

Income Tax (Amendment) Regulations 2022

The Income Tax (Amendment) Regulations 2022 (“the Regulations”) were gazetted on 6 April 2022 and brought clarity on the below:

1. Substance conditions to be satisfied by a company operating an E-Commerce platform.
2. The definition of core income generating activity for an Investment Dealer.
3. Specialised software and systems which qualifies for double tax deduction.

Tax Holiday - E-Commerce platform

Description	Tax holiday	Effective date
Income derived from the operation of an E-Commerce platform	5 years	1 July 2020
Conditions: <ul style="list-style-type: none"> • Applicable to a company set up on or before 30 June 2025 and issued with an E-Commerce certificate by the Economic Development Board (“EDB”); and • The company should satisfy the prescribed substance requirements. 		

The Regulations clarified that the substance conditions comprise of the following:

- The core income generating activities (“CIGA”) of the company should be carried in Mauritius;
- The company should employ, directly or indirectly, an adequate number of suitably qualified persons to conduct its CIGA; and
- The company should incur a minimum expenditure proportionate to its level of activities.

What constitutes CIGA for a company operating an E-Commerce platform has not been prescribed. In our view, CIGA should normally comprise of the permitted activities within the scope of such an E-Commerce Scheme as certified by the EDB.

The thresholds for the employment condition and the minimum expenditure requirement have also not been prescribed under the Regulations. We note that the EDB has provided indicative guidance on these thresholds in the [E-Commerce Scheme Guideline](#).

We wish to highlight that the 5 years tax holiday applies as from the income year in which the activities of the E-Commerce platform started.

80% Tax Exemption – Investment Dealer

80% partial income tax exemption is available on income derived by a holder of an Investment Dealer licence, provided substance conditions (i.e. CIGA being carried out in Mauritius, employing an adequate number of people, and incurring a minimum level of expenditure) are satisfied.



The Regulations clarified that CIGA for an Investment Dealer is:

Acting as an intermediary in the execution of securities transactions on behalf of other persons; trading in securities as principal for own account with the intention of reselling these securities to the public; underwriting or distributing securities on behalf of an issuer or a holder of securities

Double Deduction - Expenditure incurred on specialised software and systems

Description	Tax deduction	Effective date
Expenditure incurred on specialised software and systems	200%	1 July 2021

The Regulations brought clarity on the nature of “specialised software and systems” which will fall within the scope of the 200% tax deduction and this is as follows:

- A. The specialised software and systems shall:
 - a. be acquired on or after 1 July 2021;
 - b. be used in a business for income producing activities; and
 - c. have a lifetime exceeding one year.

- B. Software comprises –
 - a. non-customised software available to the general public under a non-exclusive licence;
 - b. software acquired from a third-party contractor who is at economic risk should the software not perform;
 - c. software that is leased; or
 - d. such other type of software as the Minister may approve.

- C. Specialised software shall include software used in relation to –

Additive manufacturing	Cybersecurity
Optimisation of manufacturing processes, including production planning and execution	Big data and analytics, including efficient data sharing
Robotics	Cloud technology
Artificial intelligence	Digitisation outreach to customers
Simulation	Enable Work from Home
Augmented and virtual reality	Improve energy efficiency
Horizontal and vertical system integration	Engineering tools
Industrial Internet of things (IIoT)	Product life cycle management

The eligible deduction shall be in respect of the cost of –

- a. purchase or lease of the software;
- b. installation of the software on the taxpayer’s computer hardware; and
- c. configuration of the software to the taxpayer’s needs.



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The above deduction applies in respect of expenditure exceeding Rs 100,000 and the deduction shall not exceed Rs 100 million in an income year.

However, expenses incurred on the below are not eligible for the double deduction:

Hardware	Basic Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) software
An operating system software	Websites
Software performing general and administrative functions such as payroll, bookkeeping, personnel management, spreadsheet, word processing, presentation tools or in providing non-computer services such as accounting, banking services and auditing	Mobile applications
Programming software	Gaming software, including computer games
Database software	Point of sale system

How we can help?

Should you wish to explore the 5 years tax holiday for E-Commerce platform or the 80% tax exemption for Investment Dealer, we would be happy to assist you.

Should you have any query, please liaise with your usual contact person at Andersen in Mauritius or write to us on info@mu.Andersen.com

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