



Finance Act 2019

KPMG in Mauritius |
Tax Alert

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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.



Foreword

Dear Valued Clients,

The Finance (Miscellaneous Provisions) Act 2019 (“the Act”) received the President’s assent on 25th July 2019. This alert covers the key tax measures contained in the Act, the dates they become effective, and our views.

The key amendments include introduction of tax holidays for companies engaged in certain activities like bunkering, operation of E-commerce or Peer-to-Peer lending platforms, or development of a marina. The partial exemption regime has been extended to include reinsurance and reinsurance brokering activities. The anti-avoidance rules have been consolidated by including CFC rules and rules to prevent companies from splitting their businesses to avoid VAT registration. Finally, a voluntary disclosure of income scheme has been introduced to enable taxpayers having overseas assets to regularise their tax affairs prior to MRA starting investigation based on information they are receiving under the FATCA and CRS regime.

The detailed substance requirements to be met in order for a taxpayer to enjoy partial exemption benefit are not included in the Act. These requirements are expected to be introduced through Regulations.

I hope you will find this alert informative. Feel free to contact us for any clarifications you require on the changes brought by Act.

Regards,

Wasoudeo Balloo
Partner, Head of Tax



Corporate Tax





Corporate Tax

Key measures

Income Tax Holidays

Income derived by a company from:	Period of exemption (Years)
Bunkering of low Sulphur Heavy Fuel Oil	Four
Operation of an E-Commerce platform	Five
Operation of a Peer-to-Peer Lending platform	Five
Development of a marina	Eight
Intellectual property assets which are developed in Mauritius	Eight

Partial Exemption Regime

— Subject to satisfying pre-defined substantial activities requirements, 80% partial exemption regime has been extended to include:

- I. Reinsurance and reinsurance brokering activities;
- II. Leasing and provision of international fibre capacity; and
- III. Sale, financing arrangement and asset management of aircraft and its spare parts, including aviation related advisory services.

Tax Residence

— Effective from 1 July 2019, a company incorporated in Mauritius shall be treated as non-resident if it is centrally managed and controlled outside Mauritius.

Carry forward of Unrelieved Tax Losses

— Effective as from 1 July 2018, companies facing financial difficulty can carry forward unrelieved accumulated tax losses upon a change in the ownership of more than 50%, subject to meeting the conditions of the Minister.

KPMG VIEWS

The new substance requirements to be satisfied to be eligible for partial exemption are expected to be introduced through Regulations.



Corporate Tax

Key measures

Controlled Foreign Company (CFC)

— CFC

- a) means a company which;
 - I. is not resident in Mauritius; and
 - II. in which more than 50% of its total participation rights are held directly or indirectly by a resident company together with its associated enterprises; and
- b) includes a permanent establishment (“P.E”) of the resident company.

— Where a resident company carries on business through a CFC and the Director-General considers that the non-distributed income of the CFC arises from non-genuine arrangements which have been put in place for the essential purpose of obtaining a tax benefit, that income shall be deemed to form part of the chargeable income of the resident company.

— The CFC provision will not be applicable where in an income year:

- I. The accounting profits are not more than EUR750,000, and non-trading income is not more than EUR75,000;
- II. The accounting profits amount to less than 10% of its operating costs for the tax period; or
- III. The tax rate in the country of residence of the CFC is more than 50% of the tax rate in Mauritius.

KPMG VIEWS

The Act does not provide for relief when the CFC actually distributes income to the resident company. We would expect that details about how the income of the CFC would be determined as well as relief upon distributions made to be provided through Regulations.

Moreover, we are of the view that a P.E should be excluded from the definition of CFC as the profits attributable to the P.E. are already being included in chargeable income of the resident company and hence there is no risk of postponement of tax liability.



Corporate Tax

Key measures

Presumptive Tax On Small Enterprise

- Effective from 1 July 2020, a small enterprise may irrevocably elect to pay a presumptive tax at the rate of 1% of its gross income after offsetting any tax deducted at source.

Real Estate Investment Trust (REIT)

- REIT is a collective investment scheme or a closed-end fund authorised as a REIT by the Financial Services Commission.
- REIT is not liable to income tax and CSR provided that it satisfies the prescribed conditions.
- Every beneficiary or participant to REIT shall be liable to income tax on his share of the distribution made by REIT.

Companies engaged in export of goods or manufacturing activities in a freeport zone

- Freeport operators or private freeport developers engaged in the manufacture of goods will be taxed at 3% instead of 15% on sale of goods on the local market subject to certain conditions.
- A freeport operator or private Freeport developer will also be subject to CSR on the chargeable income attributable to the sale of goods on the local market.

Expenditure incurred by hotels on cleaning, renovation and embellishment works

- 150% deduction on expenditure incurred by hotels on cleaning, renovation and embellishment work in the public realm.

Expenditure incurred on fast charger for electric car

- 200% deduction for expenditure on fast charger for electric cars used in the production of gross income.

Alternative Dispute Resolution Mechanism (ADRM)

- 150% deduction on case filing fee for parties making an application for arbitration, conciliation or mediation.

KPMG VIEWS

REIT will be treated as transparent for tax purposes and will not be eligible for the Mauritius double taxation agreements.

It is observed that the presumptive tax will be applicable to companies engaging only in agriculture, forestry and fishing, manufacturing excluding restaurants, wholesale of goods and retail of goods, including sale of food to be consumed off premises.

Personal Tax





Personal Tax

Key measures

Tax credit for employees

An individual deriving an annual net income between MUR650,000 and MUR700,000 will benefit from a tax credit of 5% of his chargeable income attributable to emoluments when filing his personal tax return provided that his first month's salary does not exceed MUR50,000.

Investment allowance on fast charger for electric car

Investment made on acquisition of a fast charger for an electric car can be claimed as a deduction from the net income of an individual in the year of acquisition provided that no annual allowance has been claimed in this respect.

Peer to Peer lending

- I. 80% partial exemption on interest derived by a person from money lent through a Peer-to-Peer Lending platform.
- II. Any bad debt on interest receivable from Peer-to-Peer Lending platform can be deducted from the taxable interest income.
- III. Any unrelieved amount of bad debt on the interest receivable can be carried forward indefinitely and set off against interest received in subsequent years.
- IV. Peer-to-Peer interest will not subject to any tax deducted at source.

Solidarity Levy

The definition of leviable income for the computation of solidarity levy shall:

- Include an individual's entitlement to share of dividends in a resident société or succession; and
- Exclude any lump sum received by way of commutation of pension, death gratuity or as a consolidation compensation for death or injury under any enactment, superannuation fund and under a personal pension scheme approved by the MRA.

Indirect Taxes





Indirect Taxes

Key measures

Special Levy on banks

- The special levy imposed on banks having net operating income exceeding MUR1.2 Billion in a year have been increased from 4% to 4.5%.
- However, where a bank has been in operation as at 30 June 2018 a cap has been introduced whereby it limits the levy payable by a bank to 1.5 times of its levy payable in the year of assessment 2017-2018.
- The special levy is not applicable on transactions with companies holding a Global Business Licence.
- Special levy would now be applicable to a foreign bank which carries out its banking transactions in Mauritius through a permanent establishment.

VAT Refund Schemes

- An event organiser registered with the Economic Development Board will have the possibility to claim refund of VAT in respect of accommodation costs incurred by visitors attending business meetings, conferences or weddings attended by 100 or more visitors staying for a minimum of 3 nights in a hotel in Mauritius.
- The VAT Refund scheme on residential building or apartment has extended:
 - The upper limit for the cost of construction of a residence or purchase of an apartment from MUR4 Million to MUR5 Million.
 - The annual net income of the income of the applicant and that of his wife from MUR2 Million to MUR3.5 Million.
 - The completion date of construction of residence or apartment from 30 June 2020 to 30 June 2025.

Tax liability of principal officer of private company

The principal officer, which would include the executive director of a company or any other person with powers which could be exercised by the Board of Directors, shall not only be answerable but also personally be liable for the VAT obligations of the company.



Indirect Taxes

Key measures

VAT Registration

— Where there is splitting of a business entity into different entities to avoid VAT registration the aggregated turnover of all the relevant entities will be taken into consideration for VAT registration purposes.

VAT Administration

— A VAT- registered person may now, in addition to buildings or structure, also claim input tax on intangible assets of a capital nature such as goodwill on the acquisition of a business or part of a business, computer software, patents or franchise agreement.

VAT Invoice

— A registered person who issues a VAT invoice to a non VAT-registered person who is in business shall specify in the VAT invoice, the name, business address and business registration number of the person.

VAT Return

— It is compulsory that all VAT returns are filed and VAT liabilities are paid electronically.

Tax Administration





Tax administration

Key measures

Review of Voluntary disclosure of income scheme

I. Foreign Assets

- Introduction of a scheme for taxpayers to voluntarily disclose previously undeclared income derived from Mauritius but held in overseas bank account or used to purchase foreign assets.
- A person making a voluntary disclosure on or before 31 March 2020 will not be subject to penalties and interests and will be taxed at 15% on the disclosed chargeable income.

II. Small and medium enterprises (“SME”)

- SMEs, with turnover not exceeding MUR50 Million, will not be subject to penalties and interests on unpaid tax provided that the SME makes a voluntary disclosure before 29 November 2019.

Corporate Social Responsibility

- The MRA may raise an assessment on a company which has neither spent the CSR fund as required by law nor remitted same to the MRA.

Lodging written representations with Assessment Review Committee (“ARC”)

- The Clerk of the ARC shall fix the case proforma within one month from the date of lodging written representations.
- If the aggrieved taxpayer has not submitted the required statement of case or other documents within one month of the proforma date, the panel of ARC may still proceed with hearing of the appeal provided that it is due to a reasonable cause.

Arrears Payment Scheme

- Full waiver of penalties and interests where tax arrears due as at 10 June 2019 are settled by the SME on or before 31 March 2020, provided that an application for the reduction is made to the Director-General on or before 31 January 2020.

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and minimize risk.

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**Anticipate tomorrow. Deliver
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The above information has been extracted from the Finance (Miscellaneous Provisions) Bill 2019 which has been voted in parliament without amendments.

The content of this summary is intended to provide a general guide to the subject matter and should not be regarded as a basis for ascertaining liability to tax or determining investment strategy in specific circumstances. In such cases specialist advice should be taken.

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