KPMG

Tax Alert

ISSUE 7 | **OCTOBER 2018**

Mauritius Tax Reforms - Clarifications

Deemed Foreign Tax Credit

— The Income Tax (Foreign Tax Credit) Regulations have been amended to:

- remove the deemed foreign tax credit effective 01 January 2019; and
- allow Companies holding Category 1 Global Business Licence ("GBC1") incorporated on or before 16 October 2017 to claim the deemed foreign tax credit on foreign source income up to 30 June 2021.

— Companies may nevertheless continue to claim actual foreign tax suffered as a credit against tax payable in Mauritius, except for categories of income which are entitled to the partial tax exemption.

Partial Exemption

— The Income Tax Regulations have now extended the partial exemption to cover both local and foreign source income derived by:

- Collective Investment Scheme (CIS), Close End Fund, CIS Manager, CIS administrator, investment adviser or asset manager; and
- Companies engaged in ship and aircraft leasing.

— Additionally, local and foreign source interest, other than those already exempted under the Income Tax Act, will be entitled to the 80% partial exemption.

— Interest payable by local banks on call and deposit accounts to GBC1 will no longer be fully exempted but will be subject to 80% partial exemption.

Enhanced Substance requirements

— In order to benefit from the partial exemption, a company must:

- carry out its core income generating activities in Mauritius;
- employ directly or indirectly an adequate number of suitably qualified persons to conduct its core income generating activities; and
- incur a minimum expenditure proportionate to its level of activities.

— The Financial Services Commission has now issued a circular providing clarification (including indicative guidelines) on enhanced substance requirements. Please refer to Annex 1 for the indicative guidelines.

Gain / Profit on sale of shares and securities

— Tax exemptions applicable to GBC1 on:

- sale of units or securities; and
- sale of units, gold, silver or platinum for a continuous period of at least 6 months

have been extended to domestic entities.

How KPMG can assist?

— Perform tax impact assessment in light of the enacted tax reforms;

— Assess your eligibility for the partial exemption.

Annex 1

Indicative minimum level of expenditures and employees

Category	Sub Category	Minimum Annual Expenditure (USD)	Minimum Employment in Mauritius (Direct / Indirect)
Non-Financial	Investment Holding (Excluding IP Rights)[1]	12,000	No minimum employment
	Non-Investment Holding	15,000	If annual turnover is: Less than USD 100m: min. 1 More than USD 100m: min. 2
Financial	CIS Manager / Asset Manager	30,000	If assets under management are: Less than USD 100m: min. 1 Between USD 100m and USD 500m: min. 2 More than USD 500m: min. 3
	Institutions[2]	100,000	If annual turnover is: Less than USD 50m: min. 1 Between USD 50m and USD 100m: min. 2 More than USD 100m: min. 3 For Insurers If annual gross premium is: Less than USD 50m: min. 1 Between USD 50m and USD 100m: min. 2 More than USD 100m: min. 3
	Intermediaries[3]	30,000	1
	Others	25,000	1

[1] GBCs holding IP Rights will be required to demonstrate that they have incurred expenditure in Mauritius which is proportionate to the research and development of the relevant IP Rights.

[2] E.g. Insurance, Leasing, Credit Finance.

[3] E.g. Investment Adviser, Insurance Broker, Insurance Agent.

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