
Regulatory and Tax updates for Global Business Companies in Mauritius

October 2018

In brief

The Finance Act 2018 introduced enhanced substance requirements for companies holding a Global Business Licence (GBL). The Financial Services Commission (FSC) has recently issued a circular giving further guidance on those enhanced substance requirements which are effective as from 1 January 2019.

In line with the ongoing tax reforms in Mauritius, the Income Tax Regulations have also been amended to include, among others, details of the conditions to qualify for the 80% partial tax exemption, the application of the deemed foreign tax credit during the grandfathering period and the exemption of gains on securities.

In this alert, we summarise both the FSC's enhanced substance requirements and the changes brought to the Income Tax Regulations.

In detail

Regulatory measures

Effective as from 1 January 2019, a company holding a GBL must, 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 proportionate to its level of activities.

The core income generating activities in respect of the different licences are detailed on the next page.

Core income generating activities:

<i>Licence type</i>	<i>Core income generating activities to be undertaken in Mauritius</i>
Collective Investment Scheme (CIS)	<ul style="list-style-type: none"> Investment of funds in portfolios of securities or other financial assets, real property or non-financial assets Diversification of risks Redemption on the request of the holder
Close Ended Funds	<ul style="list-style-type: none"> Investment of funds collected from sophisticated investors, in portfolios of securities or other financial/non-financial assets or real property
CIS Manager	<ul style="list-style-type: none"> Management of a Collective Investment Scheme Taking decisions on the holding and selling of investments Calculating risks and reserves Taking decisions on currency or interest fluctuations and hedging positions Preparing relevant regulatory or other reports for government authorities and investors
CIS Administrator	<ul style="list-style-type: none"> Providing services with respect to the operations and administrative affairs of a collective investment scheme including accounting, valuation or reporting services
Investment Advisor or Asset Manager	<ul style="list-style-type: none"> Advise, guide or recommend other persons, or hold himself out to carry these functions, whether personally or through printed materials or by other means, to enter into securities transactions Manage or hold himself out to manage a portfolio of securities under a mandate. The functions can be discretionary or not. Give advice on corporate finance advisory matters concerning securities transactions

The minimum employment and expenditure required in Mauritius are as follows:

<i>Category</i>	<i>Minimum annual expenditure/ Asset under Management (AUM)</i>	<i>Minimum employment in Mauritius</i>
Investment Holding (excl. IP rights) <small>* GBLs holding IP rights will be required to demonstrate a minimum level of expenditure proportionate to research and development of the IP rights</small>	USD 12,000	None
Non-Investment Holding	USD 15,000	If annual turnover is < USD100m : 1 person If annual turnover is > USD 100m : 2 persons
CIS Manager/Asset Manager	USD 30,000	If AUM is : <ul style="list-style-type: none"> <USD100m : 1 person USD100m - USD500m : 2 persons >USD500m : 3 persons
Institutions (Insurance, Leasing, Credit Finance)	USD 100,000	If annual turnover or gross premium is: <ul style="list-style-type: none"> <USD50m : 1 person USD50m - USD100m : 2 persons >USD100m : 3 persons

Minimum employment and expenditure in Mauritius (Continued)

<i>Category</i>	<i>Minimum annual expenditure/ Asset under Management (AUM)</i>	<i>Minimum employment in Mauritius</i>
Intermediaries (Investment Advisor, Insurance Broker, Insurance Agent)	USD 30,000	1 person
Others	USD 25,000	1 person
Licensees qualifying for 5 years tax holiday		
<i>Global Treasury Activities</i>	MUR2m	4 professionals with at least 1 at managerial position
<i>Overseas Family Office (Single)</i>	AUM > USD 5m	1 professional
<i>Overseas Family Office (Multiple)</i>	AUM > USD 5m for each family	3 professionals
<i>Global Legal Advisory Services</i>	None	5 lawyers
Licensees qualifying for 8 years tax holiday		
<i>Global Headquarters Administration</i>	MUR5m	10 professionals with at least 2 at managerial positions

**For licensees to qualify for tax holidays, they must have a physical address in Mauritius, the minimum number of employees must be resident in Mauritius and the annual expenditure must be incurred in Mauritius.

**For licensees that are part of a group, the FSC will assess the substance requirement at group level.

On next pages

- Taxation measures
- Other tax measures
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Taxation measures

Conditions for partial exemption regime

- As from 1 January 2019, an 80% partial exemption will be available on the following income streams subject to certain conditions as detailed below:

<i>Income stream</i>	<i>Conditions to qualify for 80% partial exemption</i>
(1) Foreign source dividend	<ul style="list-style-type: none"> The dividends has not been allowed as a deduction in the source country; The company receiving the dividends: <ul style="list-style-type: none"> complies with filing obligations of the Companies Act or the Financial Services Act; and has adequate resources for holding and managing share participation.
(2) Interest derived by a company other than a bank	<p>The company receiving the interest:</p> <ul style="list-style-type: none"> carries out its core income generating activities* in Mauritius; employs directly or indirectly a reasonable number of suitably qualified persons to conduct the core income generating activities; and incurs a minimum level of expenditure in Mauritius. <p><i>* Core income generating activities also include functions such as agreeing funding terms, setting the terms and duration of any financing, monitoring and revising agreements and managing any associated risks</i></p>
(3) Income derived by CIS, closed ended fund, CIS Manager, CIS Administrator, Investment advisor or Asset Manager	<p>The company satisfies the conditions relating to the substance of its activities as required by the FSC (see the substance conditions in the Regulatory part above).</p>
(4) Income derived by companies engaged in the leasing of ships or aircrafts	<p>The company deriving the income from the leasing of ships or aircrafts activities:</p> <ul style="list-style-type: none"> carries out its core income generating activities* in Mauritius; employs directly or indirectly a reasonable number of suitably qualified persons to conduct the core income generating activities; and incurs a minimum level of expenditure in Mauritius. <p><i>* Core income generating activities also includes functions such as agreeing funding terms, identifying assets to be leased, setting the terms and duration of any leasing, monitoring and revising agreements and managing any associated risks</i></p>
(5) Profit attributable to a permanent establishment of a resident company in a foreign country	None

Note

For item (1), (2) and (4) above - the number of people required to conduct the core income generating activities in Mauritius or the minimum level of expenditure are not provided in the Income Tax Regulations. However, in our view, these should be in line with the FSC guidelines.

Other tax measures

- The deemed foreign tax credit of 80% (DFTC) will continue to apply until 30 June 2021 for a GBL company with a licence issued on or before 16 October 2017 except for:
 - IP assets acquired from a related party after 16 October 2017;
 - new IP assets created or acquired from an unrelated party after 30 June 2018; and
 - Other income derived from IP assets or projects started after 31 December 2018.
- The DFTC will continue to apply for banks up to the year of assessment (YOA) 2019-2020.
- Other distributions paid by a GBL to another GBL will continue to be exempt until 30 June 2021 for a GBL company with a licence issued on or before 16 October 2017.
- Interest received on call and deposits accounts held with a bank in Mauritius by a GBL company will continue to be exempt until 30 June 2021 for a GBL if it has a licence issued on or before 16 October 2017.
- Royalty payable by a company to non-residents out of its foreign source income will be exempt from tax in Mauritius.
- Any gains or profits derived from the sale of units, securities or debt obligations by a person (including a trust) will be exempt from tax in Mauritius.
- Any gains or profits derived from the sale of gold, silver or platinum, held for a continuous period of more than 6 months by a person (including a trust) will be exempt from tax in Mauritius.

The Takeaway

Foreign investors should consider how these measures could affect their current and future investment structures in or through Mauritius, especially given that certain types of income no longer qualify for the special tax regime.

Let's Talk

For a deeper discussion, please contact Anthony Leung Shing or Dheerend Puholoo.



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