INTERCONTINENTAL TRUST NEWSLETTER

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Intercontinental Trust Ltd

OECD Peer Review Results 2019: A squeaky-clean report for Mauritius

The Organisation for Economic Cooperation and Development (OECD) released its Peer Review Results on Harmful Tax Practices in July 2019 following an assessment carried out by the Forum on Harmful Tax Practices (FHTP). This time around, the review not only covers preferential tax regimes, but also encompasses the outcome of the review of the substantial activities factor for no or only nominal tax jurisdictions.

Importantly, no malpractices were identified in the Mauritius legal and taxation frameworks. Mauritius is on a constant drive to tackle international tax avoidance through the implementation of the Base Erosion and Profit Shifting (BEPS) recommendations and other international best practices - for the objective of the island nation is to establish itself as a jurisdiction of substance for the region and to provide a robust and reliable gateway for the encouragement and facilitation of cross-border investments.

Following concerns raised by the OECD and other standard setting institutions, in 2018, Mauritius abolished its previous Global Business regime (Global Business Licence Category 1 companies and Global Business Licence Category 2 companies) and introduced the Partial Exemption Regime, which provides for an 80% tax exemption on certain streams of income of tax resident companies subject to them meeting the relevant substance requirements. (More information about the new Partial Exemption Regime is available upon request).

The following table summarises the findings of the FHTP on Mauritius:

FHTP Assessment criteria	Regime	Status	Comments
New regime results / IP Regimes	Innovation box	Not harmful (amended)	Substance requirements (nexus approach) in place. No grandfathering provided
IP regimes that are also reviewed as non-IP regimes	Global business license 1 /Global business license 2	Abolished	Grandfathering in accordance with FHTP timelines.
Headquarters regimes	Global business license 1 /Global business license 2 Global headquarters administration regime	Abolished Not harmful	Grandfathering in accordance with FHTP timelines. No harmful features
Financing and leasing regimes	Global treasury activities	Not harmful	No harmful features
Banking and insurance regimes	Captive insurance Banks holding a banking licence under the Banking Act 2004 ('Segment B banking') Banks holding a banking licence under the Banking Act 2004 Investment banking	Not harmful (amended) Abolished Not harmful Not harmful	Substance requirements (non-IP) in place. Grandfathering in accordance with FHTP timelines. Grandfathering in accordance with FHTP timelines. New regime, designed in compliance with FHTP standards. No harmful features
Distribution centre and service centre regimes	Freeport zone	Out of scope (amended)	Benefits for income from geographically mobile activities removed. Grandfathering in accordance with FHTP timelines
Shipping regimes	Shipping regime	Not harmful	No harmful features
Miscellaneous regimes	Partial exemption system	Not harmful	New regime, designed in compliance with FHTP standards

You may access the full report by clicking on the link below:

https://www.oecd.org/tax/beps/harmful-tax-practices-peer-review-results-on-preferential-regimes.pdf

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