

Tax regime of banks: Conditions for the reduced income rate tax of 5% released

The Income Tax Regulations have been amended to give clarity on the conditions regarding the reduced tax rate for banks having a chargeable income exceeding MUR1.5 billion.

As a reminder, the current taxation regime for banks was amended through Finance Act 2018 and is effective in respect of the year of assessment commencing 1 July 2020 and in respect of every subsequent year of assessment.

The tax regime for banks can be split in three parts:

1) Normal taxation regime

Chargeable Income	Rate of Income Tax
First MUR1.5 billion	5%
Remainder	15%

2) Chargeable income in an income year exceeds MUR1.5 billion and chargeable income in the base year (year of assessment 2017/18) exceeds MUR1.5 billion

Chargeable Income	Rate of Income Tax
First MUR1.5 billion	5%
Exceeding MUR1.5 billion up to the amount equivalent to the chargeable income of the base year	15%
Remainder	5% **

3) Chargeable income exceeds MUR1.5 billion in an income year but chargeable income in the base year (year of assessment 2017/18) does not exceed MUR1.5 billion, the chargeable income is subject to a tax rate of 5%**.

**** Conditions to be eligible for the 5% tax rate for years of assessment 2020/21 and 2021/22 are as follows:**

The bank should grant at least 5% of its new credit facilities to any of the following categories of business:

- small and medium enterprises in Mauritius;
- enterprises engaged in agriculture, manufacturing or production of renewable energy in Mauritius; or
- operators in African or Asian countries.

Credit facilities have been defined as follows:

- Any facility, whether fund based or non-fund based, made available to a person and containing an obligation to disburse a sum of money in exchange for a right to repayment of the amount disbursed and outstanding and to payment of interest or other charges on such amount including loans, overdrafts and leasing facilities; or
- Any extension of the due date of a debt, any guarantee issued, and any commitment to acquire a debt security or other right to payment of a sum of money.

New credit facilities have been defined as follows:

The credit facilities granted by the bank during an income year.

KPMG Views

- Under the current tax regime, a single income tax rate applies on onshore activities (Segment A) and offshore activities (Segment B). As such, banks are no longer required to submit auditor's report certificate regarding segmental split of expenses. On the other hand, banks are not allowed under the current tax regime to offset foreign tax suffered against their tax liability in Mauritius.
- We expect that credit facilities granted to companies holding a Global Business Licence and operating in Africa or Asia to qualify for the conditions.
- Finally, the conditions published apply to years of assessment 2020/21 and 2021/22 only. We expect the Mauritius Revenue Authority to come up with the conditions applying to year of assessment 2022/23 and onwards at the earliest.

Contact Us

We hope you find this tax alert useful. Feel free to contact us if you have any question.



Wasoudeo Balloo
Partner, Head of Tax

T: (+230) 406 9891
E: wballoo@kpmg.mu



Kevin Mees
Manager, Tax

T: (+230) 406 9768
E: kmees1@kpmg.mu



Pechal Chundydyal
Manager, Tax

T: (+230) 406 9845
E: pchundydyal@pmg.mu



Joshita Lutchoomun
Manager, Tax

T: (+230) 406 9850
E: jlutchoomun@kpmg.mu

kpmg.com/mu
kpmg.com/socialmedia



[Privacy](#) | [Legal](#)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

This document is based on our interpretation of the current income tax law and international tax principles. These principles are subject to change occasioned by future legislative amendments and court decisions. You are therefore cautioned to keep abreast of such developments and are most welcome to consult us for this purpose.

© 2020 KPMG Tax Services Ltd, a Mauritian limited liability company and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.