

## 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 monthshave 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) <sup>1</sup>	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 <sup>2</sup>	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  <u>For Insurers</u> 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 <sup>3</sup>	30,000	1
	Others	25,000	1

<sup>1</sup> 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.

<sup>2</sup> E.g. Insurance, Leasing, Credit Finance.

<sup>3</sup> E.g. Investment Adviser, Insurance Broker, Insurance Agent.

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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.

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