Tax Alert
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Revised Mauritius-Lesotho Double Taxation Avoidance Agreement comes into force

Background

The Ministry of Finance has issued a communique on 27 July 2021, confirming that both Mauritius and the Kingdom of Lesotho ("Lesotho") have completed their necessary legal procedures for the entry into force of the revised Double Taxation Avoidance Agreement ("DTAA"), which has come into force on 7 June 2021. The provisions of the DTAA are therefore applicable in Mauritius as from 1 July 2021.

The revised DTAA was published in May 2021 in the Government gazette in Mauritius.

Summary of Key Features

Article	Rates under DTAA*	Withholding tax rates on payments to non-residents from Lesotho**
Dividends	10%	0% / 25%
Interests	10%	25%
Royalties	10%	15% / 25%
Technical Service fees	7.5%	10%

** Where the rates under the domestic laws are more favourable than the DTAA , the domestic laws will apply.*

*** Source: IBFD and Lesotho Revenue Authority Website*

Capital gains

The capital gains article was revised in that gain from sale of shares of a company deriving at any time during the 365 days preceding the sale, more than 50% of its value from immovable property will be taxable in the state in which the immovable property is situated.

KPMG Comments

It is worth noting that Lesotho has not signed the OECD Multilateral Instrument ("MLI"). However there has been the introduction of the Limitation of Benefit Clause in the revised DTAA, which is in line with the measures under the MLI.

With the value of investments made into Lesotho from Mauritius amounting to USD98 Million during the year ended 30 June 2020, Lesotho is not one of the major recipients of investments from Mauritius. With the introduction of the new DTAA, an increase in the amount of investments from Mauritius into Lesotho is expected.

Contact Us

Wasoudeo Balloo
Partner, Head of Tax
T (+230) 5940 2367
E wballoo@kpmg.mu

Pechal Chundydyal
Manager, Tax
T (+230) 5817 3470
E pchundydyal@pmg.mu

Kevin Mees
Manager, Tax
T (+230) 5772 5480
E kmees1@kpmg.mu

Joshita Lutchoomun
Manager, Tax
T (+230) 5833 8346
E jlutchoomun@kpmg.mu