



# MAURITIUS

1. INTRODUCTION	2	11. POST-ACQUISITION INTEGRATION CONSIDERATIONS	11
2. RECENT DEVELOPMENTS	4	12. OECD BEPS CONSIDERATIONS	12
3. SHARE ACQUISITION	4	13. ACCOUNTING CONSIDERATIONS	13
4. ASSET ACQUISITION	6	14. OTHER TAX CONSIDERATIONS	13
5. ACQUISITION VEHICLES	8	15. MAJOR NON-TAX CONSIDERATIONS	13
6. ACQUISITION FINANCING	9	16. APPENDIX I - TAX TREATY RATES	14
7. DIVESTITURES	10	17. APPENDIX II - GENERAL CORPORATE ENTITY TAX DUE DILIGENCE REQUESTS	18
8. FOREIGN OPERATIONS OF A DOMESTIC TARGET	10	CONTACT	19
9. OTHER GENERAL INTERNATIONAL TAX CONSIDERATIONS	11		
10. TRANSFER PRICING	11		



## 1. INTRODUCTION

### a. Forms of Legal Entity

The main types of entities that exist in Mauritius, and their key features, are as follows:

- ❖ Domestic Companies – Commonly set up by Mauritian residents for operating in the local market, or for international trade .
- ❖ Global Business Companies – Mostly set up when the majority of the shareholders are not Mauritian citizens and the companies propose to conduct business outside Mauritius.
- ❖ Partnership – Commonly used when two or more partners propose to do business together. Partnerships may be tax transparent or opt to be taxed as a company.
- ❖ Authorised Companies - Used when the company is centrally managed and controlled outside Mauritius, and conducts business outside of Mauritius.
- ❖ Trust – Mostly used for succession planning, and subject to tax as a company.

### b. Taxes, Tax Rates

#### i Corporation Tax

The Corporation Tax rate for company profit is 15% except for companies engaged in the exports of goods, in which case the tax rate is 3%.

Companies may benefit from an 80% partial exemption on certain specified income (e.g foreign dividend, interest among others) subject to carrying out Core Income Generating Activities in Mauritius.

Local dividends are fully exempt from tax in Mauritius.

Capital gains realised are treated as exempt income in Mauritius.

There is no withholding tax (“WHT”) on dividends paid by Mauritian resident companies.



## ii Personal Income Tax

Individuals resident in Mauritius are subject to tax at 15% on their worldwide income. However, income derived from outside Mauritius is taxable only to the extent that it is remitted to Mauritius.

Individuals resident in Mauritius are allowed an Income Exemption Threshold (“IET”) as follows:

Category	Amount (MUR)
Category A : An individual with no dependant	325,000
Category B : An individual with one dependant	435,000
Category C : An individual with two dependants	515,000
Category D : An individual with three dependants	600,000
Category E : An individual with four or more dependants	680,000

Resident individuals whose leviable income exceeds MUR3 million (approx. USD70,000) are also subject to a Solidarity Levy of 25% on the excess amount, but restricted to 10% of the net income.

## iii Value Added Tax (“VAT”)

VAT is charged by VAT registered entities at either the standard rate of 15% or zero rate of 0% on all goods and services supplied by them in Mauritius.

An entity should register for VAT if its taxable supplies exceed MUR6 million (approx. USD140,000) over the next 12 months. However, certain service providers (e.g. accountants and auditors, attorneys and solicitors, consultants, surveyors and valuers) should register for VAT irrespective of their turnover.

## c. Common divergences between income shown on tax returns and local financial statements

The income and expenditure shown in the financial statements of a company are generally reflected in the company’s tax return. The tax adjustments are then applied to calculate the chargeable income.



## 2. RECENT DEVELOPMENTS

- ❖ Mauritius has undergone a major tax reform to comply with the International Standards of the EU and the Organisation for Economic Co-operation and Development (“OECD”).
- ❖ The previous tax regime, whereby only Category 1 Global Business Companies would benefit from the Deemed Foreign Tax Credit of 80% on all their foreign source income, has been abolished.
- ❖ With effect from 1 January 2019, Mauritius has instead introduced an 80% partial exemption regime on specified income streams such as foreign dividends and interest among others.
- ❖ The partial exemption is available only if, among others, a company carries out its Core Income Generating Activities (“CIGA”) in Mauritius and meets the required level of substance as prescribed in respect to these income streams.

## 3. SHARE ACQUISITION

### a. General Comments

Acquisition of a target company can be made either through the purchase of its shares (share acquisition) or of its business asset (asset acquisition). In this section we discuss the former, share acquisitions.

There is no direct tax implication for either a Mauritian buyer or seller from a share acquisition as there is no CGT in Mauritius.

### b. Tax Attributes

Please note that if the company being acquired has losses brought forward, these will be lapsed if there is a change of more than 50% in shareholding at the level of the ultimate beneficiary.

### c. Tax Grouping

There is no concept of Tax Grouping in Mauritius.

### d. Tax Free Reorganisations

There is no Capital Gains Tax in Mauritius. Gains arising from transactions involving shares are exempt from tax in Mauritius.

### e. Purchase Agreement

On acquisition of the shares of an entity, the buyer also takes over the history of the entity. The tax authorities may query the affairs of the company for the current year of assessment and the three preceding years of assessment, irrespective of a change in ownership. To protect the buyer, warranties can be put in place to cover any tax liability arising from a period prior to the acquisition.



## **f. Transfer taxes on share transfers (including mechanisms for disclosure and collection)**

The Registration Duty Act provides, among others, for a duty at an effective rate of 5% on the sum of money paid as a condition of an exchange of immovable property, or a division in kind of immovable property, where such sum does not exceed MUR100,000.

The transfer of shares of a company, other than those listed on the Stock Exchange of Mauritius or traded on the secondary market, is subject to registration duty if the company holds immovable property.

Global Business Licence (“GBL”) companies are exempt from stamp duties and registration duties.

## **g. Share Purchase Advantages**

There is no Capital Gains Tax upon disposal of shares in Mauritius.

## **h. Share Purchase Disadvantages**

Please note that if the company being acquired has losses brought forward, these will be foregone if there is a change in ownership of more than 50% of the shares at the level of the ultimate beneficiary.



## 4. ASSET ACQUISITION

### a. General Comments

#### *From a buyer's perspective:*

The buyer shall be allowed a deduction of the capital expenditure incurred by way of an annual allowance in that income year, and in each of the succeeding years offsetting taxable income, at a rate prescribed as follows:

Capital Expenditure incurred on		Rate of annual allowance Base Value	Percentage of Cost
1	Industrial premises excluding hotels	-	5
2	Commercial premises	-	5
3	Hotels	30	-
4	Plant or Machinery		
	(a) Costing less than MUR60,000	-	100
	(b) Costing more than MUR60,000		
	(i) Ships or aircraft	20	-
	(ii) Aircraft and aircraft simulators leased by a company engaged in aircraft leasing	-	100
	(iii) Motor vehicles	25	-
	(iv) Computer hardware and software	50	-
	(v) Electronic, high precision machinery or equipment and automated equipment	-	100
	(vi) Furniture and fittings	20	-
	(vii) Other	35	-
6	Research and development, including innovation, improvement or development of a process, product or service	-	50
7	Golf course	15	
7A	Acquisition of patents	25	-
7B	Green technology equipment	-	50
7C	Acquisition of solar units	-	100
8	Any other item subject to depreciation	-	5

Any annual allowance is provided as long as the expenditure is incurred towards production of gross income.



## *From a seller's perspective:*

Where a person sells an asset on which annual allowance has been claimed, the proceeds are compared to the tax written down value of the asset. A balancing charge arises, which is taxable, should the proceeds exceeds the tax written down value. The balancing charge is restricted to the amount of annual allowance claimed. The converse is true for balancing allowances.

### **b. Purchase Price Allocation**

The purchase consideration should be allocated to each asset and balancing charges or allowances are calculated on an item by item basis.

### **c. Tax Attributes**

When a person sells an asset to a relative or to a related company and the asset is used by the related party for the production of gross income, the sale shall be deemed to have been made at a price equal to the base value of the plant, machinery or industrial premises at the date of sale or transfer. Unlike share transfers, there is no impact on tax losses on an asset transfer.

### **d. Tax Free Reorganisations**

This section is left intentionally blank.

### **e. Purchase Agreement**

Please refer to 4.a and 4.c.

### **f. Depreciation and Amortisation**

Please refer to 4.a and 4.c.

### **g. Transfer Taxes, VAT**

Sales of assets by a VAT-registered person are subject to VAT at 15%.

When immovable property is sold, registration duty at an effective rate of 5% of the sum of money paid as a condition of an exchange of immovable property is applicable, provided this sum does not exceed MUR100,000.

### **h. Asset Purchase Advantages**

The tax history remains with the seller entity in an asset deal.

### **i. Asset Purchase Disadvantages**

This section is left intentionally blank.



## 5. ACQUISITION VEHICLES

### a. General Comments

The most common acquisition vehicles used in Mauritius are holding companies with a GBL, mainly for the following reasons:

- Dividends from local companies are exempt from Income tax;
- 80% partial exemption on foreign dividends and interest among others subject to meeting the related substance requirements;
- No withholding tax (“WHT”) on dividend payment to shareholders;
- No WHT on interest payment if paid out of foreign source income.

Mauritius currently has 45 Double Taxation Treaty Agreements in force, which enable people and companies to benefit from preferential withholding tax rates.

In addition to withholding tax, Mauritian companies may also claim a credit (“underlying tax credit”) for the corporate tax paid on the profit out of which the dividend is paid, as long as the company owns more than a 5% shareholding in the dividend paying company.

Mauritius also allows a tax-sparing credit under its local tax legislation. If a Mauritius company receives dividends from a foreign company and that foreign company is exempt from tax under its domestic laws, then the Mauritius company can take a tax credit against the Mauritius tax on the foreign dividend as if the foreign company has suffered corporate tax on its profits out of which the dividend was paid.

### b. Domestic Acquisition Vehicle

This section is left intentionally blank.

### c. Foreign Acquisition Vehicle

This section is left intentionally blank.

### d. Partnerships and joint ventures

Investments may be acquired via a Mauritian partnership. Partnerships are transparent for tax purposes in Mauritius, i.e. the partners are subject to tax on their respective share of income.

Partnerships can also opt to be taxed as a corporation in Mauritius.

Partnerships are mainly used for investment in Mauritius by US investors;

### e. Strategic vs Private Equity Buyers

This section is left intentionally blank.



## 6. ACQUISITION FINANCING

### a. General Comments

Transactions are generally funded by a mix of equity and debt, for the following reasons:

- No WHT on dividends paid to shareholders;
- No WHT on interest payments, provided this is paid out of foreign source income; and
- Tax deductions for interest expenses.

It is important to note that the tax authorities may restrict or deny interest deductions if they are deemed not to be at arm's length.

### b. Foreign Acquirer

Where the majority beneficial owners of an entity are not Mauritian citizens and the entity proposes to conduct business outside Mauritius, it should apply for a Global Business Licence ("GBL").

### c. Debt

#### i Limitations on Interest Deductions

The tax authorities may restrict or deny interest deductions if they are deemed not to be at arm's length, or the debt is not used towards the production of gross income. Additionally, when interest accrued is not paid within a reasonable time in cash, the tax authorities may deny a deduction.

#### ii Related Party Debt

Mauritius does not currently have transfer pricing legislation. However, related party transactions are required to be carried out at arm's length. The tax authorities may restrict or deny interest deductions if i they are deemed not to be at arm's length.

#### iii Debt Pushdown

This section is left intentionally blank.

### d. Hybrid Instruments

This section is left intentionally blank.

### e. Other Instruments

This section is left intentionally blank.

### f. Earn-outs

This section is left intentionally blank.



## 7. DIVESTITURES

### a. Tax Free

Mauritius does not tax capital gains.

### b. Taxable

Gains on the sale of shares are exempt from tax.

### c. Cross Border

This section is left intentionally blank

## 8. FOREIGN OPERATIONS OF A DOMESTIC TARGET

### a. Worldwide or Territorial Tax System

A Mauritian resident company is taxed on its worldwide income, with credit available for foreign tax suffered. Resident individuals are taxed on their worldwide income only on a remittance basis.

Permanent establishments of non-resident companies are subject to taxation in Mauritius, but only on the income that is attributable to that permanent establishment.

### b. CFC Regime

A Controlled Foreign Company (“CFC”) is an entity that is not resident in Mauritius, in which more than 50% of its total participation rights are held directly or indirectly by a Mauritian resident company.

The CFC regime applies only to companies whose:

- ❖ Accounting profits in an income year are more than EUR750,000, and whose non-trading income is more than EUR75,000;
- ❖ Accounting profits amount to more than 10% of its operating costs in an income year; or
- ❖ Tax rate in the country of residence of the CFC is less than 50% of the tax rate in Mauritius.

When a resident company carries on business through a CFC, and the tax authorities consider that the non-distributed income of the CFC arises from non-genuine arrangements that 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 Mauritian resident company.

### c. Foreign Branches and Partnerships

When a Mauritian tax resident company has operations in another country through a permanent establishment abroad, such profits of the branch are taxed in Mauritius. Credit for foreign tax suffered can be offset in Mauritius.

The resident company may also take advantage of an 80% partial exemption on the profit attributable to the permanent establishment.



## d. Cash Repatriation

Dividends paid by a Mauritian resident company to non-residents are not subject to withholding tax in Mauritius.

For a payment to be considered as a dividend, it needs to be paid out of retained earnings and approved by the board of directors in Mauritius.

## 9. OTHER GENERAL INTERNATIONAL TAX CONSIDERATIONS

### a. Special Rules for Real Property, including Shares of “Real Property-Rich” Corporations

Land transfer tax is levied on the transfer of land and is payable by the transferor at the rate of 5%.

Land transfer tax is also payable by the transferor upon transfer of the shares of a company owning immovable properties, based on the value of shares or property, whichever is the lower.

Registration duty at an effective rate of 5% is applicable on the money paid as a condition of an exchange of immovable property - or a division in kind of immovable property - where this sum does not exceed MUR100,000.

Where there is a transfer of shares, registration duty and land transfer tax will apply if there is a change in control in the underlying company.

### b. CbC and Other Reporting Regimes

Multinational (“MNE”) groups with consolidated revenue exceeding EUR750 million are required to prepare a Country by Country (“CbC”) report and file it with the Mauritian Tax Authorities within 12 months of the last day of their reporting fiscal year.

Companies resident in Mauritius forming part of an MNE as described above should notify the Mauritian Tax Authorities where their ultimate parent entity has filed the CbC report within 12 months of the last day of their reporting fiscal year.

Additional reporting regimes include, among others, mandatory reporting under the Foreign Account Tax Compliance Act (“FATCA”) and common reporting standard (“CRS”).

## 10. TRANSFER PRICING

Currently, there is no formal transfer pricing legislation in force in Mauritius. However, the Income Tax Act requires companies deriving income in or from Mauritius to carry out their transactions at arm’s length. The tax authorities may adjust the chargeable income of a company if they deem the transaction is not at arm’s length.

## 11. POST-ACQUISITION INTEGRATION CONSIDERATIONS

### a. Use of Hybrid Entities

This section is left intentionally blank



## **b. Use of Hybrid Instruments**

This section is left intentionally blank

## **c. Principal/Limited Risk Distribution or Similar Structures**

This section is left intentionally blank

## **d. Intellectual Property**

Any intellectual property amortised under normal accounting principles is not allowed as an expense for tax purposes. However, the cost amount can be capitalised, and an annual allowance of 5% of cost can be claimed.

## **e. Special Tax Regimes**

Mauritius is an inclusive member of the OECD Base Erosion and Profit Shifting (“BEPS”) framework. As a result, there is no preferential tax regime in Mauritius.

Companies engaged in the export of goods are liable to income tax at the reduced rate of 3% on the chargeable income attributable to that export.

## **12. OECD BEPS CONSIDERATIONS**

Mauritius joined the Inclusive Framework in November 2017 and has committed to implement the BEPS minimum standard. The status of implementation is as follows:

### **BEPS Action 5:**

The 80% deemed foreign tax credit regime available only to Global Business Companies that was considered harmful has been abolished as from 1 January 2019 and replaced by the 80% partial exemption on specified income.

### **BEPS Action 6:**

Mauritius signed the Multilateral Convention (“MLI”) to implement tax treaty related measures to prevent BEPS on 5 July 2017 and deposited its instrument of ratification on 18 October 2019. The MLI came into force for Mauritius on 1 February 2020 and the amendments to the treaties being modified by the MLI took effect from 1 August 2020. Forty-four of our 46 treaties have been listed as Covered Tax Agreements and these treaties as amended will include the minimum standards under the MLI, with the Principal Purpose Test (“PPT”) as the main anti-abuse provision.

### **BEPS Action 13**

Mauritius has signed the CbC Multilateral Competent Authority Agreement (“MCAA”) and passed legislation to enable exchange of country by country reports as from the fiscal year starting 1 July 2018.

The online platform for CbC reporting was launched in July 2019.



## BEPS Action 14

The BEPS Action 14 Minimum Standard seeks to improve the resolution of tax-related disputes between jurisdictions. Since the MLI came into effect, existing treaties covered under the MLI have been modified to reflect the positions adopted by each jurisdiction. In this context, the Article dealing with Mutual Agreement Procedures (“MAP”) should be amended to allow a taxpayer to present a case to the competent authority of either contracting jurisdiction for mutual agreement assistance.

## 13. ACCOUNTING CONSIDERATIONS

Mauritius applies International Financial Reporting Standard (“IFRS”).

## 14. OTHER TAX CONSIDERATIONS

### a. Distributable Reserves

A dividend in Mauritius is a distribution authorised by the Board of Directors of a company. It is made out of the retained earnings of the company - after having made good any accumulated losses at the beginning of its accounting period - either in cash or in shares to its shareholders.

There is no withholding tax on payment of dividend by a Mauritian resident company.

If the distribution does not meet the above definition of a dividend, the distribution shall not qualify as a dividend and tax may be withheld upon payment.

### b. Application of Regional Rules

This section is left intentionally blank

### c. Tax Rulings and Clearances

This section is left intentionally blank

## 15. MAJOR NON-TAX CONSIDERATIONS

The tax authorities and registrar of companies need to be notified of any mergers.



## 16. APPENDIX I - TAX TREATY RATES

Jurisdiction	Dividends %	Interest %	Royalties %	Footnote Reference
Albania	0	0	0	
Argentina	0	0	0	
Armenia	0	0	0	
Australia	0	0	0	
Austria	0	0	0	
Azerbaijan	0	0	0	
Bangladesh	0	0	0	
Barbados	5	5	5	
Belarus	0	0	0	
Belgium	5 / 10	10	Exempt	[A]
Bolivia	0	0	0	
Bosnia and Herzegovina	0	0	0	
Botswana	5 / 10	12	12.5	[B]
Brazil	0	0	0	
Bulgaria	0	0	0	
Canada	0	0	0	
Chile	0	0	0	
China	5	10	10	
Croatia	Exempt	Exempt	Exempt	
Cyprus	Exempt	Exempt	Exempt	
Czech Republic	0	0	0	
Denmark	0	0	0	
Egypt	5 / 10	10	12	[B]
Estonia	0 / 7	0 / 7	0 / 5	[C] [D]
Faroe Islands	0	0	0	
Finland	0	0	0	
France	5 / 15	15	15	[E]
Gambia	0	0	0	

# MAURITIUS

[RETURN TO CONTENTS PAGE](#)


Jurisdiction	Dividends %	Interest %	Royalties %	Footnote Reference
Georgia	0	0	0	
Germany	5 / 15	Exempt	10	[E]
Greece	0	0	0	
Hungary	0	0	0	
Iceland	0	0	0	
India	5 / 15	7.5	15	[E]
Indonesia	0	0	0	
Ireland	0	0	0	
Israel	0	0	0	
Italy	5 / 15	15	15	[F]
Jamaica	0	0	0	
Japan	0	0	0	
Kazakhstan	0	0	0	
Kenya	0	0	0	
Korea, Republic of	0	0	0	
Latvia	0	0	0	
Lithuania	0	0	0	
Luxembourg	5 / 10	Exempt	Exempt	[A]
Macedonia	0	0	0	
Malaysia	5 / 15	15	15	[E]
Malta	Exempt	Exempt	Exempt	
Mauritius	0	0	0	
Mexico	0	0	0	
Montenegro	0	0	0	
Namibia	5 / 10	10	5	[B]
Netherlands	0	0	0	
New Zealand	0	0	0	
Nigeria	0	0	0	
Norway	0	0	0	

# MAURITIUS



Jurisdiction	Dividends %	Interest %	Royalties %	Footnote Reference
Pakistan	10	10	12.5	
Philippines	0	0	0	
Poland	0	0	0	
Portugal	0	0	0	
Romania	0	0	0	
Russia	0	0	0	
Saudi Arabia	0	0	0	
Serbia	0	0	0	
Singapore	Exempt	Exempt	Exempt	
Slovakia	0	0	0	
Slovenia	0	0	0	
South Africa	5 / 10	10	5	[A]
Spain	0	0	0	
Sri Lanka	10 / 15	10	10	[G]
Switzerland	0	0	0	
Taiwan	0	0	0	
Tanzania	0	0	0	
Thailand	10	10 / 15	5 / 15	[H] [I]
Trinidad and Tobago	0	0	0	
Tunisia	Exempt	2.5	2.5	
Turkey	0	0	0	
Ukraine	0	0	0	
United Kingdom	Exempt / 15	Same rate as under domestic law	15	
United States	0	0	0	
Venezuela	0	0	0	
Vietnam	0	0	0	
Zambia	0	0	0	
Zimbabwe	10 / 20	10	15	



## Footnotes

[A]	5% WHT on dividend if the beneficial owner is a company which holds directly or indirectly at least 10% in the capital of the company paying dividend.. WHT of 10% in any other case
[B]	5% WHT on dividend if the beneficial owner is a company which holds directly or indirectly at least 25% in the capital of the company paying dividend. WHT of 10% in any other case.
[C]	0% WHT if the beneficial owner is a company. 7% WHT rate in all other cases.
[D]	0% WHT if the beneficial owner is a company. 5% WHT rate in all other cases.
[E]	5% WHT on dividend if the beneficial owner is a company which holds directly or indirectly at least 10% in the capital of the company paying dividend. WHT of 15% in any other case.
[F]	5% WHT on dividend if the beneficial owner is a company which holds directly or indirectly at least 25% in the capital of the company paying dividend. WHT of 10% in any other case.
[G]	10% WHT on dividend if the beneficial owner is a company which holds directly or indirectly at least 10% in the capital of the company paying dividend. WHT of 15% in any other case.
[H]	10% WHT on interest paid to a financial institution including and insurance company. 15% WHT in any other case.
[I]	5% WHT on royalties for use or right of use of copyright, literary, artistic or scientific work excluding cinematograph films, tapes or disc for radio or television broad casting. WHT 15% in any other case.



## 17. APPENDIX II - GENERAL CORPORATE ENTITY TAX DUE DILIGENCE REQUESTS

Nº.	Category	Sub-Category	Description of Request
1	Tax Due Diligence	General	Copy of target/group structure chart.
2	Tax Due Diligence	General	Copies of target/group incorporation certificate(s) and relevant licenses
3	Tax Due Diligence	General	Copies of the audited financial statements for last four years.
4	Tax Due Diligence	General	Copies of loan, management and any other agreements relevant to the operation of the company.
5	Tax Due Diligence	General	Copies of any tax rulings the company has applied.
6	Tax Due Diligence	General	Please provide details of any ongoing tax assessment or tax audits on the company.
7	Tax Due Diligence	Corporation Tax	Copies filed tax returns for the last four years of assessment.
8	Tax Due Diligence	Corporation Tax	Copies of the tax computations for the last four years of assessment.
9	Tax Due Diligence	Value Added Tax	Copies of the filed VAT returns of the company and the related computations for the last four years.
10	Tax Due Diligence	Value Added Tax	Copies of the sales and expenses schedule for the last four years.
11	Tax Due Diligence	Payroll tax	Copies of the payroll list and payroll calculation.
12	Tax Due Diligence	Payroll tax	Copies of the filed returns with regards to payroll taxes for the last four years.
13	Tax Due Diligence	Tax deducted at source	A summary of payments made during the last four years and the filed tax deducted at source return.



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