

FSC ref: S/SCL3/2022/CIGA/L14A22CL1

Please quote our reference in your reply

17 January 2022

The Board of Directors  
Management Companies

Dear Sir/Madam,

**New Policy Stand on the application of the “core income generating activities” requirement, as provided under section 71(3)(a)(i) of the Financial Services Act (the “FSA”)**

1. The purpose of this letter is to explain the new policy stand of the Financial Services Commission (the “Commission”) regarding the application of the “core income generating activities” (the “CIGA”) requirement, as provided under section 71(3)(a)(i) of the FSA, to applicants and holders of a Global Business licence.
2. Section 71(3)(a) of the FSA provides that “*a holder of a Global Business Licence shall, at all times –*
  - (i) *carry out its core income generating activities in, or from, Mauritius, as required under the Income Tax Act;*
  - (ii) *be managed and controlled from Mauritius; and*
  - (iii) *be administered by a management company.*”
3. The obligation imposed by section 71(3)(a)(i) on holders of Global Business Licence to carry out their CIGA in, or from, Mauritius is subject to the requirements laid down in the Income Tax Act (“ITA”).
4. The ITA inter alia, requires entities benefiting from a preferential tax advantage to satisfy conditions relating to the substance of their activities as may be prescribed. The conditions prescribed in paragraph 23D(2) of the Income Tax Regulations 1996 pertaining to eligibility for exemption states that:

“..... *the company:*

- (i) *carries out its core income generating activities in Mauritius;*

- (ii) employs, directly or indirectly, an adequate number of suitably qualified persons to conduct its core income generating activities; and*
- (iii) incurs a minimum expenditure proportionate to its level of activities”*

5. The CIGA requirements under the ITA and Income Tax Regulations 1996 are therefore imposed on entities claiming a preferential tax advantage.
6. Accordingly, the Commission would require only holders of or applicants for a Global Business Licence that benefit or would like to benefit from a preferential tax advantage, to demonstrate that at all times their core income generating activities are or would be carried out in, or from, Mauritius.
7. This new policy stand shall be effective as from 01 January 2022.

*Signed by Mr Dhanesswurnath Thakoor, Chief Executive, on 17 January 2022*