

# Tax Alert

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## Protocol amending the Mauritius-Bangladesh Double Taxation Avoidance Agreement

Mauritius and Bangladesh have signed a protocol (“the Protocol”) amending the Mauritius-Bangladesh Double Taxation Avoidance Agreement (“DTAA”). The ratification procedures have been completed in Bangladesh and the Protocol will enter into force once the procedures are completed in Mauritius. The provisions of the Protocol will become effective on the 1<sup>st</sup> of July following the entry into force of the Protocol.

Key changes to be made to the DTAA through the Protocol are as follows:

### Taxation of Interest, Royalties and Technical Service Fees

Article	Rates under domestic laws	Rates under DTAA	Changes brought by Protocol <sup>1</sup>
Interests	15% <sup>2</sup>	0%	10% <sup>3</sup>
Royalties	15% <sup>4</sup>	0%	10% <sup>3</sup>
Technical service fees <sup>5</sup>	Up to 10%	Not covered	10% <sup>3</sup>

1. Where the rates under the domestic laws are more favourable than under the Protocol, the rates under the domestic laws will apply.
2. No withholding tax (“WHT”) is levied in Mauritius on payment of interest to non-residents if paid by banks or by companies holding a Global Business Licence (“GBL”) out of their foreign source income.
3. Provided that the beneficial owner of the income is resident in the country of the recipient.
4. No WHT is levied in Mauritius on payment of royalties by companies holding a GBL.
5. Technical service fees mean any payment in consideration for any service of a managerial, technical or consultancy nature. No WHT is levied in Mauritius on payment of management fees except if paid to an individual. WHT is levied in Mauritius on payment of consultancy fees.

### Permanent Establishment (“PE”) article

Premises used as sales outlet and farms or plantations will now also constitute a PE.

### Business Profit article

No deduction shall henceforth be allowed and no account shall be taken for amounts paid or charged (otherwise than towards reimbursement of actual expenses) by a PE to its head office or other offices, by way of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission, for specific services performed or for management.

### Capital Gains article

This article will be amended to give taxing rights to the source state where the shares or comparable interests in a company, partnership or trust have derived more than 50% of their value from immovable property, during the 365 days preceding the sale.

## Other income article

Other income may henceforth be taxed in the state in which the income arises. Under the current provisions, other income is taxed in country of recipient, irrespective of the state in which the income arises.

## Inclusion of an article on limitation to benefits

Treaty benefit will not be granted where the principal purpose of a transaction was to obtain that benefit.

## Mutual Agreement Procedures article

In line with OECD standards, a person will now be able to present his case to the Competent Authority of either states. Under the current provisions, a person is required to present his case to the Competent Authority of his residence state.

## Exchange of Information article

This article will be aligned with the OECD standards whereby it has been specified that the Competent Authorities of a state will not be allowed to decline the supply of information because it has no domestic interest in the information or if the information is held by a bank, financial institution, nominee, or an individual acting in a fiduciary or agency capacity or if it pertains to ownership interests in a person.

## Inclusion of an article to facilitate Collection of taxes

The Competent Authorities of Mauritius and Bangladesh will henceforth lend assistance to each other in the collection of taxes.

## KPMG Comments

The Mauritius-Bangladesh DTAA was signed in 2009 and the changes brought through the Protocol are important to align the DTAA with best international tax principles and also encourage the flow of funds between the two jurisdictions.

It is important to note that Bangladesh has not yet signed the OECD Multilateral Instrument (“MLI”). However there will be the introduction of the Limitation of Benefit Clause through the Protocol, which is in line with the measures under the MLI.



## How we may help?

As a committed tax advisor to our clients, we welcome the opportunity to discuss the relevance of the Protocol to your business.



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