

The Common Reporting Standard - Are you ready for it?

25 May 2016

In brief

Mauritius signed the OECD convention on mutual administrative assistance in tax matters in June 2015 and, as a member of the Early Adopters Group, the country had initially planned to implement the Common Reporting Standard ('CRS') early. The effective date of 1 January 2016 was subsequently deferred to 1 January 2017 and the first reporting will now start from 31 July 2018.

In detail

The Mauritius Income Tax Act ('ITA') was amended to enact the CRS and the Mauritius Revenue Authority ('MRA') is the competent authority to administer the process. Under CRS, Financial Institutions ('FIs') will need to report accounts held by non-residents to the MRA and which will be used for eventual exchange with other jurisdictions. In line with the OECD commentaries and handbook on CRS, the MRA published a set of guidance notes in April 2016 ('MRA Guidance Notes') to help identify which FIs have reporting obligations as well as set out the type of financial information and account which would need to be reported.

What does this mean for entities in Mauritius?

An entity in Mauritius will have a reporting obligation to the MRA if it qualifies as one of the following:

- Depository Institution (includes banks, savings and loan associations and credit unions),
- Custodial Institution (includes custodian banks, brokers, and central securities depositories),
- Investment Entity (includes entities investing, re-investing or trading in financial instruments, portfolio management or investing, administering or managing financial assets), or
- Specified Insurance Company (includes mostly life insurance companies).

Whilst it is generally straight forward to identify an institution with potential reporting obligations ('RFIs'), it may be less clear for some organisations such as management companies (also known as corporate administrators). Unfortunately, the MRA Guidance Notes do not provide direction or information on this matter. Management companies in Mauritius typically offer incorporation and administration services and, in our view, such organisations may qualify as Investment Entities. Therefore, depending on the scope of services and the type of financial accounts being maintained for their clients, management companies may need to report to the MRA.

What's next?

The first information exchange will start on 30 September 2018 and relate primarily to new accounts (those opened from 1 January 2017) and pre-existing individual High Value Accounts (those held at 31 December 2016 and with balances over USD 1m) held by non-residents. Local RFIs will need to review their current systems and contracts, and consider how these will need to be adapted to comply with the CRS reporting requirements. New account opening procedures may be required to collect the relevant information and this does not simply consist of one confirmation on tax residence at the time of on boarding foreign clients. Systems and processes will need to continuously monitor key information such as tax residency status, account balances or gross proceeds to be paid or credited to an account holder. Further, the identification of the High Value Accounts may also require a platform for aggregation and monitoring of balances, currency translation, 'indicia' electronic or paper search, etc.

CRS requires that information be reported only for non-residents who are from reportable jurisdictions, that is, countries who are

signatories to CRS. However, the MRA Guidance Notes indicate that local RFIs would need to adopt a wider approach and retain data on account holders from any jurisdiction, irrespective of whether or not, the jurisdiction is a reportable jurisdiction. This will save RFIs time from undergoing any further due diligence on account holders in the future in the eventuality that other jurisdictions adopt CRS or the jurisdiction of residence changes. The MRA Guidance Notes also specify that FIs will not be required to file nil returns if they do not maintain any reportable account in respect of a calendar year.

Non-compliance consequences

As indicated above, the MRA is the competent authority for CRS in Mauritius and it has been given powers under the ITA to disclose information to other cooperating jurisdictions. Further, the MRA has the authority to require local FIs to establish and maintain appropriate due diligence procedures. If an FI fails to comply with the CRS obligations, the FI will commit an offence and, on conviction, be liable to a fine not exceeding Rs5,000 and to imprisonment for a term not exceeding 6 months.

Overall, although the CRS is closely modelled on the Foreign Account Tax Compliance Act ('FATCA'), it is not simply FATCA 2.0. The CRS is broader in scope as it includes more information on a wider range of clients and to be reported to a greater number of revenue authorities. The wider reach of CRS, compared to the FATCA, will require FIs to have a more robust system of due diligence procedures to process the reporting obligations. Mauritius, like many other jurisdictions, will seek to leverage on the lessons learnt as well as the investments made to implement FATCA to establish a framework for automatic exchange of information for CRS.

Tax Team
PwC Mauritius

For more information, please see contact details on the website
www.pwc.com/mu/taxtimes

