

# *Tax reform in the Global Business sector in Mauritius*



Friday 27 July 2018

Welcome to the Live Webex  
*‘Tax reform in the Global  
Business Sector in  
Mauritius’*

Thank you for tuning in from  
all around the globe



# Speakers

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# Speakers



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# Agenda

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**1**

Regulatory



**2**

Taxation



**3**

Q & A



# 1 Regulatory

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Presented by

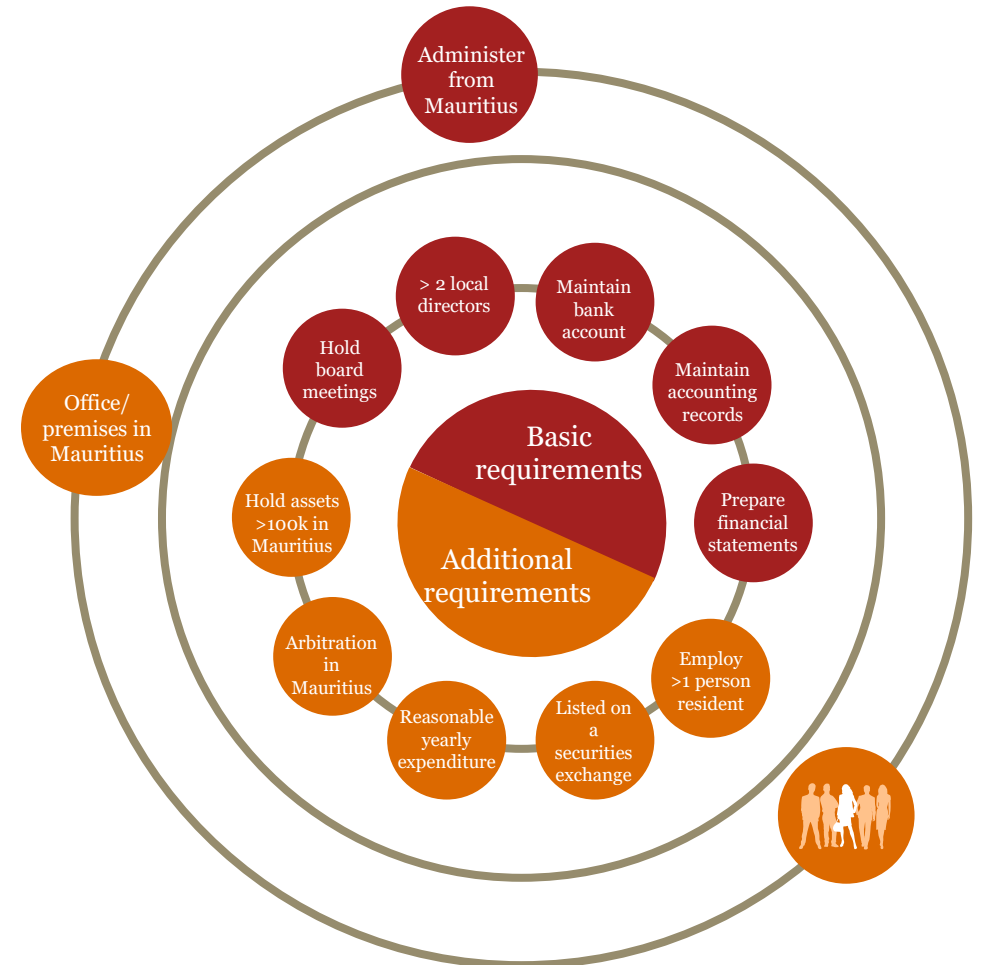
**Anthony Leung Shing**  
Country Senior Partner & Tax Leader



# Investment Vehicles

## Pre Finance Bill 2018

- Foreign investor can use 3 types of companies:
  - Global business company category 1 (GBC1)
  - Global business company category 2 (GBC2)
  - Domestic company
- Factors establishing management and control in Mauritius includes meeting the basic and additional substance requirements





# Global Business Licence

## Post Finance Bill 2018



GBC1 will be renamed as Global Business Licence (“GBL”)



Requirement for applying a GBL has been amended:

- A non citizen of Mauritius which holds a majority of shares/voting rights/legal or beneficial interest in a resident corporation and purposes to conduct or conducts business principally outside of Mauritius will be required to apply for a GBL with the FSC



Penalty if conducting business without a GBL:

- Liable to a fine not exceeding ***Rs1m***

# Global Business Licence

## Post Finance Bill 2018

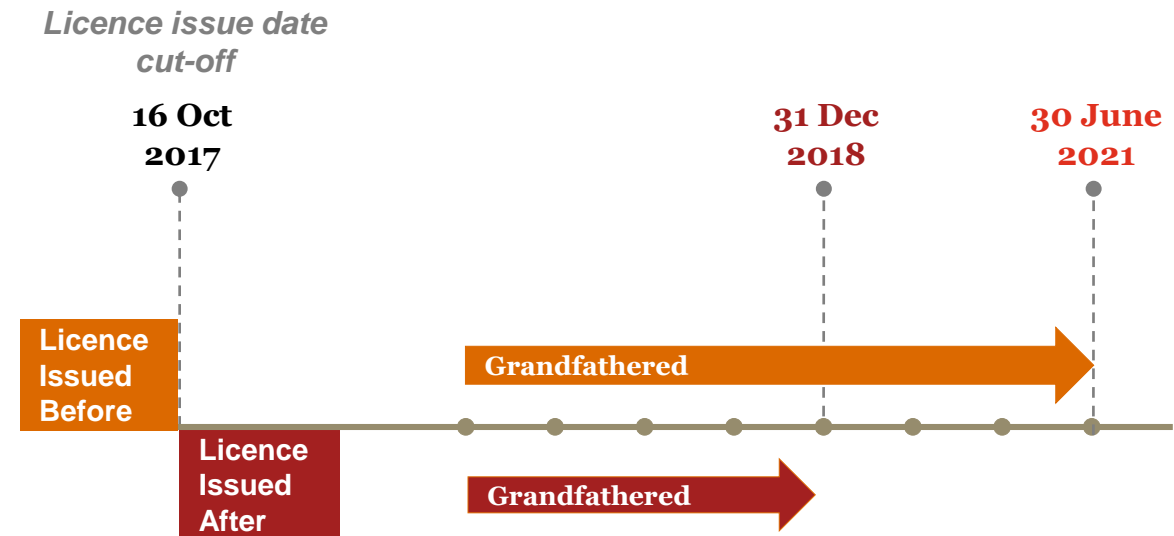


Factors establishing management and control in Mauritius still same.  
However, GBL should at all times

- Carry out its **core income generating activities** in, or from Mauritius by:
  - Employing, **directly or indirectly**, a **reasonable number of suitably qualified** persons to carry out the core activities; and
  - having a minimum level of expenditure, which is proportionate to its level of activities
- Be managed and controlled from Mauritius; and
- Be administered by a management company

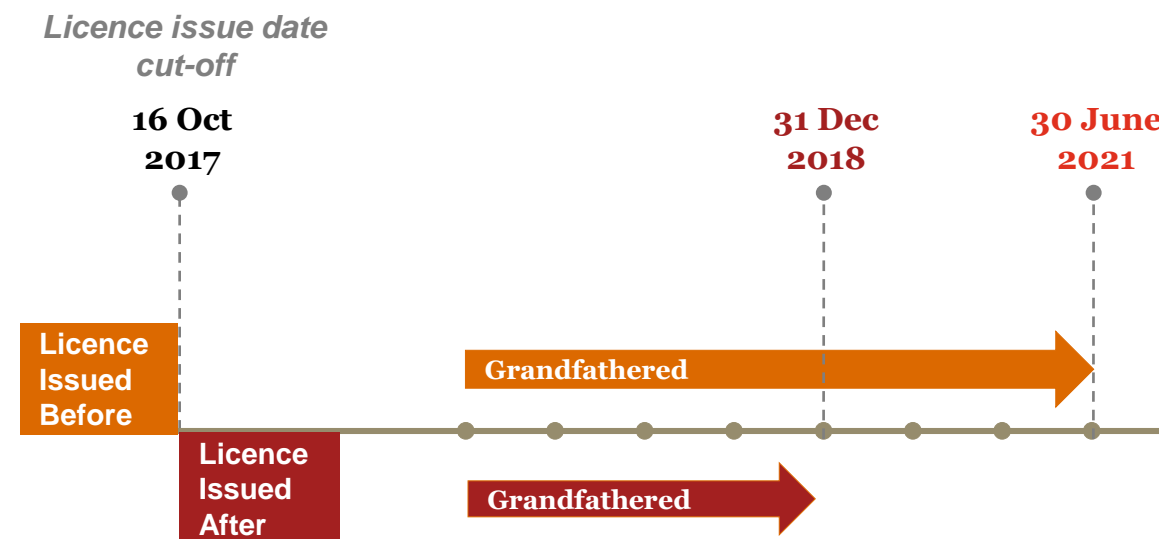
# Category 1 Global Business Licence Transitional Provisions

- Licences issued before 16 Oct 2017 - grandfathered up to 30 June 2021
- Licences issued after 16 Oct 2017 - grandfathered up to 31 December 2018
- After end of transitional period, existing GBC1 will be deemed to be converted to GBL. No additional conversion will be required

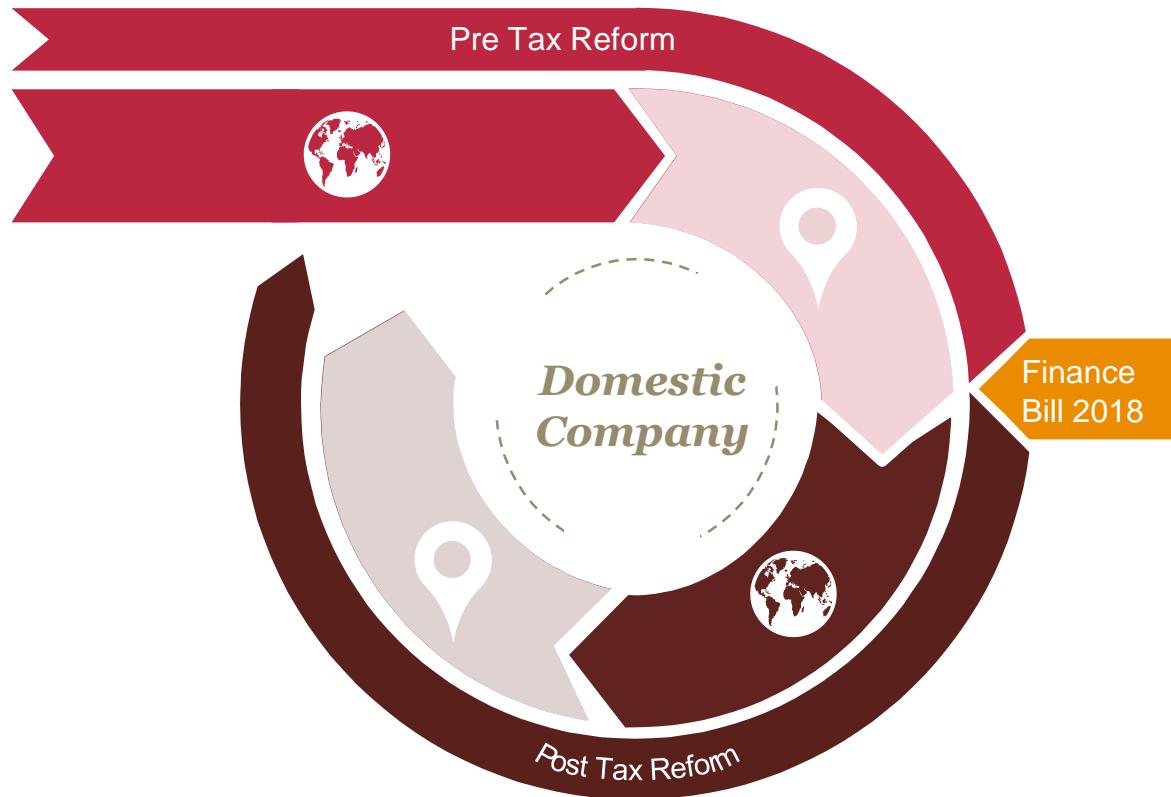


# Category 2 Global Business Licence Transitional Provisions

- GBC2 phased out as from 1 January 2019
- **Transitional provisions**
  - Licences issued before 16 Oct 2017 - grandfathered up to 30 June 2021
  - Licences issued after 16 Oct 2017 - grandfathered up to 31 December 2018
- After grandfathered period – GBC2 will have to comply with conditions of FSC and comply to directions for the orderly dissolution of its business and discharge of its liabilities



# Domestic Company



## Type of licence



Pre

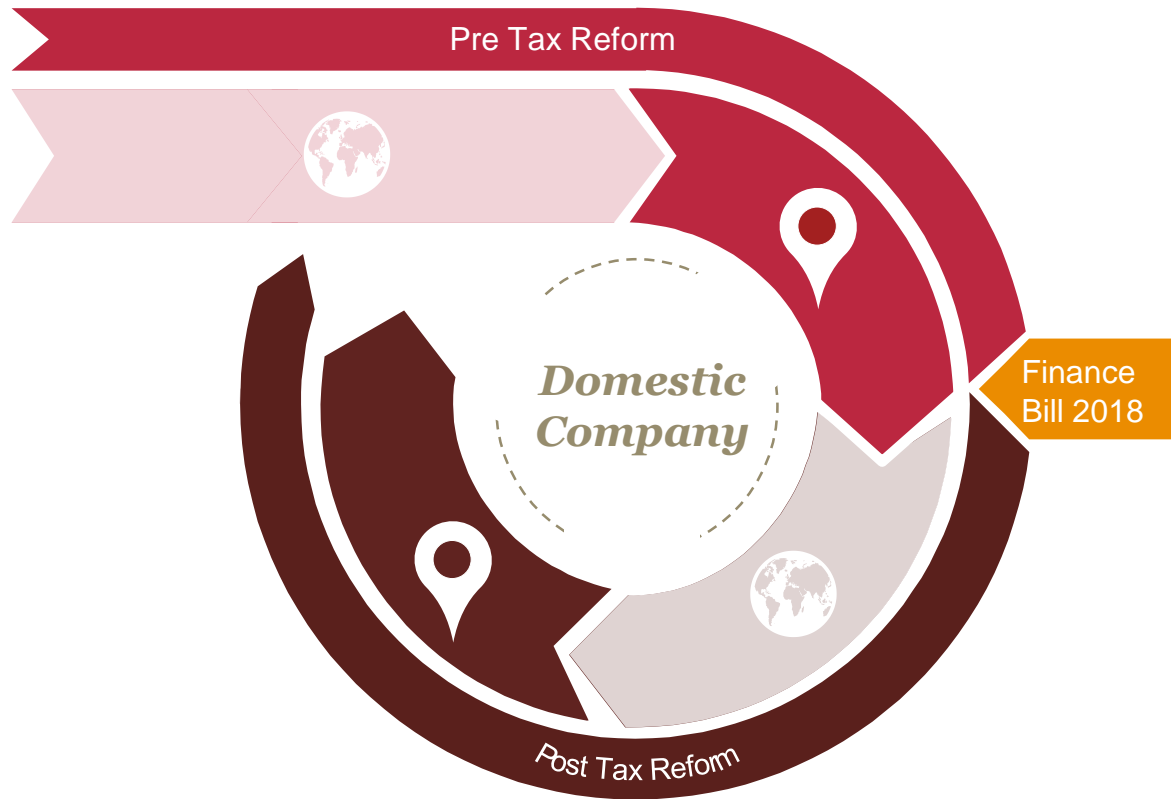
Finance  
Bill 2018

Post

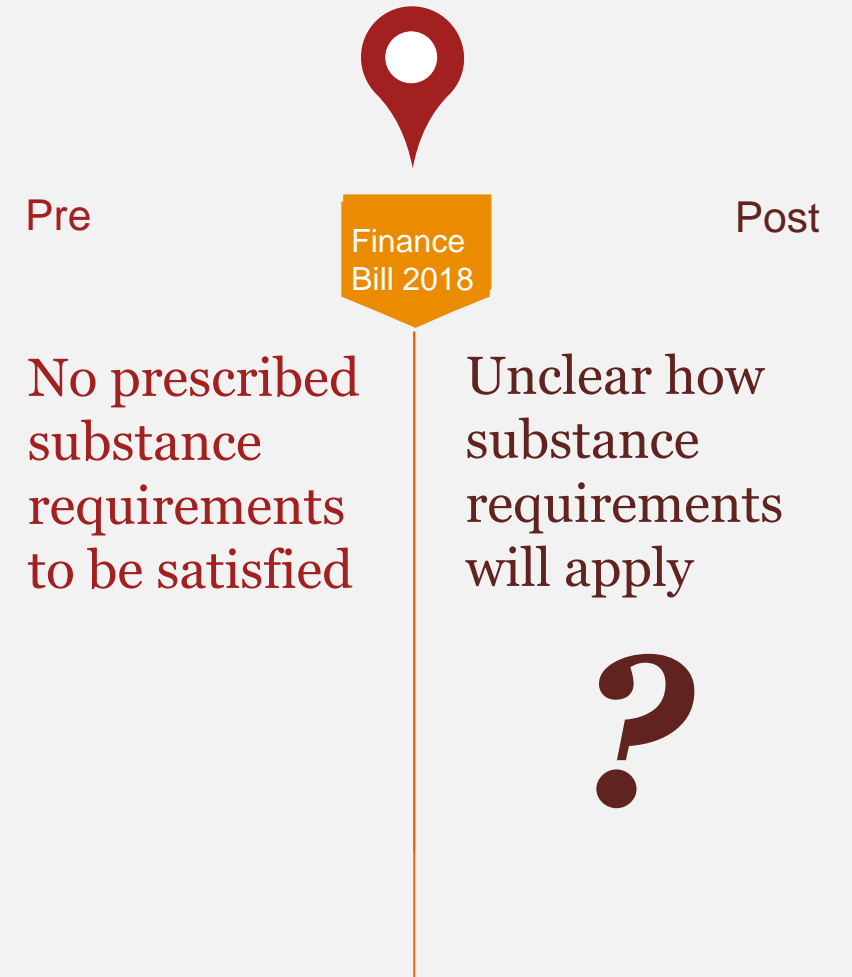
Domestic company held by non-citizen allowed to conduct business mainly outside of Mauritius without a GBC1 Licence

Domestic company has to apply for GBL Licence if it is held by a non-citizen and conducts business mainly outside of Mauritius

# Domestic Company



## Substance



# Authorised Company

## Post Finance Bill 2018



Companies conducting business and having their place of effective management outside of Mauritius, will need to apply for an authorisation from the FSC as an Authorised Company



Has to be made through a management company in Mauritius and should at all times be administered by a management company



Authorised companies are not allowed to carry out certain activities

- Banking
- Financial services
- Carrying out the business of holding or managing or otherwise dealing with a collective investment fund or scheme as a professional functionary
- Providing of registered office facilities, nominee services, directorship services, secretarial services or other services for corporations
- Providing trusteeship services by way of business

# Authorised Company

## Post Finance Bill 2018



Authorised companies will be held to be conducting business outside of Mauritius if engages in certain dealings or transactions

- Investing in any securities listed on a securities exchange in Mauritius
- Opening and maintaining with a bank an account in foreign currency
- Holding any share, debenture, security or any interest in or dealing with a GBL
- Entering into a business relationship with the holder of a Management Licence or a law practitioner, legal consultant, law firm or a qualified auditor in Mauritius



Offences will be liable to a fine not exceeding  
***Rs1m***



# 2

# Taxation

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Presented by

**Dheerend Puholoo**  
Tax Partner



# Category 1 Global Business Licence Pre Finance Bill 2018



GBC1 is taxed at 15%.  
However, it is eligible to 80%  
deemed foreign tax credit or  
actual tax suffered to offset  
against Mauritius tax  
payable, whichever is higher

## 80%

Deemed FTC of 80% was  
available to **all** income types  
to all GBC1 companies  
irrespective of licence type



Actual foreign tax would include  
(i) any withholding tax or  
(ii) underlying tax suffered  
dividend received

# Global Business Licence

## Post Finance Bill 2018



Phasing out of Deemed FTC  
effective as from 1 Jan 2019

# 80%

Introduction of 80% partial  
exemption regime on  
specified income

- Foreign dividend, subject to amount not allowed as deduction in source country
- Foreign source interest income
- Profit attributable to a permanent establishment of a resident company in a foreign country
- Foreign source income derived by a Collective Investment Scheme (“CIS”), Closed End Funds, CIS manager, CIS administrator, investment adviser or asset manager licensed and approved by the Financial Services Commission (“FSC”)
- Income derived by companies engaged in ship and aircraft leasing

# Global Business Licence

## Post Finance Bill 2018



No actual foreign tax credit is allowed on foreign source income if the GBL company has claimed the 80% exemption



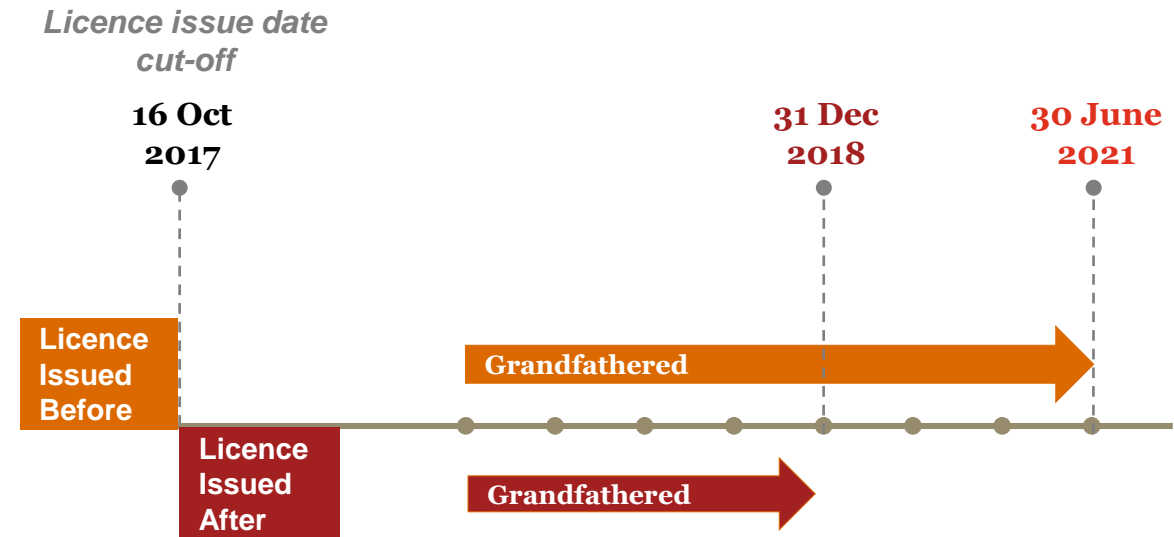
The 80% exemption is available upon meeting pre-defined substance requirements as prescribed



Proportion of expenses in relation to exempt income will be disallowed where the 80% partial exemption is claimed

# Global Business Licence Transitional Provisions

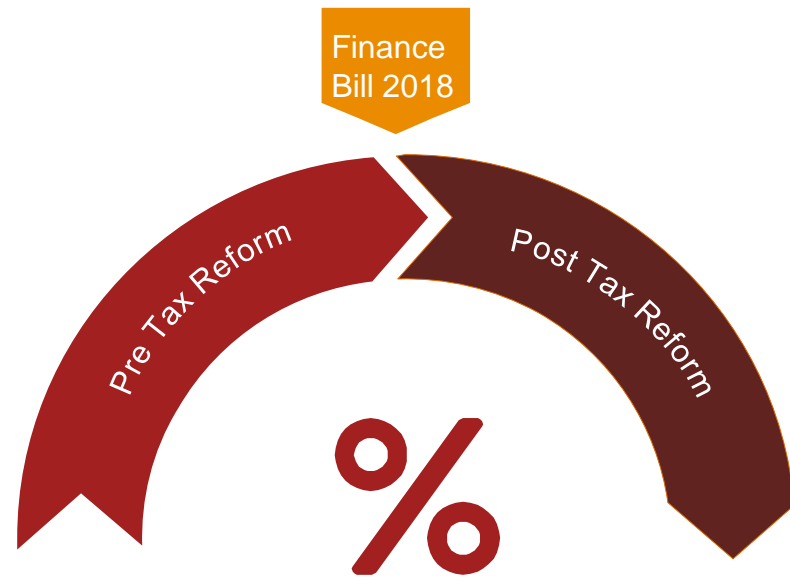
- Licences issued before 16 Oct 2017 - grandfathered up to 30 June 2021
- Licences issued after 16 Oct 2017 - grandfathered up to 31 December 2018
- Deemed FTC will still be available during transitional period until 31 December 2018 or 30 June 2021?



Deemed FTC -

*80% available during  
grandfathered period ?*

# Domestic Company



## Actual Tax

%

Pre

Finance  
Bill 2018

Post

Actual tax can be claimed to offset against foreign source income

Actual tax suffered can **still** be claimed to offset against foreign source income where no partial exemption is claimed

# Examples of income received

|  | Pre<br>Finance Bill 2018 | Post<br>Finance Bill 2018        |
|--|--------------------------|----------------------------------|
|  | <i>Deemed<br/>FTC</i>    | <i>80% Partial<br/>Exemption</i> |
| Foreign source Dividend Income *<br>* subject to no deduction allowed in source country  | ✓                        | ✓                                |
| Dividend from Mauritius resident companies   | Exempt                   | Exempt                           |
| Foreign source Interest Income   | ✓                        | ✓                                |
| Interest income from local banks   | Exempt                   | Exempt                           |
| Fees, Commissions and Management Fees  | ✓                        | X                                |
| Income from services   | ✓                        | X                                |
| Foreign source income received by a Collective Investment Scheme ("CIS"), Close ended Funds, CIS manager, CIS administrator, investment adviser or asset manager | ✓                        | ✓                                |
| Realised gains from investments in shares or securities  | Exempt                   | Exempt                           |
| Profit attributable to a permanent establishment of a resident company in a foreign country  | ✓                        | ✓                                |

# Our Opinion

*“Mauritius brings major tax reforms in line with international norms but still remains competitive”*

**Anthony Leung Shing**  
Country Senior Partner & Tax Leader  
PwC Mauritius

## **3** Things to Remember

**1**

New substance requirements for GBL companies

**2**

DFTC abolished as from 1 Jan 2019

**3**

Introduction of 80% partial exemption regime



# Talk to us



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# Thank you

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