BUDGETARY MEASURES 2018/19 AND THEIR IMPACT ON THE FINANCIAL SERVICES SECTOR

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BUDGETARY MEASURES 2018/19 AND THEIR IMPACT ON THE FINANCIAL SERVICES SECTOR

- Budget Speech – 2017 – Blueprint announced
- Budget speech – 2018 – paragraph 53 – Blueprint completed 10 years Road Map

Background to reforms – EU/EC Commission report on Good Governance in Tax Matters (2012) – OECD The 1998 Report on Harmful Tax Competition: An Emerging Global Issue (1998 Report)

- BEPs Report Action 5

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- EU/EC Commission Criteria
- What constitute Harmful Tax Practices ?
- Secrecy provision in tax and banking laws
- No exchange of information/lack of transparency
- Ring-fencing of Regimes

- Black lists? Can they become white?

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- **Forum for Harmful Tax Practice (OECD)**
  - Thematic Peer Reviews
  - 2017 Progress Report

  Mauritius undergone Peer Reviews in the following Sectors -

1. Global Treasury Activities – Not harmful
2. Captive Insurance – Not harmful
3. Investment Banking – Not harmful
4. Shipping regimes – Not harmful
5. Freeport Zone Regime – Not harmful
6. Global Business License 1 – In process of being amended.
7. Global Business Licence 2 – In process of being eliminated.

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- Major Announcements in 2018/19 Budget
  - Replacing the ‘Deemed Foreign Tax Credit’ by a system of partial exemption (on actual tax suffered).
  - Introducing a new harmonised fiscal regime. Integrating the ‘offshore’ onto the ‘onshore’.
  - Elimination of GBC2 – FSC will cease to issue Category 2 Global Business Companies licences as from 1 January 2019

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- **Reform of GBC 1**
  - Abolition of the Deemed Foreign Tax Credit (DFTC) regime. (See Clause 35(ac) of the Finance Bill) [Amends section 77 to add new section 77 (4)]
  - Introduction of Partial Exemption: regime (80%) on the following specified income:
    - Foreign source dividends
    - Profits attributable to a foreign PE
    - Interest
    - Royalties

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- PARTIAL EXEMPTION WILL APPLY TO BOTH GBCs AND DOMESTIC COMPANIES (Remove Ring-fencing)
- GBL 1 shall be renamed as GBL
- Regulatory requirements for new GBL – (Clause 29(q) of Finance Bill) Amends section 71 of the FSA
    - Majority of foreign ownership
    - Conduct of business principally outside Mauritius
    - Management Company as Secretary

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- Substance requirements (new) [Clause 29 (q) of the Finance Bill]
- Employ – either directly or indirectly a reasonable number of suitably qualified persons to carry out core activities.
- Have a minimum level of expenditure which is proportionate to its level of activities.
- See Harmful Tax Practices – 2017 Progress Report
  - On Preferential Regimes – Inclusive Framework on BEPs – Action 5 (Annex D – paragraph 8 core income generating activities presuppose having adequate number of full-time.
  - Employees with necessary qualification and incurring an adequate amount of operating expenditures to undertake such activities.

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- Clause 29 (aa) – New Section 96A
- GBCIs licensed on or before 16 October 2017 : Grand fathering provisions until 30 June 2021.
- GBC1 licensed after 16 October 2017 until 31 December 2018 – Still governed by former regime
- Post 31 December 2018 – new regime.

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- GBC2 Transitional Provisions
- FSC will cease to issue GBCI2 on 01 January 2019
- GBC2s licensed before 16 October 2017 –
  - Grandfathered until 30 June 2021 (see clause 29 (aa) – Section 96A(c) (i)
- GBC2s licensed after 16 October 2017 –
  - Will lapse on 31 December 2018
  - (New Section 96 A(2)(c)(i))

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- Authorised Companies
- Clause 29 (r) introducing new section 71(A)
- Majority of foreign ownership –section 71A(1)
- Conduct of business principally outside Mauritius
- Place of effective management outside Mauritius (POEM)
- Restrictions on activities of Authorised Company – Rules to be made by FSC

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- National Regulatory Sandbox licencing
- Custodian Services (Digital Assets)
- Digital Asset Marketplace

- ***THANK YOU***