



LEGAL ALERT

MAURITIUS AMENDS THE TAX REGIME APPLICABLE TO HOLDING COMPANIES

The 2018/2019 Mauritian State Budget introduces changes in the tax regime applicable to holding companies operating under the global business license category 1 (GBL1) and global business license category 2 (GBL2), which should have particular interest for foreign investors structuring their businesses through holding companies incorporated in Mauritius.

As key factor of this change, the distinction between GBL1 and GBL2 will be abolished in order to establish a single regime of Global Business License Companies (GBLC). Notwithstanding companies licensed as GBL2 prior to October 16th 2017 should continue to be exempt from income tax until June 30th 2021. Companies licensed as GBL1 should be reclassified as GBLC.

Additionally, all companies and partnerships incorporated under the laws of Mauritius whose majority of shares are held by non-residents and which conduct business mostly outside Mauritius should be required to obtain a Global Business License or an authorization from the Mauritian Financial Services Commission (FSC), through a duly appointed management company, in order to strike money laundering and financing of terrorism practices.

On the other hand, a new tax regime should be applicable to GBLC as from January 1st, 2019. This new regime should establish a partial exemption whereby 80% of the specified income of Mauritian resident companies is exempt from tax.

The main types of specified income for this purpose will consist in: *(i)* foreign dividends; *(ii)* interest; *(iii)* royalties; *(iv)* income derived from the provision of specified financial services; and *(v)* profits attributable to foreign permanent establishments.

Profits derived from global trading activities will be taxed at a reduced rate of 3%.

In order to benefit from this regime the companies should be obliged to comply with a set of substantial activities requirements, for instance:



- (i) The company shall have at least two directors resident in Mauritius;
- (ii) The company shall maintain its principal bank account in Mauritius;
- (iii) The company shall keep and maintain its accounting records at its registered office in Mauritius.

The current foreign tax credit system should continue to apply, in the event the partial exemption does not apply.