

## **Mauritius Tax Reform – End of Global Business Company 2 (GBC 2)**

During the 2018/2019 budget presented by Mauritius, there will be considerable change to the Mauritius tax regime and Global Business.

GBC 2 companies which have till now enjoyed full income tax exemptions will be discontinued and no new licenses are being issued from January 2019. However companies that were issued before 16<sup>th</sup> October 2017 can enjoy tax exemption till June 2021.

Foreign tax credit regime for GBC 1 companies has been abolished from 31<sup>st</sup> December 2018. These companies will now move from foreign tax credit regime to a partial exemption effective from 1<sup>st</sup> January 2019.

The partial exemption will effect 80% of companies' income such as

- Foreign Source dividends and profits
- Interest and royalties
- Income from provision of specified financial services.

In order to benefit from this, all companies will have to meet pre-defined requirements except banks licensed by the Financial Services Commission (FSC).

Also, companies that are collaborating with the Mauritius Africa Fund can enjoy a 5 year tax holiday.

The stoppage of new GBC 2 companies will have significant effect for international tax planning and investment for many countries especially African countries since many investments are routed through Mauritius GBC 2 companies for tax planning purpose.

These companies will have to convert to GBC 1 company or redomicile to other favourable jurisdictions in order to continue to operate these companies and enjoy tax benefits.