KPMG

Tax Alert

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Privy Council judgement confirms entitlement to 80% partial exemption on interest income

Summary of the case

- Alteo Energy Ltd (“Alteo”) is a Mauritian company primarily engaged in the production of electricity. In addition to its operating income, it earned interest income from loans provided to related entities.
- For the 2019/2020 year of assessment, Alteo claimed the 80% partial exemption (“PE”) on its interest income.
- The Mauritius Revenue Authority (“MRA”) denied the claim on the basis that the activities generating the interest income did not constitute Alteo’s core income generating activities (“CIGA”).
- Alteo appealed to the Assessment Review Committee, which upheld the MRA’s decision, stating that the interest income was unrelated to its CIGA.
- Dissatisfied with the ARC ruling, Alteo appealed to the Supreme Court of Mauritius, which overturned the previous decision and confirmed that Alteo is entitled to the 80% PE on its interest income.
- The MRA subsequently appealed the Supreme Court’s decision to the Judicial Committee of the Privy Council, UK. In its judgement delivered on 30 June 2026, the Privy Council dismissed the appeal and upheld Alteo’s entitlement to the 80% PE on its interest income.
- This judgement represents a landmark clarification of the PE regime in Mauritius.

Key takeaways from the Privy Council’s judgement

- The Privy Council clarified that a company can qualify for the 80% PE even if it is not in the business of lending or financing.
- Interest income does not need to be a core activity of the company. Even where it is incidental to the company’s main operations, it may still qualify for the exemption, subject to meeting the substance requirements.
- The focus is on whether the activities required to generate the interest income are carried out in Mauritius, rather than on the nature of the company’s principal business.
- The Privy Council confirmed that only the interest income benefiting from the exemption needs to meet the conditions, rather than the company’s overall income.
- To qualify, the company must demonstrate sufficient substance in Mauritius, including carrying out relevant activities locally, with adequate personnel and appropriate levels of expenditure.

Impact of the Privy Council's judgement on your business

- This judgement makes it clear that companies can qualify for the 80% PE where the prescribed conditions are met, removing uncertainty following the Supreme Court judgement in February 2025.
- Businesses earning interest income should therefore reassess whether they meet the substance requirements, rather than assuming that the exemption does not apply because such income is not part of their main activity.

Next steps

- Review corporate income tax returns for the open years of assessment to assess whether interest income qualifies for the 80% PE. If your company is eligible for the PE, you may consider amending your corporate income tax return accordingly and ensure to maintain the required documentation to substantiate your claim.
- Our team can assist in assessing your business structure, reviewing eligibility for the 80% PE and supporting you in implementing and documenting the required substance.
- We expect the MRA to review and update the Statement of Practice SP 22/21 as well as align any previous income tax rulings with the interpretation adopted by the Judicial Committee of the Privy Council.

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