13 August 2025

Alert

THE FINANCE ACT 2025
ACT NO. 18 OF 2025

This Alert provides an analysis of the main changes that are the subject matter of the Finance Act 2025 (“FA 2025”) insofar as it concerns the Income Tax Act (“ITA”), the Land (Duties and Taxes) Act (“LDTA”), the Registration Duty Act (“RDA”), Value Added Tax Act (“VATA”), Mauritius Revenue Authority Act (“MRAA”) and other relevant laws and regulations.

Overall, we are disappointed with most of the changes brought in by FA 2025 and the lack of consultation at various levels. We are concerned with the fact that the changes are not conducive to the business environment and is causing severe prejudice to the stability and predictability of our fiscal system. We reiterate the fact that the fiscal policy should be one that attracts investors to do business in Mauritius and the overall tax rate should be competitive.

Qualified Domestic Minimum Top-up Tax
We are not aware if the Government has consulted with the appropriate specialist on the introduction and application of the Qualified Domestic Minimum Top-up Tax (“QDMTT”) given the divergent views of various powerful economies.

The QDMTT is effective as from the year of assessment 2025/2026 and its impact will depend on the nature of the income for the in-scope entities. For example, the dividend income of an intermediary holding company from a shareholding of more than 10% will generally not be affected by the QDMTT on the basis that the dividend income is excluded for the purposes of the computation of computing the minimum tax. Any dividend from a minority shareholding may be mitigated by the expenses and foreign tax.

The computation of the income for the purposes of the QDMTT will be prescribed by way of regulations. Government should not lose sight of the fact that the QDMTT should be consistent with the OECD Model Rules and its Commentary and any departure should be carefully considered.

We have taken note of the parliamentary debates on and the policy decision to; (a) exclude an entity where its parent has not itself introduced a QDMTT; and (b) mitigate the amount of the QDMTT through appropriate tax credits. We will have to await the relevant regulations to be able to further assess the precise implications insofar as those two decisions are concerned.

Alternative Minimum Tax
The Alternative Minimum Tax (“AMT”) introduced for certain companies is not the best approach in its current form and applies, irrespective of the fact that a company has accumulated losses. Instead,

Government may have considered an alternative basis that takes into account the commercial profits of such companies.

In its current form the AMT is an additional corporate tax. Its financial outcome is further exacerbated by the fact that the Corporate Social Responsibility ("CSR") charge, the Corporate Climate Responsibility ("CCR") levy, the Solidarity Levy on telephony service providers and the newly introduced Fair Share Contribution ("FSC") are ignored for the purposes of determining the 10% threshold.

The AMT will be effective as from the year of assessment 2026/2027 so that the in-scope companies may implement strategies aimed at addressing its inherent flaws in the computation of their tax results for the year of assessment 2025/2026.

Foreign tax credit

The denial of foreign tax credit ("FTC") against the AMT and the FSC for companies is a policy decision that is not consistent with the commercial aspects of the income in question. We do not understand the allergic stand of Government insofar as the application of FTC for companies is concerned.

We doubt it if those in support of this measure realise the fact that any income that has been taxed in a foreign country has to be grossed up by the foreign tax. This is irrespective of the fact that the company does not have any evidence to substantiate its foreign tax suffered. On the other hand, we consider that our law is restrictive given that any foreign tax relating to any income that is considered to be Mauritian sourced income does not qualify as FTC. Here also, the income is taxed on a gross basis in Mauritius. Furthermore, the law should have been amended to allow FTC against the CSR charge.

Fair Share Contribution

We have not seen any material change to the FSC announced in the Budget, except for the fact that a company is only subject to the FSC if it has supplies exceeding Rs 24 million or is a taxable person for VAT purposes.

Furthermore, the FSC will be restricted if the aggregate of the corporate tax, CSR, bank levy, CCR levy and the FSC exceeds 35% of the taxable profit of the bank from its transactions with resident persons. The impact of the FSC for a bank will therefore generally depends on (a) the mix of Segment A and Segment B banking business and; (b) the quantum of its allowable expense other than interest expenses given the fact the levy is computed at 5.5% of the net interest income and other income before any expenses. It is worth noting that banking transactions with a resident trust and unit trust scheme are not subject to the additional FSC. At the same time, banking transactions with a resident *société* holding a Global Business Licence ("GBL") under the Financial Services Act ("FSA") are within the scope of the additional FSC. This is unlike the bank levy and CSR that excludes banking transactions with all GBL corporations.

Environment Protection Fee

We have noted that Environment Protection Fee ("EPF") will no longer be deductible to compute the taxable profit for the affected entities.

In the case of a hotel operator, the EPF is computed at 0.85% of its turnover. The EPF is an outlay directly linked to the turnover of the person and is computed on an accrual basis without any corresponding relief for any cases of bad debts.

Arm’s length test
We do not consider that the changes to the section on arm’s length test is justified. Instead, we consider that a corresponding adjustment is much needed and is consistent with the OECD and UN Model Tax Conventions to avoid any room for denial of a corresponding adjustment.

Scope of zero-rated supplies
We consider that the introduction of the words *provided the services are not consumed in Mauritius* should not be interpreted as restricting the scope of zero-rated supplies. We are hoping that the Government will explain the scope of this change and considers the OECD Guidelines on cross border transactions and the interpretation of the law should not be contradictory to the destination principles.

In its application of the law, we are hoping that the Mauritius Revenue Authority (“MRA”) will understand the fact that Value Added Tax (“VAT”) is not comparable to income tax and any inappropriate interpretation may well to lead to cases where the VAT will be applicable in two countries. This will increase the transaction costs of cross border transactions.

Registration of foreign suppliers
Foreign suppliers with no permanent establishment in Mauritius will be required to register for VAT in Mauritius if they provide digital or electronic services to a person in Mauritius. For this purpose, digital or electronic services are the services specified in Part III of the Tenth Schedule to the VATA.

We take it that if the services are exempt or zero rated, then the VAT treatment will not change: otherwise, there will not be any parity between services provided by foreign suppliers and Mauritian based suppliers. In that respect, it is essential that the scope of “website supply” is clarified so that the VAT treatment is dictated by the nature of the supply and not by the fact that it is supplied on the website.

The fact that any VAT on digital or electronic services will not be deductible for any taxable person in Mauritius is a departure from one of the fundamental principles of any VAT system. It does not appear to us that the scope of this measure is confined to supplies made by foreign suppliers to final consumers.

It would appear that the reverse charge mechanism will take precedence over the new provision. A foreign supplier will not be allowed to issue a VAT invoice and this is irrespective of the fact that the services are provided to Mauritian registered persons. Registered persons will favour the application of the reverse charge mechanism as this gives the possibility to reduce the deemed output tax where the services provided by the foreign supplier relates in full or in part to the taxable supplies of a registered person.

We maintain that the better approach would have been to (a) extend the application of the reverse charge provisions to all businesses; (b) restrict the scope of the reverse charge provisions to standard rated supplies; and (c) allow credit for any VAT charged by any foreign suppliers. Such a measure is easy to implement by businesses and its enforcement should not pose any practical challenges. A foreign supplier with no permanent establishment in Mauritius will only be required to register if it makes supplies to final consumers.

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Voluntary disclosure

We have taken note of the measure to waive interests and penalties in the case of voluntary disclosures. The amending laws refer to under-declared income and supplies for income tax and VAT purposes respectively. We are hoping that this measure will also apply to cases involving expenses, tax credits and input tax. Most importantly, the disclosure made by a person should not trigger an in-depth audit by the MRA. We recommend that a careful assessment of all the relevant compliance obligations is undertaken if a person wishes to implement this measure.

In the meantime, if you require any further information, please do not hesitate to contact us.

Yours faithfully

Ryaad Owodally
Partner
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A. PERSONAL TAX

1. Change in tax brackets and rates

Section 26 (a)(i), 26 (k) and 26 (y) of the FA 2025	
Affected persons	Individuals
Paragraph reference in BS	Paragraph 21 (a) of the Annex to the Budget Speech ("BS")
Effective date	Year ending 30 June 2026
Section reference in ITA	2, 112 and First Schedule

As from the year ending 30 June 2026, there will *generally* be three tax rates, as depicted in the below table.

Chargeable income	**Rate %**
First Rs 500,000	0
Next Rs 500,000	10
Excess	20

This widening of the 0% tax rate band from Rs 390,000 to Rs 500,000 implies that an individual with solely a monthly taxable employment income of Rs 38,462 or less will effectively receive his salary without any tax deduction. In assessing the impact on the take-home pay, we should also take into account the deductions that have been repealed.

The overall tax impact depends on the chargeable income of the individual as a result of (a) the repeal of the rates of 2%, 4%, 6%, 8%, 12%, 14% and 18%; and (b) the change in the tax brackets as depicted in the below table.

	Yearly chargeable income							
	Rs 1,000,000				**Rs 2,500,000**			
	30 June				**30 June**			
	2025		**2026**		**2025**		**2026**	
	%	**Rs**	**%**	**Rs**	**%**	**Rs**	**%**	**Rs**
First Rs 390,000	0	0	0	0	0	0	0	0
Next Rs 40,000	2	800	0	0	2	800	0	0
Next Rs 40,000	4	1,600	0	0	4	1,600	0	0
Next Rs 30,000	6	1,800	0	0	6	1,800	0	0
Next Rs 30,000	6	1,800	10	3,000	6	1,800	10	3,000
Next Rs 60,000	8	4,800	10	6,000	8	4,800	10	6,000
Next Rs 300,000	10	30,000	10	30,000	10	30,000	10	30,000
Next Rs 110,000	12	13,200	10	11,000	12	13,200	10	11,000
Next Rs 190,000					12	22,800	20	38,000
Next Rs 300,000					14	42,000	20	60,000
Next Rs 400,000					16	64,000	20	80,000
Next Rs 500,000					18	90,000	20	100,000
Excess					20	22,000	20	22,000
Total tax		54,000		50,000		294,800		350,000
Effective tax rate on chargeable income		5.4%		5%		12%		14%

Non-resident individuals with Mauritian sourced rental income, royalty, premium and other property related income are still liable to tax at the rate of 15%.

2. Fair Share Contribution for individuals

Section 26 (C) (i) of the FA 2025	
Affected persons	Individuals
Paragraph reference in BS	Paragraph 21 (c) of the Annex to the BS
Section reference in ITA	New section 16B and C
Years of application	Year ending 30 June 2026, 2027 and 2028
Financial implications	From low to high
Other stakeholders	Employers

To be within the scope of the Fair Share Contribution ("FSC"), the aggregate of the net income, Mauritian sourced dividend and share of Mauritian sourced dividend income in any *société* or succession should exceed Rs 12 million.

For this purpose, any taxable portion of any lump sum by way of commutation of pension or by way of death gratuity or as consolidated compensation for death or injury and paid by virtue of any enactment, from a superannuation fund and under an approved personal pension scheme ("excluded termination payments") should not be considered. Dividends from a company with a GBL, a non-resident *société* holding a GBL, a cell of a protected cell company holding a GBL, a foundation, a trust or trustee of a unit trust scheme and a company with the status of an Authorised Company ("excluded entities") are not taken into account.

We do not understand the reference to a non-resident *société* holding a GBL given the fact that the concept of dividends does not apply to a *société,* irrespective of its residence status. At the same time, a dividend is considered as Mauritian sourced income only if the company is tax resident in Mauritius. On the same basis, we do not understand the reasoning to exclude dividends from a company with the status of an Authorised Company.

We find it unusual that foreign sourced dividends are excluded from the determination of the Rs 12 million threshold given the fact that such dividends form part of the net income of a resident individual if remitted to Mauritius. In the case of a non-resident, such dividends are outside the scope of the Mauritian tax net.

The rate of the FSC is 15% and is based on the excess of the aggregate of the chargeable income and the Mauritian sourced dividends with an appropriate adjustment for the excluded termination payments and dividends from the excluded entities.

The FSC also applies to non-resident individuals so that a non-resident with Mauritian sourced dividends exceeding Rs 12 million will be liable to the FSC, on the excess of his Mauritian sourced dividends above Rs 12 million at the rate of 15%.

Resident individuals may mitigate the FSC on any foreign sourced income through FTC.

Where the FSC applies to the emoluments of an individual, the FSC will be collected under the Pay As You Earn ("PAYE") system. Employers should therefore monitor the cumulative chargeable income of its employees to ensure that any FSC is taken into account for the purposes of computing the tax to be withheld under the PAYE system.

We consider that the FSC attributable to the dividend income of the individual is payable at the time the individual submits his annual tax return.

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3. Repeal of certain deductions

Section 26 (c) (iv) of the FA 2025	
Affected persons	Individuals
Paragraph reference in BS	Paragraph 21 (e) of the Annex to the BS
Effective date	Year ending 30 June 2026
Section reference in ITA	27D, 27K and 28

The following deductions no longer apply as from July 2025.

Description	Maximum deduction Rs
Deduction for household employees	
Total wages paid during the year	30,000
Relief for adoption of animals	
Rs 10,000 per animal adopted	30,000
Angel investors allowance	
50% of the amount invested	500,000

The repeal of the deductions would generally not impact on the commercial decisions of the affected individuals. For example, an individual will not cease to employ a household employee further to this measure. The deduction for the angel investor allowance may have acted as an inventive to invest in the qualifying companies.

4. Exemption of emoluments of non-citizen employees from companies implementing projects financed by donor state

Section 26 (Z)(ii)(A) of the FA 2025	
Affected persons	Individuals
Effective date	Year ending 30 June 2026
Paragraph reference in BS	Paragraph 21 (f) (ii) of the Annex to the BS
Section reference in ITA	Sub-Part A of Part II of the Second Schedule

This measure applies only to non-citizens employed by the company which will implement the projects funded by at least by 50% through grants or concessionary financing from a foreign state or a donor institution and approved by the Ministry of Finance, Economic Planning and Development (“MOFEPD”).

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B. CORPORATE TAX

1. Qualified Domestic Minimum Top-up Tax

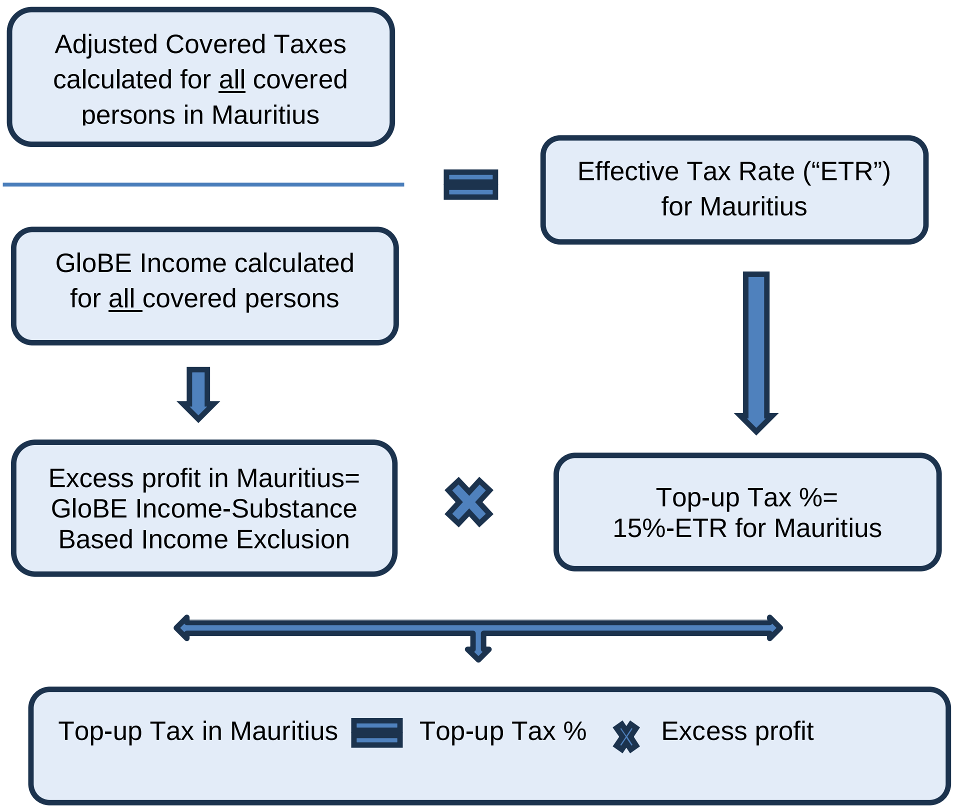
Section 26 (d)(iv) of the FA 2025	
Affected persons	Companies forming part of certain MNE Groups
Effective date	Year of assessment 2025/2026
Paragraph reference in BS	Paragraph 21(k) of the Annex to the BS
Section reference in ITA	50P to 50Z
Financial impact	Low to high

The concept of Qualified Domestic Minimum Top-up Tax ("QDMTT") was introduced by section 31(a) and (b) of the Finance (Miscellaneous Provisions) Act 2022 and was supposed to be effective as from a date to be fixed by Proclamation.

QDMTT is defined in Article 10 of the Global Anti-Base Erosion ("GloBE") Rules as approved by the Inclusive Framework on BEPS and is a minimum tax that is included in the domestic legislation in a country.

The GloBE Rules seek to ensure that entities forming part of an in scope MNE group with a yearly consolidated revenue of EUR 750 million or more pay tax at a minimum of 15% in the jurisdiction of operation. In accordance with section 50Q(1) of the ITA, the annual revenue threshold of EUR 750 million should be applied to any of the 2 years in the 4 years preceding the year of assessment 2025/2026. It is the yearly consolidated revenue for the years of assessment 2021/2022, 2022/2023, 2023/2024 and 2024/2025 that is relevant.

The computation of the QDMTT is depicted below.



Important note on the computation of the QDMTT

In accordance with Chapter 5 of the Administrative Guidance (the "Guidance") on the "GloBE Rules, there are two guiding principles to determine whether a minimum tax is functionally equivalent to the GloBE Rules for such a tax to qualify as a QDMTT. Firstly, the minimum tax must be **consistent** with the GloBE Rules and secondly it must provide for **outcomes** that are consistent with the GloBE Rules.

Paragraph 8 of Chapter 5 of the Guidance further provides that the simplest way to demonstrate that a minimum tax is consistent with the GloBE Rules would be for a jurisdiction to mirror all the requirements of the GloBE Rules with only minor changes to the charging provisions and administrative provisions that tailor them to apply solely to domestic Constituent Entities.

The implementing regulations should specifically take into account paragraph 10 of Chapter 5 of the Guidance which specifically provides the following:

> *Variations in outcomes between the minimum tax and GloBE Rules will not prevent that tax from being treated as a QDMTT if those variations systematically produce a greater incremental tax liability or do not systematically produce a lower tax liability that would be expected under the GloBE Rules and Commentary.*

We assume that the regulations for the purposes of the computation of the QDMTT will take the above into account. We also wish to emphasise on the fact that the minimum tax is based on a substance approach and a particular focus on accounting standards.

Example on sale of shares

Any profits on the sale of securities are considered as exempt income under item 7 of Sub-Part C of Part II of the Second Schedule to the ITA.

In the context of the GloBE Rules, gains from the disposition of a portfolio shareholding are not excluded for the purposes of the GloBE Rules. Portfolio shareholding is essentially a shareholding of less than 10% at the date of disposal.

Example on dividend income

Mauritian sourced dividends are generally exempt from tax and FTC generally applies to any foreign source dividend. Alternatively, 80% of the foreign dividend may be exempted from income tax subject to certain conditions.

Excluded dividends are dividends from non-portfolio shareholding under the GloBE Rules. In that respect, the 10% shareholding also applies to determine whether the dividend income arise from a portfolio shareholding. Excluded dividends also include dividends from a portfolio shareholding if the shares have been economically held for at least one year. The rules on dividends apply to local and foreign dividend income.

The GloBE Rules do not disallow expenses relating to excluded dividends for simplicity purposes so that any such expenses will lower the ETR.

Computing the effective tax rate

The QDMTT is based on the combined effective tax rate for each fiscal year so that the adjusted loss of a covered person is taken into account. This is unlike the Mauritian tax laws, where any tax loss of one company cannot be utilised against the taxable profit of another entity within the same group.

Excluded persons

The list of excluded persons for the purpose of QDMTT includes (i) Governmental entities (ii) international organisations (iii) non profit organisations (iv) pension funds (v) insurance investment entities (vi) investment funds (vii) real estate investment vehicles (viii) such other entity as may be prescribed. This is a variation from Article 1.5.1 of the GloBE Rules which includes investment funds and real estate vehicles *that are ultimate parent entities* as excluded persons.

Investment funds are not defined in section 50P. However, section 50P defines an *investment entity* as an investment fund that meets certain specific conditions; it is not an excluded person for the purpose of QDMTT. We are of view that the departure from article 1.5.1 of the GloBE Rules and the lack of definition of investment funds may lead to ambiguity over which investment fund qualifies as an excluded person.

The persons that will be excluded from the scope of the QDMTT will be further provided by way of regulations under section 50P of the ITA.

Under Article 1.5.2 of the GloBE Rules, excluded entities are entities which are (a) directly and indirectly owned by excluded entities by a percentage of at least 95% and hold assets/invest funds for excluded entities or carry activities ancillary to those of the excluded entities or (b) directly and indirectly owned by excluded entities by a percentage of at least 85% and all their income is substantially made up of Excluded dividends or Excluded Equity Gain or Loss.

Computation of Top-up tax in Mauritius

Top-up tax in Mauritius will apply to entities forming part of in scope MNE group where the combined ETR for the year is less than 15%. The combined ETR is computed by taking into account the combined net GloBE income/GloBE loss and combined adjusted covered tax of all entities in Mauritius.

The combined ETR will be applied/considered? to compute the Top-up tax in Mauritius. Each entity will be liable to QDMTT attributable to its share of GloBE Income.

For investment entities, the ETR will be computed separately from other entities of the in scope MNE group whereby the MNE Group's Allocable Share of the investment entity GloBE income/loss need to be considered.

An investment entity may be treated as a tax transparent entity subject to conditions. The conditions have not yet been prescribed.

Covered taxes

Covered tax for this purpose is the tax recognised in the financial accounts, which takes into account any deferred tax. *The Commentary on the definition of covered taxes specifically mentions the fact that the determination of whether a Tax is a Covered Tax is based on the underlying character of the Tax and the name that is given to a Tax or the mechanism used to collect it is not determinative of its character.*

Covered tax will therefore include corporate income tax, CCR levy, CSR, FSC, the AMT introduced by section 44A and the bank levy.

Some of the taxes that will be *excluded* from covered taxes are taxes paid by insurance companies in respect of returns to policy holders, QDMTT and tax expense attributable to a permanent establishment.

Taxes relating to permanent establishments, taxes under a controlled foreign company tax regime, taxes in respect of income of a hybrid entity and taxes in respect of distributions from an entity forming part of an in scope MNE group are excluded from covered taxes.

Adjusted Covered Taxes

The adjustments to be made for the purpose of computing adjusted covered taxes have not been prescribed in section 50T of the ITA.

Article 4.1 of the GloBE Rules prescribes that certain adjustments, such as total deferred tax adjustments, covered tax accrued as an expense, current tax expense excluded from the computation of GloBE income/loss, current tax expense relating to uncertain tax position and current tax expenses not expected to be paid within 3 years should be made to covered taxes.

Entities with no GloBE income and with adjusted covered taxes amounting to less than zero or less than the expected adjusted covered taxes are required to pay an additional QDMTT. The additional QDMTT is the difference between the expected adjusted covered taxes and the adjusted covered taxes. It may thus be possible that QDMTT applies even if there is no taxable profit in a year.

Computation of GloBE income/GloBE losses

The adjustments to be made to accounting profit and loss for the purpose of computing GloBE income/GloBE loss are not yet prescribed and will be subject matter of the regulations. We expect that it will be prescribed in a separate legislation and would be in line with Article 3.2.1 of the GloBE Rules.

Article 3.2.1 of the GloBE Rules prescribes that certain adjustment, such as net tax expenses, dividends from non-portfolio shareholding and gains from the disposition of a non-portfolio shareholding should be made to GloBE income or loss, as the case may be.

Substance-based income exclusion

For the purpose of computing the Top-up tax in Mauritius, the excess profit should be determined. The latter is computed by reducing the net GloBE income by the Substance-based Income Exclusion (“SIE”).

The SIE amount is the sum of the payroll carve-out and the tangible asset carve-out excluding investment entities.

The Commentary on the SIE explains the fact that the policy rationale for a substance-based carve-out is to exclude a fixed return for substantive activities and is justified on the basis that these factors are generally expected to be less mobile and less likely to lead to tax-induced distortions.

The payroll carve-out of an entity is 5% of the entity’s Eligible Payroll Costs of Eligible Employees that perform activities for the MNE Group in Mauritius with certain exceptions. The GloBE Rules define *Eligible payroll Costs* as employee compensation expenditures such as salaries, pension contributions, pension contributions, payroll and employment taxes and employer social security contributions. Eligible employees include part-time employees and independent contractors participating in the operating activities of the MNE.

The tangible asset carve-out of an entity is 5% of the carrying value of the Eligible Tangible Assets which includes assets such as property, plant and equipment located in Mauritius under the GloBE Rules.

For the purpose of computing the excess profit of an investment entity, the SIE should include eligible payroll and tangible assets, adjusted proportionately for the group’s ownership share.

Notification and filing of QDMTT return

An entity located in Mauritius and forming part of an in-scope MNE Group is required to notify the MRA of the identification of the designated person resident in Mauritius who will be responsible for the filing of the QDMTT return within 6 months of the end of the end of the fiscal year.

The QDMTT return should be filed and QDMTT should be paid within 15 months of the end of the fiscal year.

A penalty of 5% and monthly interest at the rate of 0.25% will apply on late payment of the QDMTT.

An amended QDMTT return may be submitted within 2 years from the year of assessment in which it was filed. The timeframe of 2 years also applies to claim for refund for QDMTT.

Appendix 1 provides a few examples on the mechanics of the QDMTT. **The computations are for illustrative purposes only and may have to be reviewed once the relevant regulations have been issued.**

2. Fair Share Contribution

Section 61 (n) of the FA 2025	
Affected persons	Companies, foundations, trusts and non-resident *sociétés*
Period of application	July 2025 up to June 2028
Paragraph reference in BS	275 to 277 Paragraph 21 (l) of the Annex to the BS
Section reference in VATA	New section 53M

Excluded entities
The fact that certain entities, like a company holding a GBL under the FSA, are expressly excluded from the scope of the FSC and we consider that this policy decision may well be challenged by international organisations. The definition provided in section 53M of VATA should also be reviewed in the light of the definition of global business entity under section 2 of the ITA.

Exempt income
We do not consider that it was necessary to refer to entities whose income are exempt under Part I of the Second Schedule to the ITA and the exempt income of companies referred to in section 53M of the VATA. Our conclusion rests on the fact that the chargeable income is one of the triggering factors for the FSC to apply.

Threshold for chargeable income and aggregate supplies
To be within the scope of the FSC, the supplies of the company should be at least Rs 24 million or it ought to be a registered person for the purposes of the VATA. Furthermore, the taxable profit of the company should be at least Rs 24 million in an accounting year. A company that is not engaged in any supplies for VAT purposes is not liable to the Fair Share Contribution. On the other hand, a company that is not registered for VAT purposes on the basis that its supplies are exempt or solely zero-rated is within the scope of the FSC if its aggregate supplies is at least Rs 24 million. For this purpose, the supplies may be made exclusively outside of Mauritius.

Practical challenges and excess Fair Share Contribution on quarterly payments
The applicable threshold is based on the accounting year of the company so that the year ending 30 June 2026 is the first year of application for a company with a 30 June year end. The practical

challenge lies on the fact that in some cases, a company will not be able to foresee whether its chargeable income will exceed Rs 24 million for the whole year.
It may be the case that for the first quarter of the accounting year the tax result is such that it is expected that the chargeable income will be in excess of Rs 24 million. It may also happen that for the subsequent quarters there is a tax loss so that the chargeable income for the year is less than Rs 24 million and the company has paid the FSC for the first quarter. We consider that in such a case a refund of the FSC should be forthcoming, though we will not be surprised if the MRA audits the chargeable income of the company.

Possible trend on MRA audit
We will not be surprised if the MRA will audit companies whose chargeable income is below Rs 24 million over the three years period.

Companies with an accounting year end other than 30 June
Although the period of application starts from July 2025 to June 2028, section 53P(1) of VATA refers to the accounting year of the company in the context of the quarterly payments.

We take it that the first quarterly payment will be for the three months ending 30 September 2025 and the FSC will apply for the year of assessment 2025/2026, 2026/2027, 2027/2028 and 2028/2029 for a company with a calendar year end. For the first and last years of assessment, the tax results for the first and last six months will not be subject to the FSC. A company with a year-end other than 30 June should ensure that it has its records in support of its computation of the FSC. We do not consider that the basis year should be time apportioned for the years of assessment 2025/2026 and 2028/2029.

Rates
The rate of the FSC is 5% for a company that is liable to tax at the rate of 15%. The rate is 2% if the applicable corporate tax rate is 3%. A bank is liable to an additional FSC of 2.5% of its chargeable income on its Segment A banking business, excluding transactions with global business entities. We consider that an apportionment is acceptable where a company is liable to tax at the rates of 15% and 3% in the same accounting year.

Relevance of tax credits
The FSC cannot be reduced by any credit, e.g. investment tax credit or FTC. Where the company qualifies for any treaty benefit, there may well be strong arguments to support the view that any foreign tax is creditable against the Fair Share Contribution.

Limit on Fair Share Contribution
Insofar as telecommunication companies and banks are concerned, the FSC is restricted where the aggregate of the corporate tax, CSR, CCR levy, levy on telephony services or bank levy and the FSC will exceed 35% of the chargeable income of the company. Insofar as banks are concerned, the restriction applies to transactions with residents, other than the excluded entities.

Depending on the portion of the allowable expenses of a bank to its interest income, the total tax as a percentage on its chargeable income may already be higher than 35%. Take the case of a bank with an aggregate allowable expenses and annual allowances of 70% on the aggregate of its net interest income and other income. The special levy is computed at 5.5% of the aggregate of the net interest income and other income from banking transactions with residents, excluding corporations with a GBL under the FSA. In such a case, the FSC will apply to banking transactions with resident partnerships holding GBL under the FSA.

Interaction with the GloBE Rules
The FSC will be considered as a covered tax for the purposes of the GloBE Rules, irrespective of the fact that it is administered under VATA. The FSC does not apply if the company is not engaged in any supplies for VAT purposes.

3. Alternative Minimum Tax on companies operating in specified sectors

Section 26 (d)(i)(A) of the FA 2025	
Affected persons	Companies engaged in certain specific sectors
Paragraph reference in BS	Paragraph 21 (j) of the Annex to the BS
Effective date	Year of assessment 2026/2027
Section reference in ITA	New section 44A

An Alternative Minimum Tax ("AMT") will apply to the following companies:

a. A company operating a hotel and licensed as such under the Tourism Authority Act;
b. An insurance company under the Insurance Act;
c. A company acting as a financial intermediary under the Financial Services Act, Insurance Act or the Securities Act;
d. A company engaged in real estate activities; and
e. A telecommunication company licensed under the Information and Communication Technologies Act.

When does AMT apply?
The AMT will apply if the tax payable is less than 10% of the adjusted book profit of the company. For this purpose, the adjusted book profit is the profit computed in accordance with internationally accepted accounting practice and is reduced by (a) Mauritian sourced dividends; (b) profits on disposal or revaluation of fixed assets; and (c) profits or gains from the revaluation of securities. On the same basis, the book profit is increased by (a) any loss on disposal or revaluation of fixed assets; and (b) any loss on sale or revaluation of securities. To compute the adjusted book profit the direct and indirect expenses relating to the Mauritian sourced dividends should not be adjusted.

Computation of the AMT
The AMT is computed at 10% on the adjusted book profit for the year.

Like the FSC, the AMT cannot be reduced by any tax credits. Here also, we consider that if a company qualifies for any treaty benefit, there may well be strong arguments to support the view that any foreign tax is creditable against the AMT.

Financial impact
The AMT applies irrespective of any (a) accumulated tax losses brought forward; and (b) any tax losses incurred by the company. In its current form the AMT is an additional tax. At the same time, if a company has a tax loss that is not attributable to any annual allowances, the loss will in any event be subject to the usual 5 years restriction. We must also not forget the fact that the tax loss cannot be utilised by any company forming part of the same group.

We regret to note that the CSR charge, the CCR levy and the levy for telephony service providers are not taken into account to determine the tax payable by a company. This is irrespective of the fact that they are all considered as income tax. At the same time, the FSC is ignored in determining the tax payable by a company.

Operating hotels are likely to be within the scope of this measure as a result of their annual allowances and the on-going policy to invest into qualifying assets to remain competitive. Such hotels will in a way be compelled to limit their annual allowances so that the corporate tax is equivalent to the AMT. The cash flow of such hotels may be severely strained, given the fact that they may already have significant interest-bearing debts to finance their assets. In such a case it may well mean that the annual allowances will have to be restricted on a yearly basis with a view to mitigate the inherent disadvantage of the AMT.

Interaction with the GloBE Rules
The AMT will be considered as a covered tax for the purposes of the GloBE Rules.

A company engaged in the life insurance business
Such a company is already liable to a minimum tax, based on a rate of 10% on its profit attributable to its shareholders as adjusted by any capital gains or losses under section 50(1A) of the ITA and there is no adjustment insofar as Mauritian sourced dividend is concerned. The new section 44A(6) of the ITA does not exclude any company engaged in the life insurance business so that such a company is governed by both section 50(1A) of the ITA and the new section 44A of the ITA. The tax is based on the higher of the amount computed under section 50(1A) of the ITA and section 44A of the ITA.

4. Exclusion of banks from the 80% exemption applicable on foreign source dividend income

Section 26 (z)(B)(I) of the FA 2025	
Affected persons	Banks
Effective date	8 August 2025
Paragraph reference in BS	Paragraph 21 (i)(iii) of the Annex to the BS
Section reference in ITA	Item 6(a) of Sub-part B of the Second Schedule

This measure does not place all resident companies on an equal footing and may have been prompted by the fact that all banks benefit from a 5% corporate tax rate. We would have preferred an approach to tax the foreign sourced dividends at the rate of 15%, with the possibility of relieving any double taxation in the same manner as other resident companies.

Taking into consideration that banks are also be liable to special levy, CCRL and CSR on the foreign dividend income, the removal of the exemption significantly increase the tax burden on foreign dividend and may deter banks from making foreign investment.

Where the dividend originates from a treaty partner country, we consider that in most cases the bank will rely on the tax treaty to relieve any double taxation.

5. Clarification on the eligibility for the 80% exemption on interest income

Section 26 (z)(B)(II) of the FA 2025	
Affected persons	Companies
Effective date	8 August 2025
Paragraph reference in BS	Paragraph 21 (i) (ii) of the Annex to the BS
Section reference in ITA	Item 7(c) of Sub-part B of Part II of the Second Schedule
Sector	Companies with incidental interest income
Financial impact	Low to high

In the context of the 80% exemption on interest income to companies, a new sub-item has been included to state the fact that the exemption only applies if the relevant activity of the company generating the interest income satisfies the conditions relating to substance requirements.

If the purpose of the clarification is to limit the exemption to companies engaged in money lending business, the exemption will then be applied to limited cases since banks, non-bank deposit taking institution, money changer, foreign exchange dealer, insurance company, leasing company and company providing factoring, hire purchase facilities or credit sales facilities are specifically excluded from the scope of the exemption.

6. Exclusion of banks from exemption on the disposal of gold, silver, or platinum

Section 26 (Z)(c)(I) of the FA 2025	
Affected persons	Banks
Effective date	8 August 2025
Section reference in ITA	Item 7B of Sub-part C of Part II of the Second Schedule

The exclusion of banks from the scope of this exemption implies that any trading profit of banks from sale of gold, silver, or platinum will be taxable, irrespective of the length of ownership. We presume that the basis of this change is to ensure that any income from the ordinary course of business of a bank is treated in the same manner as other regular income, such as interest. A person other than a bank is still exempt from tax on the profits arising on the disposal of gold, silver or platinum, held for a continuous period of at least 6 months.

7. Exemption for companies holding a Virtual Asset Service Provider licence

Section 26 (z)(C)(III) of the FA 2025	
Affected persons	Companies licensed by the Financial Services Commission
Effective date	8 August 2025
Paragraph reference in BS	Paragraph 21 (i) (i) of the Annex to the BS
Section reference in ITA	Item 63 of Sub-part C of the Second Schedule
Conditions	Substance conditions not yet prescribed

A company that holds a Virtual Asset Service Provider licence issued by the Commission under the Virtual Asset and Initial Token Offering Services Act 2021, will be eligible for 80% income exemption of the income from activities covered under that licence, provided that the company complies with the substance requirements. The substance conditions will be prescribed by way of regulations.

8. Expenditure on Artificial Intelligence technologies

Section 26 (d)(v)(H) of the FA 2025	
Affected persons	A company with an annual turnover of less than Rs 100 million
Effective date	1 July 2025
Paragraph reference in BS	38
Section reference in ITA	New section 67T

A company with a yearly turnover of less than Rs 100 million is eligible to a deduction of the capital expenditure and recurrent cost incurred on Artificial Intelligence (''AI'') technologies in the year the expenditure is made. This is in addition to the annual allowance on the acquisition cost and any expense incurred on a regular basis. The deduction is limited to Rs 150,000.

Under section 65B and section 67K of the ITA, such a company is eligible to a double deduction on expenditure incurred on specialised software and patents respectively, but it is not eligible to annual allowances. Care is required in the classification of the expenses incurred as there may be situations where an expenditure may be treated as AI technologies and at the same time a computer software.

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9. Special tax credit

Section 26 (f) of the FA 2025	
Affected persons	Companies
Effective date	8 August 2025
Section reference in ITA	New section 77A

The tax credit applies where a company has been subject to income tax but did not claim a tax credit or relief.

We are not able to comment on the scope and application of this credit, that will be the subject matter of the regulations.

10. Tax credit for small businesses on acquisition of new equipment

Section 26 (x) of the FA 2025	
Affected persons	A qualifying small businesses or service provider
Effective date	Expenditure incurred between 1 July 2025 to 30 June 2030.
Paragraph reference in BS	Paragraph 21 (g) of the Annex to the BS
Section reference in ITA	New subsection 58A in section 161A
Extent of financial impact	Low
Conditions	Annual turnover below Rs 10 million.

A qualifying small business or service provider, as provided in the Fourteenth Schedule to the ITA with an annual turnover not exceeding Rs 10 million is eligible for a tax credit of 5% in the year of acquisition and the subsequent two years. Appendix 2 provides the list of the qualifying small businesses and service providers.

The maximum capital expenditure eligible for the tax credit is Rs 500,000 so the maximum credit is computed at Rs 25,000 in any year. The capital expenditure should be in connection with **NEW** equipment and the equipment should be used in connection with the business activity of the company. A company that wishes to benefit from the credit should ensure that it has the appropriate evidence to demonstrate the fact that the equipment is new and not second-hand.

Unutilised tax credit may be carried forward for a period of 5 years as from the year the capital expenditure has been incurred.

11. Deductions no longer applicable to companies with a yearly turnover of Rs 100 million or more

Section 26 (d) (v) of the FA 2025	
Affected persons	Companies with an annual turnover of Rs 100 million or more
Effective date	July 2025
Paragraph reference in BS	Paragraph 21 (o) of the Annex to the BS
Section of the ITA	65B, 66, 66A, 67, 67J, 67K and 67R

Companies with a yearly turnover of at least Rs 100 million will not qualify for the following statutory deductions as from July 2025.

(a) Expenditure on specialised software and systems;
(b) Donations to charitable institutions;
(c) Donations to Non-Governmental Organisations registered with the MRA;
(d) Investment in crèches;
(e) Expenditure on arbitration, conciliation or mediation, conciliation or mediation under an Alternative Dispute Resolution Mechanism ;
(f) Expenditure on patents and franchises;
(g) Expenditure on financing, sponsorship, marketing or distribution of a film.

This change is not merely the denial of an extra deduction. It also implies that certain outgoings will not qualify for any tax deduction. Examples are donations to charitable institutions and Non-Governmental Organisations approved by the MRA. Expenses on specialised software and systems should also be eligible for annual allowances.

The effective date of July 2025 will imply that the measure is effective as from the year of assessment 2026/2027 for a company whose basis period ends between 1 January 2026 to 30 June 2026 and the year of assessment 2025/2026 for a company whose basis period ends between 1 July 2025 to 31 December 2025.

12. Arm's length test

Section 26 (e) of the FA 2025	
Affected persons	Entities engaged in related party transactions
Paragraph reference in BS	Paragraph 24 (g) (vi) of the Annex to the BS
Effective date	8 August 2025
Section reference in ITA	New subsection (2A) and (4) in section 75

The new sub-section (2A) seeks to impose the obligation to prepare and keep records in a manner to be prescribed by way of regulations.

We are hoping that the records will not require an onerous burden on entities engaged in related party transactions. The financial statements already identify related party transactions, and we consider that any additional requirements should have as objective an enhanced level of certainty for all parties. Such records should not be used as a weapon to increase the tax base of Mauritian resident entities. We have seen cases where the arm's length test has been applied in a manner that goes against the principle that the taxing right should rest with the jurisdiction where the economic activities and value creation occur.

The new subsection (4) defines "connected persons" and "transaction" and we do not consider that there was any necessity for such definitions. The definition of transaction appears one that is based on a classic general anti-avoidance clause. We must remember the fact that a related party transaction does not necessarily mean that the related parties have embarked on a tax avoidance scheme.

13. Status of charitable institution

Section 26 (d)(i)B of the FA 2025	
Affected persons	Companies
Effective date	8 August 2025
Paragraph reference in BS	Paragraph 24 (g)(5) of the Annex to the BS
Section reference in ITA	49D

The MRA may revoke the status of an entity as an approved charitable institution where it no longer meets the required objects, or its approval was obtained by fraud or misrepresentation.

Whilst we understand that the status of a charitable institution may be revoked so that the income of such entities is no longer exempt from income tax. We are concerned with the fact that such a course of action may be totally unjustified, particularly in cases where (a) there has been no change in the activities of the charitable institution; and (b) the MRA changes its interpretation on the requisite conditions. Irrespective of the fact that the exemption may be revoked, the income of an entity may still be outside the scope of section 10 of the ITA if it does not have any profit motive.

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14. Proportion of CSR liability to be remitted to the MRA

Section 26 (d)(iii) of the FA 2025	
Affected persons	Companies and partnerships
Effective date	1 January 2026
Paragraph reference in BS	Paragraph 21 (h) of the Annex to the BS
Section reference in ITA	50L

The portion of CSR to be remitted to the MRA will be reduced from 75% to 50% as from 1 January 2026.

For companies with a basis year other than a calendar year, the total contribution has to be time apportioned given the effective date of 1 January 2026.

15. Income tax exemption for companies implementing certain projects

Section 26 (z)(i) of the FA 2025	
Affected persons	Companies
Effective date	Income year commencing on 1 July 2025
Paragraph reference in BS	Paragraph 21 (f) (ii) of the Annex to the BS
Section reference in ITA	Part I of the Second Schedule

Any company implementing a project, which is financed by at least 50% from grants or concessionary financing from a foreign State or donor institutions will be exempt from tax where the project is approved by the MOFEPD.

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C. VALUE ADDED TAX

1. Compulsory VAT registration threshold reduced from Rs 6 million to Rs 3 million

Section 61 (t) of the FA 2025	
Affected persons	Certain non-VAT registered businesses
Paragraph reference in BS	Paragraph 28 (b) of the Annex to the BS
Effective date	1 October 2025

Persons with a yearly turnover of taxable supplies exceeding Rs 3 million will be obliged to register for VAT purposes. For this purpose, we consider that the law should be refined further so that the mandatory registration threshold is based on the standard rated supplies of the person. Currently a person who is engaged in solely zero-rated supplies is not obliged to register.

The commencement date of 1 October 2025 implies that registration will be within an accounting year end of the person where the year end of the person is not 30 September.

This measure is likely to result in an increase in the price of goods and services for the final consumer, unless the person reduces its price with the hope that the reduction will be more than compensated by the increase in the volume of the supplies.

While a registered person is able to treat any input tax on goods as allowable, the person must ensure that its records are complete and accurate to support the adequacy of its VAT returns. The compliance burden may well prompt the affected persons to rethink about their business cases.

The newly registered person is eligible to the input tax on trading stocks and capital goods acquired within 3 months of registration and is subject to the registered person providing an inventory, duly certified by a qualified auditor. The persons should ensure that they have all the invoices and related documentations.

2. Additional FSC of 2.5% on transactions with certain residents

Section 61 (n) of the FA 2025	
Affected persons	Banks transacting with residents
Paragraph reference in BS	Paragraph 21 (m) of the Annex to the BS
Section reference in VATA	New section 53N(4)

The additional FSC does not apply to banking transactions with the excluded entities. There are certain fine details banks should take into account for this purpose. For example, the exclusion for GBL entities only apply to a company holding a GBL. A summary on the possible scenarios is provided below where the relevant entity is tax resident in Mauritius.

	Banking transactions with residents			
	Holder of a Global Business Licence			**Other trust**
	Company	**Partnership**	**Trust**	
Corporate Social Responsibility	No	No	No	Yes
Bank levy	No	No	No	Yes
Fair Share Contribution	Yes	Yes	Yes	Yes
Additional Fair Share Contribution	No	Yes	No	No

We also wish to highlight that the maximum rate of 35% is based on the chargeable income relating to banking transactions with residents and for this purpose, the chargeable income relating to banking transactions with the excluded entities should be ignored. Appendix 3 provides a scenario on the mechanics of the maximum rate of 35%. The computations are for illustrative purposes only and will depend on the level of chargeable income of the bank.

3. Special levy on banks

Section 61 (m) of the FA 2025	
Affected persons	Banks having Segment A banking transactions
Paragraph reference in BS	Paragraph 22 of the Annex to the BS
Effective date	Accounting period starting on or after 1 July 2025
Section reference in VATA	53J

The removal of the maximum of 1.5 times the levy paid in the year of assessment 2017/2018 implies that the bank levy will be computed at the rate of 5.5%. For a company with a 30 June year end, the first year of application will be the year ending 30 June 2026. The year ending 31 December 2026 will be the first year of application for a company with a calendar year end.

This measure will significantly increase the levy in connection with the Segment A banking business, which have significantly expanded their domestic banking business since the year 2017.

Although the levy is computed solely on the Segment A banking business, a bank is not subject to the levy if it has a loss in a year. For this purpose, it is loss of the bank as a whole that is considered, irrespective of the fact that the bank may have a loss on the Segment A banking business.

4. Scope of zero-rated supplies

Section 61 (s)(ii) of the FA 2025	
Affected person	VAT registered persons engaged in the export of services
Paragraph reference in BS	Paragraph 24 (d) (vii) of Annex to BS
Effective date	8 August 2025
Section reference in VATA	Item 6 (a) of the Fifth Schedule

The amendment provides that the supply of services to non-residents will be zero-rated if the services are not consumed in Mauritius.

We consider that this change is not necessary given the fact that any supply of services is treated as a standard supply where the services are consumed in Mauritius. This is based on the *use and enjoyment* principle: an example is hotel accommodation to foreign nationals where the hotelier contracts with a foreign tour operator with no permanent establishment in Mauritius.

If the objective of the amendment is to give a restrictive approach to the scope of zero-rated supplies, then we are concerned with the fact it will then imply that VAT is being applied in two countries.

VATA is based on the destination principles and a wrong interpretation of item 6 (a) of the Fifth Schedule to VATA may well give rise to an outcome that is not consistent with the destination principles.

This policy change should take into account the International VAT Guidelines issued by the OECD on cross border transactions.

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5. VAT liability of an appointed person

Section 61 (q) of the FA 2025	
Affected persons	Appointed representatives to manage or wind up a VAT registered business
Paragraph reference in BS	Not announced
Effective date	8 August 2025
Section reference in VATA	64

The amendment provides that the affected persons should ensure that there is sufficient fund for paying the VAT liabilities of the registered person prior to selling any assets.

The appointed representative may be personally liable for any unpaid VAT, unless he can demonstrate that his failure is the result of a reasonable cause or justification.

The obligation for the affected person to set aside sum out of the assets "***as appears to the Director-General to be sufficient to provide for any VAT that is due or may become due***" may involve a significant degree of subjectivity.

Appointed persons should ensure that they are fully aware of the VAT attributes of the entities they are entrusted to manage to avoid any personal liability.

6. Registration of foreign suppliers with no permanent establishment

Section 61 of the FA 2025	
Affected persons	Foreign suppliers engaged in digital and electronic services
Effective date	1 January 2026
Paragraph reference in BS	Paragraph 28 (c) of the Annex to the BS
Section reference in VATA	2, 12, 14A, 15(2)(a) (iii), 19(3A), 20(7), 21(2)(i), 22(1D) and (1E) and 22(4). Part III of the Tenth Schedule.

The obligation for a foreign supplier to charge VAT on digital and electronic services appears to be modelled on the simplified regime for Business-to-consumer ("B2C") supplies pursuant to the International VAT/GST Guidelines issued by the OECD and the VAT Digital Toolkit for Africa led by the OECD in conjunction with the World Bank Group and the African Tax Administration Forum.

The salient features of this change are as follows:

a. A foreign supplier whose permanent establishment or place of abode, as the case may be, is outside Mauritius and engaged in the provision of digital or electronic services, as defined in Part III of the Tenth Schedule, to a person in Mauritius will be required to register for VAT in Mauritius irrespective of the turnover of taxable supplies.

b. The relevant services pursuant to Part III of the Tenth Schedule are provided below:

    1. Supplies of images or texts, such as photographs, screensavers, electronic books and other digitised documents;
    2. Supplies of music, films, television shows, games and programmes on demand;
    3. Supplies of applications, software and software maintenance;
    4. Website supply or web hosting services;
    5. Advertising space on a website;
    6. Online magazines; and
    7. Distance maintenance of programmes and equipment.

c. The supply of the in-scope services by a foreign supplier to a person in Mauritius will be a standard rated supply.

d. For the purposes of determining whether the foreign services are provided to a person in Mauritius, the foreign supplier is required to consider whether any of the following two conditions are met and are not contradictory: (i) billing address of the recipient of the service, (ii) location of bank from which payment is made, (iii) internet protocol or geolocation of device used by recipient of service (iv) international country code provided by the person to whom supply is made in his contact details (v) any other relevant commercial information.

e. The foreign supplier is obliged to appoint a tax representative in Mauritius once the turnover of taxable supplies exceeds the mandatory registration threshold. A tax representative is required to have a permanent establishment in Mauritius.

f. The tax representative appointed is responsible for submitting tax return and ensuring that payment is made. The tax representative is also personally liable for any unpaid tax, interests and penalties under the VATA.

g. The foreign supplier will be required to electronically file a VAT return, including a list of taxable supplies made to persons in Mauritius, within 20 days of the taxable period. The VAT return will be prescribed by the MRA.

h. The foreign supplier is not required to issue a VAT invoice under section 20 of the VATA.

i. The foreign tax representative may remit VAT in Rs, US Dollars, Euros, GB pounds sterling, Singapore dollars, South African rands, Swiss MRA and any foreign currency approved by the MRA.

j. The foreign supplier will not be required to register and charge VAT on the supply of digital and electronic services where the Mauritian recipient applies the reverse charge mechanism.

k. The input tax on digital or electronic services will not be an allowable deduction for the recipient of services. This is irrespective of the fact that the services may be exclusively used for the purposes of the taxable supplies of the recipient.

l. To the extent that the foreign supplier is not required to appoint a tax representative, we wonder how the MRA will enforce recovery actions since the foreign supplier does not have any permanent establishment in Mauritius.

In the context of B2B transactions, we consider that the better approach would be to apply the reverse charge mechanism. Currently, the reverse charge mechanism does not apply to a non-VAT registered person and we do not see any reason for its non-application to non-VAT registered person.

Given the current construct of the law, we consider that a registered person will logically apply the reverse charge mechanism in view of the fact it will be possible for the person to have an outcome where no additional VAT arises.

If the services provided by the foreign supplier is zero rated, we consider that VAT should not be applied. Otherwise, a foreign and local supplier will not be on an equal footing. Cinematographic films is an example.

The output tax charged by the foreign supplier does not qualify as input tax. For example, it is common for businesses to undertake on-line advertising in connection with all its supplies. Here also, the current law favours local registered persons.

We do not consider that any supplies made by a registered person to the foreign supplier will not qualify for the zero-rated status on the basis that any supply made to the foreign supplier is consumed outside of Mauritius.

We consider that there should be an appropriate mechanism to address cases where the supplies are also taxed in the country of origin.

Though the list of services provided in part III of the Tenth Schedule is exhaustive, the inclusion “other digitised documents” implies that the scope of this measure is wide enough.

7. Input tax on rental of parking space

Section 61 (g) of the FA 2025	
Affected persons	Registered persons
Effective date	1 January 2026
Paragraph reference in BS	Paragraph 24 (d) (ii) of the Annex to the BS
Section reference in VATA	New paragraph (ba) in section 21(2)

Input tax on the rental of parking space for motor cars and other motor vehicles, unless those used for business purposes will no longer be deductible

We do not understand the objective of this measure given the fact that the input tax will be allowable where the vehicles are used for business purposes.

8. Change in status of supplies from standard rated to zero rated

Section 61 (s)(i) and (iv) of the FA 2025	
Affected persons	Registered persons and final consumers
Effective date	6 June 2025
Section reference in VATA	New paragraphs (fca), (fcb) and (g) in item 2 New item 62

The following supplies are zero rated as from 6 June 2025.

1. Frozen vegetables of headings 07.10 and 20.04
   These include mainly potatoes, leguminous vegetables such as peans, beans, spinach and sweet corn inter alia.

2. Prepared or preserved vegetables of headings 20.02, 20.03 and 20.05 and HS Codes 2001.100 and 2001.90.20.
   These include tomatoes, mushrooms and truffles, cucumbers and gherkins inter alia.

3. Homogenised food preparations suitable for infants of H.S. Codes 2005.10.00, 2007.10.10, 2007.10.90 and 2104.20.00.
   These include homogenised food preparations and composite food preparations.

4. Hairdressing services.

The prices for the above refenced supplies are supposed to decrease as from 6 June 2025 and if ever the registered person is engaged exclusively in zero rated supplies, any excess tax qualifies for a refund. It is the MRA that has the discretion on the quantum of the refund so that the cash flow benefit on the qualifying input tax may be delayed.

A person engaged in solely hair dressing services may not be willing to register for VAT if (a) the input tax is minimal, or (b) the compliance cost to prepare and submit VAT returns.

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9. Change in the status of supplies from standard rated to zero rated

Section 61 (s)(iv) of the FA 2025	
Affected persons	Registered shipping agents and foreign ships
Effective date	8 August 2025
Section reference in VATA	New item 63

Services provided by licenced shipping agents to owners of foreign ships, except services provided to crew members or passengers. Generally, a ship will qualify as a foreign ship if it is not registered in Mauritius under the Merchant Shipping Act.

We presume that the services provided to the foreign ships are not generally services that can be provided to crew members and passengers from a commercial standpoint. Otherwise, the shipping agents will have to keep adequate records to support the view that the supplies are made to the ship and not to the crew members and passengers.

10. Change in the status of supplies from standard rated to exempt

Section 61 (r)(ii) of the FA 2025	
Affected persons	Mauritius Ports Authority and foreign vessels
Effective date	8 August 2025
Section reference in VATA	New item 43A

Services provided by the Mauritius Ports Authority ("MPA") to foreign vessels are exempt supplies.

Any input tax incurred by the MPA will not be deductible and it may decide to pass on its irrecoverable VAT to any of its clients. Depending on the nature of its other supplies, this change will affect its input tax apportionment ratio. Input tax exclusively in connection with its taxable supplies will generally qualify for a full deduction.

11. VAT incentives for certain projects financed

VAT is not applicable on the supply of goods, works or consultancy services in respect of a Government project, approved by the MOFEPD and funded by a foreign State or a donor organisation.

The amendments have been made in the Ninth Schedule of the VATA so that any person engaged in the above- mentioned goods or services are not required to charge VAT on the goods or services made but are able to apply credit for any input tax.

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D. TAX ADMINISTRATION

1. Registered tax agents

Section 35 (a) of the FA 2025	
Affected persons	Tax service providers
Effective date	To be fixed by Proclamation
Paragraph reference in BS	Paragraph 24 (a)(vi) of the Annex to the BS
Section reference in MRAA	17A to 17D

For this purpose, a Committee will be set up to oversee the registration process, including evaluating applications and making decisions regarding the suspension or cancellation of tax agent registration.

Application for registration must be submitted to the Director-General of the MRA, who will refer it to the Committee. The Committee will then inform the Director General of its decision, who will then notify the applicant. If approved, the applicant will be registered as a tax agent and a list of all approved applicants will be published to promote transparency.

We consider that it would have been better to have an independent panel to regulate tax practitioners given the potential perception that the Committee established by the Board may not be independent. In addition to the assistance provided on the various tax returns, a tax representative also provides assistance in MRA audit, the MRA, the ATDR Panel, or the Assessment Review Committee (“ARC”).

2. Time limit to issue income tax assessments

Section 26 (r)(i) of the FA 2025	
Affected person	Taxpayers
Section reference in ITA	130 (1)
Paragraph reference in BS	Paragraph 24 (a) (iv) of the Annex to the BS
Effective date	8 August 2025

The time limit for the MRA to raise assessment is being effectively reduced from 4 years to 3 years. This change does not apply in cases of fraud, wilful neglect or where a tax return has not been submitted.

3. Payment of income tax in foreign currency

Section 26 (b) of the FA 2025	
Affected persons	Companies
Paragraph reference in BS	Paragraph 24 (a) (vii) of the Annex to BS
Effective date	1 October 2025
Section reference in ITA	6

This measure applies to companies which have a reporting currency of MUR but carry out transactions in US Dollars, Euros, GB Pounds sterling, Singapore dollars, South African rands and Swiss francs (“relevant foreign currencies”). Where the company has a reporting currency other than Mauritian Rupee, this measure does not apply.

Where the gross income of a company from the relevant foreign currencies exceeds 50% of its total gross income in any year, it will be required to pay its tax liabilities, in that currency.
If the 50% threshold is met through a combination of the relevant foreign currencies, the company may, at its option, pay tax in any one of the above currencies.

Banks will be required to apportion their income tax payments into Mauritian Rupees and foreign currencies: the proportion will be based on the relevant segments. We consider that the same principle will apply on the Segment B banking business where the gross income emanates from multiple foreign currencies.

A company may be unable to settle its tax liability in a foreign currency due to lengthy debtor days and transactions conducted in Mauritian Rupee. We presume that these cases will be the subject matter of section 6(8) of the ITA, whereby the Regulations will provide for the exclusion of certain companies and the reduction of the tax to be paid in foreign currency.

4. Reduction in interest and penalties

Section 26 (d)(ii), 26 (i), 26 (l), 26 (m), 26 (n) and 26 (v) of the FA 2025

Affected persons	All persons
Paragraph reference in BS	Paragraph 24 (a)(v) of the Annex to the BS
Effective date	1 July 2025
Section reference in ITA	50F, 110, 122, 122D, 122DA and 152A

As from 1 July 2025, there will be a 50% reduction in the interest and penalties on (i) the late payment of tax, (ii) loss overclaimed and (iii) erroneous refund, as depicted in the below table.

	Rate of interest and penalties	
	Previous	**New**
	%	
Penalty for late payment of tax under APS	5	2.5
Penalty for late payment of tax under CPS	5	2.5
Penalty for late payment of tax	5	2.5
Penalty for late payment of tax for a small enterprise	2	1
Monthly interest on unpaid tax for employers and payers	1	0.5
Monthly interest on unpaid tax for other cases	0.5	0.25
Penalty for loss overclaimed	5	2.5
Erroneous refund	0.5	0.25

We welcome this measure as it has a direct financial consequence and does not involve the exercise of any discretionary powers by the MRA.

5. Maximum interest and penalties: limited to 100% of the tax liability

Section 26 (w) of the FA 2025

Affected persons	All persons
Paragraph reference in BS	Paragraph 24 (a)(v) of the Annex to the BS
Effective date	1 July 2025
Section reference in ITA	New section 159B

The restriction regarding the interest and penalties imposed under the ITA is a measure that is welcomed for the reasons set out above.

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6. Voluntary disclosure settlement scheme

Section 35 (c) of the FA 2025

Affected persons	Persons with understated tax and VAT liabilities
Paragraph in BS	Paragraph 24 (a)(ii) of the Annex to the BS
Relevant years of assessment	2024/2025 and any prior years of assessment
Relevant taxable period	Taxable supplies ended on 30 April 2025
Section reference in MRAA	New sub-section 25(a) in section 28
Effective date	8 August 2025

Any person will benefit from a total waiver of interests and penalties for any income understated for any years of assessment, except for the year of assessment 2025/2026 and subsequent years of assessment. The benefit also applies to any taxable supplies understated for any taxable periods, except for any taxable periods subsequent to 30 April 2025.

We assume that this section will not be applied in a restrictive manner by the MRA so that it will also cover other instances: for example, an expense may have been overstated for income tax purposes or a mistake may have been occurred on the input tax apportionment ratio for VAT purposes.

Such a disclosure may trigger an in-depth audit and any person who wish to take advantage of this section should ensure that it has undertaken a thorough verification of the accuracy and completeness of its return under the various revenue laws.

To benefit from the waiver, the tax or VAT should be paid by the end of March 2026. Where the tax is paid after 31 March 2026, monthly interest at the rate of 0.25% of any income tax unpaid will apply. The monthly rate of interest is 1% and is limited to 100% for any VAT not paid by 31 March 2026.

7. Waiver of total interests and penalties

Section 35 (c) of the FA 2025

Affected persons	Persons who have been issued with an assessment after 5 June 2025
Relevant year of assessment	2024/2025 and any prior years of assessment
Relevant taxable period	Taxable supplies ended on 30 April 2025
Section reference in MRAA	New subsection 25(b) in section 28
Effective date	8 August 2025

This measure applies where any assessment is pending are at the stages of the Objection, Appeals, & Dispute Resolutions Department ("OADRD") of the MRA, the ARC, the Supreme Court ("SC") or the Judicial Committee of the Privy Council ("JCPC") and the person does not fall within the scope of the excluded persons within the meaning of section 28(25)(f) of the MRAA. For example, a person who is the subject matter of an enquiry relating to a corruption offence under the Prevention of Corruption Act.

This measure enables the person to benefit from a full waiver of the interests and penalties if the case is still pending as at 31 March 2026 and the tax is paid by 31 March 2026. Where the tax is paid after 31 March 2026, the interest will apply at the rate of 0.25% per month, where it pertains to income tax. The rate of interest is 1% per month. The maximum interest is limited to 100% of the pure tax.

A person will consider withdrawing his case after careful consideration of the basis of any assessment and/or determination.

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8. Tax dispute settlement scheme

Section 35 (c) of the FA 2025	
Affected person	Persons whose assessments are pending as at 5 June 2025
Paragraph reference in BS	Paragraph 24 (a)(i) of the Annex to the BS
Section reference in MRAA	New subsection 24 in section 28
Effective date	8 August 2025

This measure applies where any assessment is pending are at the stages of the OADRD of the MRA, the ARC, the SC or the JCPC and the person does not fall within the scope of the excluded persons within the meaning of section 28(24)(b) of the MRAA. For example, a person who is the subject matter of an enquiry relating to an offence under the Financial Crimes Commission Act.

This measure enables the person to benefit from a full waiver of the interests and penalties if (a) the application is made electronically on or before the end of the year 2025; (b) the case is withdrawn before the application is made; and (c) the tax is paid on or before 31 March 2026.

A person will consider withdrawing his case after careful consideration of the basis of any assessment and/or determination. The law specifically provides that no refund will be made for the purposes of this section so that if the assessment has already been fully paid, it is strongly unlikely that the aggrieved person will even consider this alternative.

Where the tax is paid after 31 March 2026, monthly interest at the rate of 0.25% of any income tax unpaid will apply. The monthly rate of interest is 1% and is limited to 100% for any VAT not paid by 31 March 2026.

9. Tax arrears settlement scheme

Section 35 (c) of the FA 2025	
Affected person	Persons with outstanding tax as at 30 June 2025
Paragraph reference in BS	Paragraph 24 (a)(iii) of the Annex to the BS
Section reference in MRAA	New subsection 26(a) in section 28
Effective date	8 August 2025

This measure applies to any tax arears under the ITA, Gambling Regulatory Authority Act or VATA as at 30 June 2025. The tax should be paid by the end of March 2026 and the application to benefit from the waive should be made by the end of November 2025. Any interests and penalties will be fully waived under this measure.

A person cannot benefit from this measure if he is within the scope of the excluded persons within the meaning of section 28(26)(c) of the MRAA. For example, a person who is the subject matter of an enquiry relating to an offence under the Financial Crimes Commission Act.

10. Contribution arrears settlement scheme

Section 35 (c) of the FA 2025	
Affected person	Persons with outstanding contributions under the Social Contribution and Social Benefit Act 2021 as at 30 June 2025
Section reference in MRAA	New subsection 26 (b) in section 28
Effective date	8 August 2025

This measure applies to any contribution arrears under the Social Contribution and Social Benefits Act as at 30 June 2025. The outstanding contribution should be paid by the end of March 2026 and the application to benefit from the waiver should be made by the end of November 2025. Any interests and penalties will be fully waived under this measure.

A person cannot benefit from this measure if he is within the scope of the excluded persons within the meaning of section 28(26)(c) of the MRAA. For example, a person who is the subject matter of an enquiry relating to an offence under the Financial Crimes Commission Act.

11. Time limit to issue VAT assessments

Section 61 (l)(ii) of the FA 2025	
Affected person	Taxable persons
Section reference in VATA	37 (3)
Effective date	8 August 2025

The time limit for the MRA to raise assessment is being reduced from 4 years to 2 years and is based on the last day the VAT return for the relevant taxable period is submitted. The time limit does not apply in cases of fraud, wilful neglect and where tax return has not been submitted.

Whilst there are arguments to support the view that this change favours taxable persons, we have already seen an increase in the audit activity of the MRA. With this change, an increased number of businesses will be under scrutiny by the MRA.

12. Best of judgment standard for VAT assessments

Section 61 (l) (i) of the FA 2025	
Affected person	Taxable persons
Section reference in VATA	37 (1)
Effective date	8 August 2025

This is a change that secures the interest of the affected taxable persons. Depending on the nature of any assessment, the application of the best of judgment standard may at times give rise to cases where the taxable person may well agree to the assessment issued by the MRA. For example, the MRA may propose to treat 1% of an allowable input tax as non-deductible on the basis that the registered name of the person omitted the word “Ltd” and the person is able to demonstrate that the input tax satisfies the other requirements of section 1 and 21 of VATA.

13. Maximum interest and penalties: limited to 100% of the amount of VAT due

Section 61 (i) of the FA 2025	
Affected persons	VAT registered persons
Paragraph reference in BS	Paragraph 24 (a)(v) of the Annex to the BS
Effective date	8 August 2025
Section reference in VATA	New section 27AB

Similar to the amendments brought to the ITA, the restriction regarding the interest and penalties imposed under the VATA is a measure that is also welcomed for the reasons set out above.

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E. LAND (DUTIES AND TAXES ACT) AND REGISTRATION DUTY ACT

1. Rate of land transfer tax on transfer of immovable properties to foreign nationals

Section 29 (b) of the FA 2025	
Affected persons	Non-citizens acquiring residential property and promoters selling residential units to non-citizens
Effective date	1 July 2026
Paragraph reference in BS	Paragraph 23 (b) (ii) of the Annex to the BS
Section reference in LDTA	2 and 4

As from 1 July 2026, the transfer of any residential properties to a non-citizen under any of the EDB Property Scheme, namely the Invest Hotel Scheme Regulations 2015, Property Development Scheme Regulations 2015, Real Estate Development Scheme Regulations 2022, Smart City Scheme Regulations 2015, or an authorised transfer under section 3(3)(v) of the Non-Citizens (Property Restrictions) Act is subject to land transfer tax at the rate of 10% instead of 5%.

The land transfer tax is payable by the transferor and this measure will only yield an additional land transfer tax if the volume of the transactions and the value of the land stays the same. The land transfer tax is a deductible expense in the determination of the taxable profit of a seller who is engaged in property development.

2. Acquisition of residential property by non-citizens under the EDB Property Schemes

Section 49 (c)(i) of the FA 2025	
Affected persons	Non-citizens acquiring residential property
Paragraph reference in BS	Paragraph 23 (b) (ii) of the Annex to the BS
Effective date	1 July 2026
Section reference in RDA	2, 3, 14A, and First Schedule

The purchase of residential property, by a non-citizen of Mauritius under (a) an EDB Property Scheme or an authorised transfer under section 3(3)(c) of the Non-Citizen (Property Restriction) Act will be subject to a registration duty at the rate of 10%.

The 10% rate will also apply on the transfer or acquisition of a property which was first acquired under the EDB Property Scheme or section 3(3) (c) of the Non-Citizen (Property Restriction) Act.

Taking into consideration the Land Transfer Tax (“LTT”) of 10% payable on the transfer of such properties by the transferor, the total transaction cost is computed at 20% of the value of the property transferred.

The EDB Property Scheme refers to the Smart City Scheme, Property Development Scheme, Real Estate Scheme, and Invest Hotel Scheme. Notably, the Integrated Resort Scheme has been excluded from this measure, despite being referenced in the Annex to the BS.

Section 14A of the RDA which provided for a Registration Duty of 10% on the sale residential properties exceeding USD 500,000 to non-resident has been repealed.

This measure seeks to tax the sale of immoveable properties, including those authorised under the Non-Citizen (Property Restriction) Act to non-citizens of Mauritius.

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3. Sale of immovable properties in conjunction with moveable properties

Section 29 (b)(10) of the FA 2025	
Affected persons	Persons selling immoveable properties together with moveable properties.
Effective date	8 August 2025
Paragraph reference in BS	Paragraph 24 (e) (vii) of the Annex to the BS
Section reference in LDTA	4

The transfer of ownership or usufruct of immoveable property together with moveable property is subject to a LTT at the rate of 5% of the aggregate value of the immoveable and moveable property where a valuation of each item of the moveable property has not been made. In such cases we consider that VAT should not be applied on the value of the movable properties.

4. Legitimacy of electronic documents, increase in duty and time limit to object

Section 49 of the FA 2025	
Triggering factor	Registration of documents
Paragraph reference in BS	Sections 24 (e)(ii), (iv) and (v), and 50 of the Annex to the BS
Effective date	8 August 2025
Section reference in RDA	2B, 3(2), 17(3), 36, First Schedule and Tenth Schedule

Registration of deeds and documents signed electronically

This measure provides that electronic deeds signed with a secure electronic signature are valid only if they include a declaration from the parties confirming the signature's compliance with the Electronic Transactions Act.

Revision of fixed duty, minimum duty and administrative fee

There is some minimal increase fixed duty, minimum duty and administrative fee payable for the registration of documents.

Time limit for objecting to a claim in relation to transfer of shares

The time limit has been aligned with the provision of the Land (Duties and Taxes) Act. This amendment clarifies that the time limit to lodge any objection starts as from the date of the notice instead of the date such notice is received.

5. Waiver of interests and penalties for tax due as at 31 May 2025

Section 29 (c) of the FA 2025	
Affected persons	Persons with outstanding duty and/or tax
Effective date	8 August 2025
Paragraph reference in BS	Paragraph 24 (e) (i) of the Annex to the BS
Section reference in LDTA	51

The penalties and interests relating to an assessment issued by the Registrar-General and due as on 31 May 2025 will be waived provided that the duty and taxes are paid by 31 May 2026. In the event that the case is pending objection before the Registrar-General, ARC, SC or the JCPC, the penalties and interests will be waived provided the taxpayer withdraws the objection or representations, as the case may be.

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F. TOURISM AUTHORITY ACT

Tourist fee

Section 58 (d) of FA 2025	
Affected persons	Manager of tourist accommodation
Paragraph reference in BS	Paragraph 29 of the Annex to the BS
Section reference in TAA	New PART IVA
Effective date	1 October 2025
Sectors	Tourism industry

The manager of a tourist accommodation will be liable to a fee of EUR 3 per night per tourist, other than for children under 12 years. Tourist accommodation is defined in the Tourism Authority Act ("TAA") as domaine, guesthouse, Hotel and tourist residence.

The ITA was also amended so that the fee is not a deductible expense. We do not understand the reason for treating the tourist fee as non-deductible since the charging section under the TAA provides that *"…manager shall collect the tourist fee"* so that this is a collection made on behalf of the Government of Mauritius and is not an expenditure of the tourist accommodation.

The tourist fee is also not a consideration for VAT purposes so that it is not relevant in the computation of the output tax.

The TAA also provides that the tourist fee should be remitted to the MRA in Euros. Again, the reason for the remittance in Euro is questionable since a tourist accommodation may invoice in a number of foreign currencies and may not have sufficient Euros at the time that it is required to remit the tourist fee to the MRA.

We recommend affected persons to keep appropriate records and reconciliation of the tourist fee and the monthly revenue taking into consideration cases of non-shows, overbooking and credit notes.

G. IMMIGRATION ACT

Scope of dependent child

Section 25 (a) of the FA 2025	
Affected persons	Foreign nationals
Paragraph reference in BS	Paragraph 3 (e) (iii) of the Annex to the BS
Effective date	To be proclaimed
Section reference in EDBA	Item 3 of Part I in the First Schedule

The definition of "dependent child'' will be narrowed to include only children up till the age of 24. Dependent children over 24 will need to apply his own permit. Children may struggle financially as they will no longer be considered as dependents, potentially impacting their ability to afford living expenses and satisfying the requirements to apply for a permit.

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H. ECONOMIC DEVELOPMENT BOARD ACT

1. Minimum basic salary for the purposes of the Occupation Permit

Section 13 (d) (4) of the FA 2025	
Affected persons	Foreign nationals
Paragraph reference in BS	Paragraph 3 (d) (ii) of the Annex to the BS
Effective date	8 August 2025
Section reference in EDBA	Item 4 of Part I in the First Schedule

The salary threshold for professionals to apply for an Occupation Permit ("OP") has been increased from a monthly basic salary Rs 22,500 to Rs 30,000.

2. Minimum basic salary of expert pass Occupation Permit

Section 13 (d) (4) of the FA 2025	
Affected persons	Foreign nationals
Paragraph reference in BS	Paragraph 3 (d) (ii) of the Annex to the BS
Paragraph in reference EN	Not mentioned
Effective date	8 August 2025
Section reference in EDBA	Item 4 of Part I in the First Schedule

The salary threshold for Expert Pass professional to apply for an OP has been increased from a basic salary Rs 50,000 to Rs 250,000. We presume that this measure is designed to facilitate the employment of highly qualified professionals.

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I. ECONOMIC DEVELOPMENT BOARD (SMART CITY SCHEME) REGULATIONS 2015

Section 63 (b) of the FA 2025	
Affected persons	Companies within the scope of the Smart City Schemes
Effective date	5 June 2025
Paragraph reference in BS	Paragraph 23 (a) (i) of the Annex to BS
Section reference	New paragraphs 5A and 22 A

The fiscal incentives depend on the date of issue the Smart City Scheme ("SCS) certificates and letter of comfort. Where the SCS certificate has been issued before 5 June 2025, there are no changes to the fiscal incentives.

SCS certificate issued on or after 5 June 2025

A smart city fee is payable by a smart city company and a smart city developer on the land area that is being parcelled out in accordance with Part II of the Second Schedule to the Morcellement Act. The fee ranges from Rs 5 to Rs 30 for every square metre or part thereof. The fee of Rs 30 per square metre applies for residential projects, where there are more than 7 lots to be parcelled: otherwise the fee is Rs 15 per square metre where there is a maximum of 7 lots to be parcelled. In the context of commercial or industrial projects, the fee is Rs 10 per square metre.

Letter of comfort issued on or after 5 June 2025

Corporate tax

Income from an activity on the development and sale, rental or management of immovable property is exempt from income tax for a maximum period of 8 years as from the date of the SCS certificate issued to a smart city company or smart city developer if the project relates to the construction of a public transport station/terminal. Any income from the supply of goods and services does not qualify or the exemption.

Project on the construction of a public transport station/terminal

Customs duty on furniture

No customs duty applies for any goods imported in such conditions to the satisfaction of the Economic Development Board with the concurrence of MRA Customs.

Customs duty on goods to be used in infrastructure works

No customs duty applies on any goods to be used in infrastructure works for the construction of a public transport/terminal.

Value Added Tax

VAT on buildings, capital goods and construction of public roads are refundable for a consecutive period of 8 years as from the date of the SCS Certificate. We assume that the related VAT will still qualify for a refund if the supply occurred within the time limit of 8 years, irrespective of the fact that in certain cases the VAT may have been paid after the 8 years' time limit. If the project is completed within this time period, the impact of this amendment is low in the context of the capital expenditure in question.

In the context of VAT on the construction of public roads or roads that will be made available to the general public, there is no time limit for the refund.

Appendix 1

EXAMPLES ON THE COMPUTATION OF THE QUALIFYING DOMESTIC TOP-UP-TAX THE COMPUTATIONS MAY HAVE TO BE REVIEWED ONCE THE RELEVANT REGULATIONS HAVE BEEN PRESCRIBED

Example 1
Dividend and profit from sale of a non-portfolio shareholding
Mauritian company holds a Global Business Licence under the Financial Services Act

Assumptions

(i) The dividend received is not from an investment entity that has elected to apply the Taxable Distribution Method under Article 7.6 of the GloBE Rules.
(ii) Payroll costs include salaries, wages, cash/non cash benefits, tax under the Pay As You Earn system and social contributions.
(iii) The company does not have any tangible assets.

Statement of profit and loss

	US$
Income	
Profit on disposal of investments from a non-portfolio shareholding	200,000
Foreign dividend from a non-portfolio shareholding	1,000,000
Interest income	800,000
	2,000,000
Expenses	
Common expenses	50,000
Non-deductible expenses	100,000
	150,000
Accounting profit	1,850,000

Income tax computation

	US$
Accounting profit	1,850,000
Exempt income	
Profit on disposal of investments from a non-portfolio shareholding	(200,000)
Exempt portion of foreign dividend: 80% of 1,000,000	(800,000)
Exempt portion of interest income: 80% of 800,000	(640,000)
	(1,640,000)
Non-deductible expenses	
Specific expense	100,000
Expense relating to exempt income (1640,000 /2,000,000 times 50,000)	41,000
	141,000
Taxable profit	351,000
Tax: 15% thereon	52,650
Corporate Climate Responsibility levy: 2% thereon	7,020
Tax expense	59,670

Summary of effective taxable income and allowable expenses

	US$
Profit on disposal of investments from a non-portfolio shareholding	200,000
Foreign dividend from a non-portfolio shareholding	1,000,000
Interest income	800,000
	2,000,000
Profit on disposal of investments from a non-portfolio shareholding	(200,000)
80% of foreign dividend income	(800,000)
80% of interest income	(640,000)
	(1,640,000)
	360,000
Interest income	160,000
Foreign dividend income from a non-portfolio shareholding	200,000
	360,000
Expenses [150,000 minus 141,000]	9,000
Taxable profit	351,000

Computation of GloBE Income

	US$
Accounting profit	1,850,000
Less:	
Excluded dividends	(1,000,000)
Profit on disposal of investments from a non-portfolio shareholding	(200,000)
	1,200,000
GloBE income	650,000

Computation of adjusted Covered Tax

	US$
Tax expense	59,670
Tax on excluded income:	
200,000/360,000 times 59,670	(33,150)
Adjusted Covered Tax	26,520

Computation of effective tax rate

Adjusted Covered Tax	26,520
GloBE Income	650,000
Effective tax rate	4.08%

Computation of Top-up Tax percentage

	%
Minimum tax rate	15.00
Effective tax rate	(4.08)
Top up tax percentage	10.92

Computation of Excess Profit

	US$
GloBE income	650,000
Substance-based income exclusion	
Payroll costs	30,000
5% thereon	1,500
Excess Profit	648,500

Computation of Top-up Tax

	US$
Excess Profit	648,500
Top-up Tax percentage	10.92%
Top-up Tax: 10.92% times US$ 648,500	70,816

Summary of total liability

	US$
Covered Taxes	59,670
QDMTT	70,816
	130,486

Proportion of total liability over accounting profit

	US$
Total liability	130,486
Accounting profit	1,850,000
Proportion	7.05%

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Example 2
Dividend and profit from sale of a portfolio shareholding
Mauritian company holds a Global Business Licence

Assumptions:

(i) The dividend is received from portfolio shares held for less than 12 months.
(ii) Payroll costs include salaries, wages, cash/non cash benefits, tax under the Pay As You Earn system and social contributions.
(iii) The company does not have any tangible assets.

Statement of profit and loss

	US$
Income	
Profit on disposal of investments from a portfolio shareholding	200,000
Foreign dividend from a portfolio shareholding	1,000,000
Interest income	800,000
	2,000,000
Expenses	
Deductible expenses	50,000
Non-tax deductible expenses	100,000
	150,000
Accounting profit	1,850,000

Income tax computation

	US$
Accounting profit	1,850,000
Exempt income	
Profit on disposal of investments from a portfolio shareholding	(200,000)
Exempt portion of foreign dividend: 80% of 1,000,000	(800,000)
Exempt portion of interest income: 80% of 800,000	(640,000)
	(1,640,000)
Non-deductible expenses	
Specific expense	100,000
Expense relating to exempt income (1,640,000/2,000,000 times 50,000)	41,000
	1,410,000
Taxable profit	351,000
Tax: 15% thereon	52,650
Corporate Climate Responsibility levy: 2%	7,020
Tax expense	59,670

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Computation of GloBE Income

	US$
Accounting profit	1,850,000
GloBE income	1,850,000

Computation of adjusted Covered Tax

	US$
Income tax	52,650
Corporate Climate Responsibility levy	7,020
	59,670
Adjusted Covered Tax	59,670

Computation of effective tax rate

Adjusted Covered Tax	59,670
GloBE Income	1,850,000
Effective tax rate	3.23%

Computation of Top-up Tax percentage

	%
Minimum tax rate	15.00
Effective tax rate	(3.23)
Top up tax percentage	11.77

Computation of Excess Profit

	US$
GloBE income	1,850,000
Substance-based income exclusion	
Payroll costs	30,000
5% thereon	1,500
Excess Profit	1,848,500

Computation of Top-up Tax

	US$
Excess Profit	1,848,500
Top-up Tax percentage	11.77%
Top-up Tax: 11.77% times US$ 1,848,500	217,568

Summary of total liability

	US$
Covered Taxes	59,670
QDMTT	217,568
	277,238

Proportion of total liability over accounting profit

	US$
Total liability	277,238
Accounting profit	1,850,000
Proportion	15%

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Example 3
Local and foreign dividend and profit from sale of a portfolio shareholding
Mauritian company holds a Global Business Licence

Assumptions:

(i) The investment, from which dividend have been received, has been held for a period of less than 1 year.
(ii) Payroll costs include salaries, wages, cash/non cash benefits, tax under the Pay As You Earn system and social contributions.
(iii) The company does not have any tangible assets.

Statement of profit and loss

	US$
Income	
Profit on disposal of investments from a portfolio shareholding	200,000
Foreign dividend from a portfolio shareholding	1,000,000
Local dividend from a portfolio shareholding	1,000,000
Interest income	800,000
	3,000,000
Expenses	
Deductible expenses	50,000
Non-tax deductible expenses	100,000
	150,000
Accounting profit	2,850,000

Income tax computation

	US$
Accounting profit	2,850,000
Exempt income	
Profit on disposal of investments from a portfolio shareholding	(200,000)
Exempt portion of foreign dividend: 80% of 1,000,000	(800,000)
Exempt portion of interest: 80% of 800,000	(640,000)
Local dividend from a portfolio shareholding	(1,000,000)
	(2,640,000)
Non-deductible expenses	
Specific expense	100,000
Expense relating to exempt income (2,640,000/3,000,000 times 50,000)	44,000
	144,000
Taxable profit	354,000
Tax: 15% thereon	53,100
Corporate Climate Responsibility levy: 2%	7,080
Tax expense	60,180

Computation of GloBE Income

	US$
Accounting profit	2,850,000
GloBE income	2,850,000

Computation of adjusted Covered Tax

	US$
Income tax	53,100
Corporate Climate Responsibility levy	7,080
	60,180
Adjusted Covered Tax	60,180

Computation of effective tax rate

Adjusted Covered Tax	60,180
GloBE Income	2,850,000
Effective tax rate	2.11%

Computation of Top-up Tax percentage

	%
Minimum tax rate	15.00
Effective tax rate	(2.11)
Top up tax percentage	12.89

Computation of Excess Profit

	US$
GloBE income	2,850,000
Substance-based income exclusion	
Payroll costs	30,000
5% thereon	1,500
Excess Profit	2,848,500

Computation of Top-up Tax

	US$
Excess Profit	2,848,500
Top-up Tax percentage	12.89%
Top-up Tax: 12.89% times US$ 2,848,500	367,172

Summary of total liability

	US$
Covered Taxes	60,180
QDMTT	367,172
	427,352

Proportion of total liability over accounting profit

	US$
Total liability	427,352
Accounting profit	2,850,000
Proportion	15%

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Example 4
Foreign dividend and profit from sale of a portfolio shareholding
Application of foreign tax credit on foreign dividend
Mauritian company holds a Global Business Licence

Assumptions:

(i) The investment, from which dividend have been received, has been held for less than one year.
(ii) Payroll costs include salaries, wages, cash/non-cash benefits, tax under the Pay As You Earn system and social contributions.
(iii) The company does not have any tangible assets.

Statement of profit and loss

	US$
Income	
Profit on disposal of investments from a portfolio shareholding	200,000
Foreign dividend from a portfolio shareholding	1,000,000
Local dividend from a portfolio shareholding	1,000,000
Interest income	800,000
	3,000,000
Expenses	
Deductible expenses	50,000
Non-tax deductible expenses	100,000
	150,000
Accounting profit	2,850,000

Income tax computation

	US$
Accounting profit	2,850,000
Exempt income	
Profit on disposal of investments from a portfolio shareholding	(200,000)
Local dividend from a portfolio shareholding	(1,000,000)
Exempt portion of interest income: 80% of 800,000	(640,000)
	(1,840,000)
Non-deductible expenses	
Specific expense	100,000
Expense relating to exempt income (1,840,000 /3,000,000 times 50,000)	30,667
	130,667
Taxable profit	1,140,667
Tax: 15% thereon	171,100
Corporate Climate Responsibility levy: 2%	22,813
Total tax	193,913
Foreign tax credit on foreign dividend	
Mauritian tax on foreign dividend income	
1,000,000/1,160,000 times 193,913	167,166
Withholding tax on foreign dividend income	100,000
FTC: lower of US$ 167,166 and US$ 100,000	(100,000)
Tax expense	93,913

Summary of effective taxable income and allowable expenses

	US$
Profit on disposal of investments from a portfolio shareholding	200,000
Foreign dividend from a portfolio shareholding	1,000,000
Interest income	800,000
Local dividend from a portfolio shareholding	1,000,000
	3,000,000
Profit on disposal of investments from a portfolio shareholding	(200,000)
Local dividend from a portfolio shareholding	(1,000,000)
80% interest income	(640,000)
	(1,840,000)
	1,160,000
Interest income	160,000
Foreign dividend income from a portfolio shareholding	1,000,000
	1,160,000
Expenses [150,000 minus 130,667]	19,333
Taxable profit	1,140,667

Computation of GloBE Income

	US$
Accounting profit	2,850,000
GloBE income	2,850,000

Computation of adjusted Covered Tax

	US$
Tax expense	93,913
Foreign tax credit	100,000
Adjusted Covered Tax	193,913

Computation of effective tax rate

Adjusted Covered Tax	193,913
GloBE Income	2,850,000
Effective tax rate	6.8%

Computation of Top-up Tax percentage

	%
Minimum tax rate	15.00
Effective tax rate	(6.80)
Top up tax percentage	8.20

Computation of Excess Profit

	US$
GloBE income	2,850,000
Substance-based income exclusion	
Payroll costs	30,000
5% thereon	1,500
Excess Profit	2,848,500

Computation of Top-up Tax

Excess Profit	2,848,500
Top-up Tax percentage	8.2%
Top-up Tax:8.2% times US$ 2,848,500	233,577

Summary of total liability

	US$
Covered Taxes	193,913
QDMTT	233,577
	427,490

Proportion of total liability over accounting profit

	US$
Total liability	427,490
Accounting profit	2,850,000
Proportion	15%

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Example 5
A company mainly engaged in the export of goods

Assumptions:

(i) Payroll costs include salaries, wages, cash/non cash benefits, tax under the Pay As You Earn system and social contributions.
(ii) The company does not have any tangible assets.
(iii) The company has not incurred any expenses for any infringement of the law
(iv) The Corporate Social Responsibility levy used for the purpose of this example is USD 5,000.

Statement of profit and loss

	US$
Income	
Turnover on export of goods	1,500,000
Other income	150,000
	1,650,000
Expenses	
Expenses other than payroll costs	1,050,000
Payroll costs	10,000
Non-allowable expenses	30,000
	1,090,000
Accounting profit	560,000

Income tax computation

	US$
Accounting profit	560,000
Non-allowable expenses	30,000
Taxable profit	590,000
Allocation of taxable profit	
Export of goods: 1,500,000/1,650,000*590,000	536,364
Other income: 150,000/1,650,000*590,000	53,636
	590,000
Tax: 3% times 536,364	16,090
Tax: 15% times 53,636	8,045
	24,135
Corporate Climate Responsibility levy: 2% times 590,000	11,800
Fair Share Contribution :2% times 536,364	10,727
Fair Share Contribution :5% times 53,636	2,681
	13,408
Corporate Social Responsibility charge	5,000
Total tax	54,343

Computation of GloBE Income

	US$
Accounting profit	560,000
GloBE income	560,000

Computation of adjusted Covered Tax

	US$
Income tax	24,135
Corporate Climate Responsibility levy	11,800
Fair Share Contribution	13,408
Corporate Social Responsibility charge	5,000
Adjusted Covered Tax	54,343

Computation of effective tax rate

Adjusted Covered Tax	54,343
GloBE Income	560,000
Effective tax rate	9.70%

Computation of Top-up Tax percentage

	%
Minimum tax rate	15.00
Effective tax rate	(9.70)
Top up tax percentage	5.30

Computation of Excess Profit

	US$
GloBE income	560,000
Substance-based income exclusion	
Payroll costs	10,000
5% thereon	500
Excess profit	559,500

Computation of Top-up Tax

Excess Profit	559,500
Top-up Tax percentage	5.3%
Top-up Tax: 5.3% times US$ 559,500	29,654

Summary of total liability

	US$
Covered Taxes	54,343
QDMTT	29,654
	83,997

Proportion of total liability over accounting profit

	US$
Total liability	83,997
Accounting profit	560,000
Proportion	15%

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Example 6
Dividend from non-portfolio shareholding
Mauritian company holds a Global Business Licence under the Financial Services Act

Assumptions

(i) The dividend received is not from an investment entity that has elected to apply the Taxable Distribution Method under Article 7.6 of the GloBE Rules.
(ii) Payroll costs include salaries, wages, cash/non cash benefits, tax under the Pay As You Earn system and social contributions.
(iii) The company does not have any tangible assets.

Statement of profit and loss

	US$
Income	
Local dividend from a non-portfolio shareholding	2,000,000
	2,000,000
Expenses	
Common expenses	50,000
Non-deductible expenses	100,000
	150,000
Accounting profit	1,850,000

Income tax computation

	US$
Accounting profit	1,850,000
Exempt income	
Local dividend from a non-portfolio shareholding	(2,000,000)
	(150,000)
Non-deductible expenses	
Specific expense	100,000
Expense relating to exempt income (2,000,000 /2,000,000 times 50,000)	50,000
	-
Taxable profit	-

Computation of GloBE Income

	US$
Accounting profit	1,850,000
Less:	
Excluded dividends	(2,000,000)
	(150,000)
GloBE Loss	(150,000)

Computation of adjusted Covered Tax

	US$
Tax expense	-
Adjusted Covered Tax	-

Computation of expected adjusted Covered Tax

Minimum rate	15%
GloBE Loss	(150,000)
Expected adjusted Covered Tax	(22,500)

Computation of additional QDMTT

Adjusted Covered Tax	-
Expected adjusted Covered Tax	(22,500)
Additional QDMTT	-

Appendix 2

Qualifying small business or service provider for the purposes of the tax credit on new equipment

1. Architect
2. Engineer
3. Estate Agent
4. Land surveyor
5. Marine surveyor
6. Motor surveyor
7. Optician
8. Project manager
9. Property Valuer
10. Interior decorator/Designer
11. Medical service provider
12. Health, wellness and personal care service provider, including a hairdresser and a barber

Appendix 3

Scenario 1
A bank with a chargeable income of less than Rs 1.5bn

	Segment A	**Segment B**	**Total**
		Rs	
Chargeable income	700,000,000	500,000,000	1,200,000,000
Tax at 5%	35,000,000	25,000,000	60,000,000
Tax at 15%	N/A	N/A	N/A
CSR charge	14,000,000	N/A	14,000,000
CCRL	14,000,000	10,000,000	24,000,000
Special levy*	25,000,000	N/A	25,000,000
Total before FSC [A]	88,000,000	35,000,000	123,000,000
FSC at 5%	35,000,000	25,000,000	60,000,000
Additional FSC at 2.5%	17,500,000	N/A	17,500,000
Total FSC [B]	52,500,000	25,000,000	77,500,000
Total tax	140,500,000	60,000,000	200,500,000
Overall rate before FSC	13%	7%	10%
Rate after FSC	20%	12%	17%
% of increase in tax [B/A]	60%	71%	63%

Scenario 2
A bank with a chargeable income of more than Rs 1.5bn

	Segment A	**Segment B**	**Total**
		Rs	
Chargeable income	3,000,000,000	5,000,000,000	8,000,000,000
Tax at 5%	28,125,000	46,875,000	75,000,000
Tax at 15%	365,625,000	609,375,000	975,000,000
CSR charge	60,000,000	N/A	60,000,000
CCRL	60,000,000	100,000,000	160,000,000
Special levy	400,000,000	N/A	400,000,000
Total before FSC [A]	913,750,000	756,250,000	1,670,000,000
FSC at 5%	150,000,000	250,000,000	400,000,000
Additional FSC at 2.5%	75,000,000	N/A	75,000,000
Total FSC [B]	225,000,000	250,000,000	475,000,000
	1,138,750,000	1,006,250,000	2,145,000,000
Reduction in FSC [C]	(88,750,000)	N/A	(88,750,000)
Total tax	1,050,000,000	1,006,250,000	2,056,250,000
Overall rate before FSC	30%	15%	21%
Rate after FSC	35%	20%	27%
% of increase in tax [(B+C)/A]	15%	33%	23%

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