09.07.2019

PQ B/564

PARLIAMENTARY QUESTION

The Honourable First Member for Port Louis South and Port Louis Central **(Mr Uteem)**

To ask the Honourable Prime Minister, Minister of Home Affairs, External Communications and National Development Unit, Minister of Finance and Economic Development –

Whether, in regard to the commitment taken with the Code of Conduct Group of the European Union to correct the identified deficiencies in the taxation regime by 31 December 2019, he will state the measures taken in relation thereto?

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REPLY

Madam Speaker,

As part of the Base Erosion and Profit Shifting (BEPS) project there has been a new round of efforts to further combat tax avoidance and harmful tax practices. These efforts are being led by the OECD, as mandated by the G20. As such, the OECD, through its Forum on Harmful Tax Practices, has been conducting the assessments of preferential tax régimes of more than 120 jurisdictions up to now, including Mauritius.

On the other hand, the EU, through its Code of Conduct Group on Business Taxation, has also embarked on a similar assessment exercise to fight tax avoidance and harmful tax practices, as part of its initiative to establish a common list of non-cooperative tax jurisdictions.

In that connection, nine of our tax régimes have been assessed by both the OECD Forum on Harmful Tax Practices and the EU Code of Conduct Group. Subsequent to the assessments, those regimes which were found to have potentially harmful features were reformed, with appropriate legislative amendments implemented through the Finance Act 2018. These reforms included the following:

(i) abolition of the Deemed Foreign Tax Credit regime and introduction of a new partial exemption system;

(ii) introduction of a separate tax regime for banks;

(iii) abolition of the Category 2 Global Business regime;

(iv) removal of the ring-fencing aspects identified in certain regimes; and

(v) clarification of the applicable rules on economic substance.

Following these reforms and further reviews, the OECD Forum on Harmful Tax Practices is now satisfied that Mauritius no longer has harmful features in its tax regimes.

On the other hand, the Code of Conduct Group of the EU, which has certain differences, in terms of scope of coverage of its assessments and criteria used in the exercise, holds the view that there were still some deficiencies in two of our tax regimes, namely the Freeport regime and the Partial Exemption System, which Mauritius ought to address.

Madam Speaker,

In line with our policy to be well-regulated and cooperative with international institutions like the OECD, and the EU, and given the reputational damage that a blacklisting could cause to our International Financial Centre, Government has, without hesitation, committed to address the deficiencies that have been identified by the EU in our regimes.

To that effect, the Technical Working Group that has been set up, under the chairmanship of the Deputy Solicitor General, has worked out the required legislative amendments to address the deficiencies, in consultation with relevant stakeholders. The proposed amendments have also been discussed and agreed with the EU. The next step in the process is for us to incorporate the amendments into our laws, which will be done through the 2019 Finance Bill.

Madam Speaker,

The changes that we are bringing to our tax regimes will not only address the deficiencies identified by the Code of Conduct Group of the EU, but will also consolidate our standing as a cooperative, well-regulated, transparent and compliant jurisdiction. Government will continue to work in close collaboration with the OECD and the EU to ensure that Mauritius remains a jurisdiction of substance and complies, at all times, with international standards and best practices.

PKJ