension Fund, absorbing the CSG and the Portable Retirement Gratuity Fund. The reform is overdue and, in principle, sound – but employer contributions of 7.5% to 10.5% point the

wage on-cost upward, not down, and they do not arrive alone. Maternity leave extends to twelve months, paternity to six weeks, and a new monthly menstrual-leave entitlement applies across both the public and private sectors. Each is defensible on its own terms; together they raise the cost of employing people in the very year the government is asking the private sector to lead the recovery. Employers should budget for this now.

EASE OF DOING BUSINESS

The facilitation agenda is the part of the Budget closest to what investors actually ask for – a Business Facilitation Bill built on the principle of silent agreement, longer name reservations, and a single application platform at the Financial Services Commission. These are practical, and welcome. The familiar caveat applies: announcement is not delivery, and the same Budget tightens beneficial-ownership rules in parallel. The net effect on competitiveness will turn on which of the two moves faster in practice.

CONCLUSION: THE COMPETITIVENESS QUESTION

On its own terms, this is a competent and disciplined Budget. The worst of the fiscal crisis is receding, and several measures – the investment incentives, the wealth-management and fintech frameworks, the candid push on talent, and a steady focus on governance – give the business community something real to build on. We welcome them. This is, in the end, a resilient Budget built on tough but necessary choices, and after the events of recent years, the discipline is hard to fault. But choices have consequences, and these will be felt – by employers, by senior talent, and by the international sector that has long been one of the country's quiet strengths. The permanent 35% top income tax rate, the rising cost of employment and the heavier load on the financial centre will never appear in the deficit figures; they will appear instead where businesses decide to base, hire and invest. Resilience and discipline have carried Mauritius this far. Whether they have been bought at the cost of its competitiveness is the question this Budget leaves open, and the one that now matters most.



There is nothing so permanent as a temporary tax.

“Future growth will no longer stem solely from traditional sectors”



By **SHAMIMA MALLAM-HASSAM**

MANAGING DIRECTOR AT TRIDENT TRUST (MAURITIUS) LTD

The Budget aims to restore sustainable economic growth by steering Mauritius towards a model that is increasingly driven by investment, innovation and productivity gains. The central message is that future growth will no longer stem solely from traditional sectors but increasingly from financial services, digital technologies, artificial intelligence, infrastructure development, renewable energy, the blue economy and high value-added foreign direct investment.

The 2026/27 Budget introduces a series of significant reforms aimed at strengthening Mauritius’s position as a trusted international financial centre, while preparing the sector for the new opportunities offered by digital finance and technological innovation.

From a regulatory perspective, the measures announced under the Financial Intelligence and Anti-Money Laundering Act (FIAMLA) further reinforce the country’s anti-money laundering and counter-terrorism financing framework through greater use of technology, artificial intelligence and advanced supervisory tools. These reforms will help consolidate Mauritius’s international reputation and ensure that the country is fully prepared for the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) mutual evaluation scheduled for 2027.

The Financial Services Act is also being modernised to

support the development of fintech, wealth management and innovative financial services. The new provisions strengthen the supervisory powers of the Financial Services Commission while creating a more conducive environment for the emergence of new business models and investment activities.

The Budget also reaffirms its support for the captive insurance sector through the extension of the existing tax exemption regime. This will enable Mauritius to maintain its attractiveness as a jurisdiction of choice for captive insurance structures and specialised insurance activities.

In the banking and payments sector, the introduction of an Open Banking framework, the establishment of rules governing stablecoins and asset tokenisation, as well as enhanced cybersecurity and information-sharing arrangements among financial institutions, represent major steps towards a more innovative, secure and digitalised financial ecosystem.

However, in terms of business facilitation, certain measures have raised concerns, particularly the increase in the cost of issuing Tax Residence Certificates (TRCs). It should also be noted that services provided by management companies to Global Business companies, non-resident trusts and foundations will henceforth be classified as VAT exempt. These changes could have a negative impact on the sector’s competitiveness.

The Economic Development Board (EDB) has been entrusted with a central role in accelerating investment. Persistent challenges relating to permits, approval procedures and project implementation have often constrained private-sector investment. The measures announced, including the simplification of approval processes, the digitalisation of permits, accelerated investment facilitation and the introduction of the principle of “silent agreement” (tacit consent), have the potential to significantly reduce delays and improve the business environment.

An important feature of this Budget is its emphasis on unlocking and delivering projects rather than relying solely on public expenditure. If implemented effectively, the announced reforms could accelerate investment in infrastructure, technology, renewable energy, tourism, financial services and the Côte d’Or Special Economic Zone, thereby generating employment and creating new sources of economic activity.

Overall, this Budget contains many elements that are supportive of a revival in economic growth. The real challenge, however, will lie in its execution. Its success will depend on the speed with which the reforms are implemented and on their ability to translate into tangible investment, increased economic activity and lasting improvements in productivity across the economy.

The measures announced have the potential to significantly reduce delays and improve the business environment.



Budget 2026-27

AXYS and MEXA Highlight a Budget of Economic Repositioning, Resilience and Discipline

The 2026-2027 Budget, presented on Friday by the Prime Minister and Minister of Finance, Navin Ramgoolam, remains aligned with the realities and economic challenges that Mauritius is currently facing. Such are the views of Axys and MEXA. For the former, this Budget marks a true economic repositioning, notably with the introduction of the State Age Pension, the non-increase of VAT, and the emphasis placed on the importance of AI. As for MEXA, it considers that the government has been able to reiterate its confidence in the manufacturing sector, a major provider to the Mauritian economy, by coming forward with measures to modernize it and diversify it further.

In its analysis of Budget 2026-27, Axys notes that while past Budgets often relied on a mix of stimulus, transfers and sectoral support, this year's reflects a harsher reality: Mauritius can no longer depend on consumption-driven growth and rising public expenditure as its main economic strategy. Axys concedes that the government enters this budget cycle facing a set of well-known structural challenges. Public debt remains high, fiscal space is limited, imported inflation continues to weigh on households, and investment is still concentrated in sectors that do not always generate the productivity gains needed for sustainable long-term growth. In this context, the Budget seeks to strike a delicate balance between restoring fiscal sustainability and maintaining social cohesion.

THREE FLAGSHIP MEASURES

Axys states plainly that the flagship measures of this Budget are the 3.7% target for the fiscal deficit in 2026/27 (down from an estimated 6.0% in 2025/26), the standard State Age Pension of Rs 16,555 at age 65 replacing the BRP from 1 January 2027, and the non-increase of VAT. Axys notes that although it remains to be seen whether these targets will actually be met, the era of postponing difficult fiscal decisions seems to be ending.

Axys considers the most important reform in this Budget to be the introduction of the State Age Pension (SAP). This replaces the current Basic Retirement Pension framework and



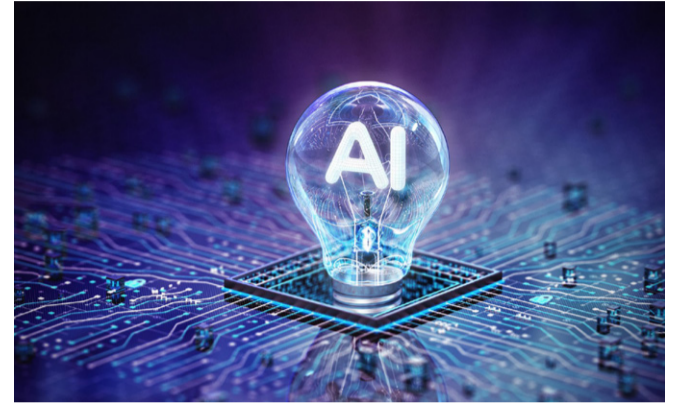
introduces means testing. The agency acknowledges that this measure is not the most popular announced, yet it is the most significant from a fiscal perspective. Demographics are an unavoidable reality, and, unlike budget speeches, they cannot be rewritten every year. This reform represents a serious attempt to tackle one of the largest long-term liabilities facing public finances.

On the revenue side, Axys explains that the government has opted for largely targeted measures rather than broad-based taxation. While high-income households, insurers and certain industries will bear additional tax burdens, the decision to keep VAT unchanged reflects a desire to protect household purchasing power at a time when the cost of living remains a major concern.

The agency maintains that this Budget is focused on repositioning the Mauritian economy for the next decade. Nevertheless, its success will not be judged by the size of allocations, but by its ability to turn ambition into measurable outcomes. "In that respect, government has presented a roadmap; the next test will be whether it can successfully navigate the journey," add the experts at Axys. Axys also notes that the Budget places considerable emphasis on economic transformation. The government's ambition is to position Mauritius as a regional hub for artificial intelligence, digital services and technology-driven investment, which is reflected in AI training initiatives, digital infrastructure projects and the creation of the Côte d'Or Special Economic Zone for AI and digital technologies. "If successful, these initiatives could help address one of the country's most persistent challenges: improving productivity rather than simply increasing expenditure," the experts at Axys argue.

MODERNISING THE REGULATORY FRAMEWORK FOR FINANCIAL SERVICES

Axys points out that the major beneficiary of this Budget is the financial services sector. "Measures relating to stablecoins, tokenisation, Open Banking and asset management reforms show a clear willingness to modernise the regulatory framework and ensure Mauritius remains relevant in an increasingly digital financial



landscape," they explain. Indeed, Axys stresses that for an international financial centre operating in a highly competitive environment, standing still is rarely an option.

The Budget also seeks to strengthen economic resilience through targeted investments in food security, renewable energy, water infrastructure and logistics. These measures directly address concerns about imported inflation, external vulnerabilities and supply-side constraints. For Axys, this Budget reflects a simple economic truth: a small island economy cannot control global shocks, but it can improve its preparedness for them.

THE SPECTER OF AGOA

From the outset, the Manufacturing Export Association (MEXA) highlights that the export and manufacturing sector remains the largest contributor to the Mauritian economy, representing around 12.8% of Gross Value Added (GVA) and serving as a key source of foreign exchange, investment and employment. The sector has consistently demonstrated resilience, playing a vital role in supporting the economy during periods of uncertainty and external shocks.

However, since last year, the sector has come under pressure, with the imposition of U.S. tariffs and the persistent uncertainty surrounding the future of AGOA. These factors have caused a gradual erosion of export competitiveness. Although exports of goods reached about Rs 75 billion (around US\$1.5 billion) in 2025 and show that 2026 is moving towards positive momentum, with domestic exports growing in the first quarter of the year, there remains a risk: significant potential is still untapped, underscoring the need for renewed investment, industrial modernization and export diversification to unlock the next phase of export-led growth.

MEASURES WELCOMED

In this context, MEXA says it welcomes the measures announced in the 2026-27 Budget aimed at repositioning manufacturing and exports as key drivers of economic growth. The association applauds the government's ambition to double exports, from about US\$1.5 billion to US\$3.0 billion over the next five years.

This objective is supported by the introduction of an Industry Bill, providing a modern framework for industrial development; the attraction of industrial FDI, particularly in advanced manufacturing and high-value industries, backed by the creation of a High-Tech Special Economic Zone at Côte d'Or; and the renewal of the Investment Tax Credit for the modernization of industrial capacity. MEXA also notes government's commitment to developing the Island Container Terminal, which will further strengthen Mauritius's industrial, logistics and export competitiveness, as well as the Action Plan to increase local fish production from 5,140 tonnes to 15,000 tonnes over the next three years, a measure that aligns with strengthening food security while tapping into the potential of the ocean economy as a new source of export growth.

"Collectively, these initiatives provide a solid foundation to attract investment, expand productive capacity and support Mauritius's long-term transformation into a more diversified, export-oriented economy," states MEXA.

As these measures are largely structural and medium- to long-term in nature, says MEXA, the challenge is to complement them, and to address the immediate competitiveness pressures exporters face today. The association would therefore like the government to continue paying close attention to short-term competitiveness factors, urging it, in particular, "to maintain the TPMS at the current level for another year."

Axys notes that although it remains to be seen whether targets will actually be met, the era of postponing difficult fiscal decisions seems to be ending.

Mauritius should invest in a generation through a national service programme

A second chance for 28,000 young Mauritians



By **ALI MANSOOR**

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In Mauritius, we often debate the cost of public policies. Far less often do we ask the opposite question: what is the cost of doing nothing?

This question is particularly important when it comes to the nearly 28,000 young Mauritians who are neither in employment, education nor training. Behind this statistic lies a human reality: loss of hope, social exclusion, vulnerability to drugs, and in some cases a drift into crime and anti-social behaviour.

It is for this reason that Mauritius should establish a National Service Programme for young people aged 16 to 25 who are not in full-time employment or education.

A SECOND CHANCE, NOT A PUNISHMENT

It is important to be clear about what this proposal is not. It is not a military programme. It is not a punishment. It is not a welfare scheme.

Its purpose is to provide a second chance to those who the education system, family circumstances, or society have failed to integrate successfully. While most young Mauritians progress through education and employment, a minority fall through the cracks. A responsible society cannot simply abandon them. The programme would provide a minimum income, vocational or academic training, mentoring, work experience, community service opportunities and support in finding permanent employment.

The objective is simple: help young people become productive citizens and build better lives for themselves.

TACKLING THE DEMAND SIDE OF DRUGS

For decades, most countries have focused their anti-drug policies on repression and law enforcement. These remain essential.

However, economics teaches us that every market has both supply and demand. If thousands of young people feel excluded, discouraged and disconnected from society, drug traffickers will continue to find customers and recruits.

The National Service Programme seeks to reduce that demand.

A young person who is learning a trade, earning an income, receiving mentorship and building a future is far less likely to become involved in drugs or criminal activity.

If the programme succeeds in reducing drug consumption among even a portion of the estimated users, Mauritius could save approximately US\$50 million annually in foreign exchange currently lost through drug imports. This would strengthen the balance of payments, reduce pressure on the rupee and free resources for more productive uses.

A CRITICAL STAGE OF LIFE

Psychological research suggests that the transition between adolescence and adulthood is a particularly sensitive period, especially for young men, who often reach full maturity later than young women.

Between leaving school and becoming fully established in adult life, many young people need additional support and guidance.

The programme would therefore place particular emphasis on three qualities that employers consistently value:

- Punctuality
- Discipline
- Teamwork

These qualities are often just as important as technical skills in determining long-term success.

A SOCIAL INVESTMENT WITH ECONOMIC RETURNS

The initial cost of the programme is estimated at approximately Rs 6 billion annually, or about 3 percent of government expenditure. As the initial stock of participants is absorbed and the programme reaches steady state, annual costs could decline to around Rs 2 billion. At first glance, these amounts may appear significant.

Yet they must be compared to the benefits.

By helping young people acquire skills and enter the workforce, the programme would increase labour force participation and productivity. Based on conservative assumptions, the programme could eventually generate approximately Rs 7 billion annually in additional national output through higher employment and productivity.

In other words, the direct economic gains could exceed the programme's cost.

The programme would also produce benefits that are more difficult to quantify but potentially even more significant:

- Lower crime rates;
- Reduced policing, judicial and prison costs;
- Lower healthcare and rehabilitation costs associated with addiction;
- Stronger social cohesion;
- Greater confidence in the future among young people.

International evidence consistently shows that crime imposes substantial economic costs through property losses, security expenses, insurance premiums, lost business opportunities and the diversion of public resources. Even a modest reduction in crime could therefore save hundreds of millions of rupees annually while improving the quality of life of all Mauritians.

MOBILISING AN UNTAPPED NATIONAL RESOURCE

One of the most innovative aspects of the proposal is the mobilisation of retirees as mentors and trainers. Mauritius has approximately 135,000 citizens between the ages of 60 and 69. Many possess valuable professional

experience, practical knowledge and life skills that could be passed on to younger generations.

The programme would allow retirees who wish to remain active to contribute voluntarily while receiving a modest supplement to their pension.

This would not only help young people. It would also give many retirees a renewed sense of purpose and social contribution.

USING EXISTING INFRASTRUCTURE

Another strength of the proposal is that it does not require the creation of a large new bureaucracy.

Mauritius already has schools, training institutions, sports facilities, local authorities, NGOs and uniformed services.

The challenge is not to create new structures but to coordinate existing resources more effectively.

With the right political will, much of the programme could be implemented using infrastructure that already exists.

A NATIONAL CONVERSATION

A programme of this scale cannot be imposed from above.

It must be developed through consultation with young people, families, educators, employers, NGOs, retirees and local communities.

The purpose of the proposal is therefore not to dictate a final model but to start a national conversation on how Mauritius can provide a meaningful second chance to those who need it most.

THE REAL DEBATE

The real debate is not whether Rs 6 billion is a large sum.

The real debate is how much Mauritius currently pays for social exclusion.

How much does drug addiction cost? How much does crime cost?

How much does lost human potential cost?

How much does it cost when thousands of young people lose faith in their future?

The programme would not merely address social problems. It would strengthen the labour force, improve productivity, reduce pressure on public services and contribute to long-term economic growth.

National Service is not primarily a public expenditure programme.

It is an investment in people, in social cohesion and in the future of Mauritius.

It is also an instrument that would finally allow us to tackle the drug problem at its roots by reducing demand rather than focusing exclusively on supply.

A country that invests in its most vulnerable young people is not merely spending money; it is building the foundations of its future prosperity. And when viewed from that perspective, the cost of inaction may be far greater than the cost of action.

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