Commentary on the Mauritian Budget 2018/2019
GMG Tax Advisory

Dear Client,
The 2018/2019 Mauritian Budget speech ("**the Budget speech**") was delivered on 14 June 2018 by the Minister of Finance and Economic Development for Mauritius, The Honorable Pravind Jugnauth.

The 2018/2019 budget speech referred to several proposed budgetary measures that may, once adopted into law, affect global businesses as we know it in Mauritius. The budget measures are subject to approval by the legislature. The first draft of the 2018 Finance Bill is expected to be issued during the month of July 2018. The Finance Bill becomes effective when ratified by Parliament and assented to by the President of the Republic of Mauritius. The Financial Services Commission ("FSC") and the Mauritian Revenue Authority ("MRA") have indicated that they will issue guidelines on the practical implications of these budgetary measures. We shall be issuing further communication on this matter as soon as possible after becoming aware.

The key considerations announced in the 2017/2018 Budget speech which we believe to be relevant to our clients in relation to global business in Mauritius, residency and financial services include:

1. Changes in the fiscal regime:

1.1. Category 2 Global Business license to be phased out:
Mauritius will continue to implement approved initiatives of the Organisation for Economic Co-operation and Development (OECD), specifically the OECD's action plan against Base Erosion and Profit Shifting ("**BEPS**") to ensure the jurisdictions compliance with international standards. In keeping with this, and to ensure adherence to these initiatives no new Category 2 Global Business license ("**GBC2**") will be issued as from 1 January 2019. Existing GBC2 Companies incorporated under the current regime prior to 16 October 2017 will be phased out by 30 June 2021.

1.2. New partial exemption:
a new partial exemption regime will be introduced whereby 80% of "specified income" will be exempted from income tax. This exemption will apply **to all companies**' resident in Mauritius, except banks and shall be based on the following income sources:-

- dividends and profits attributable to a foreign permanent establishment;
- interests and royalties, and
- income from provision of "specified financial services".

1.3. Deemed Foreign Tax Credit regime for Category 1 Global Business License ("**GBC1**"):
From 31 December 2018, the deemed Foreign Tax Credit ("**FTC**") regime for category 1 global business companies will be abolished. It is anticipated that Mauritius' existing domestic tax credit system aimed at mitigating double taxation will continue to apply if the partial exemption is not available.

For the time being we suggest adopting a wait and see approach. Without final legislation, it is unclear how "specified income" and "specified financial services" will ultimately be defined nor is it clear how the existing regimes will be phased out.

2. Mauritian citizenship for HNWIs:

The Economic Development Board ("**EDB**") proposed to launch two new schemes with the aim of attracting foreign direct investments by high net worth individuals ("**HNWIs**"), i.e.

- Mauritian Citizenship granted on the basis of a non-refundable contribution of US$ 1 million to a Mauritius Sovereign Fund with an additional contribution of US$100,000 per family member (e.g. spouse and children); and

- Mauritian passport granted based on a non-refundable contribution of US$ 500,000 to a Mauritius Sovereign Fund with an additional contribution of US$ 50,000 per family member.

These schemes have been heavily debated since the budget speech and the final format remains very unclear at this stage.

3. Financial Services sector and cryptocurrencies:
Two new licensable activities are to be created by the Financial Services Commission ("**FSC**") i.e.: -

- the Custodian of Digital Assets; and
- Digital Asset Marketplace

The new licensable activities will enable the exchange of digital assets and provide a regulated platform for the custody of digital assets by investors. The FSC will issue guidelines related to the investment in cryptocurrencies as a digital asset.

GMG was expecting some of these developments, especially considering the pressure on low-tax jurisdictions, like Mauritius, to remove their harmful tax practices. Whilst we wait for the legislation to shed some light, our suggestion is to retain the status quo for now.

GMG is confident that Mauritius remains a competitive and credible investment hub. The proposed changes are aligned with global tax and investment developments and should provide investors with peace of mind.

In the event of questions please contact your Relationship Manager.

GMG Trust Ltd