

NEWSBITE

New policy stand of the **Financial Services Commission** on the application of core income generating activities ("**CIGA**") requirement

It is welcoming to note the Financial Service Commission ("FSC") issued a communique in January 2022 to clarify its new policy stand with regard to the application of CIGA on applicants and holders of a global business licence. The FSC emphasized that CIGA is a requirement of tax laws and is imposed on entities claiming a preferential tax advantage. Accordingly, it will expect entities willing to take benefit of preferential tax advantage to demonstrate that their CIGA are being carried out in Mauritius.

As presently set out in the relevant provision of the Financial Services Act 2007 ("FSA"), CIGA is a pre-condition for obtaining the global business licence and the law does not specifically dispense entities not entitled to or not seeking to benefit from a tax advantage from such requirement. Though the definitions of CIGA are provided in relation to specific licences or businesses in the tax laws and are connected to tax advantage, it remained, until recently, rather nuanced as to whether the requirement could have been applied strictly to such licences or businesses.

Since its introduction in 2018, the definition or requirements of CIGA have been evolving and now look to set its course on a more rationalized principle and logical application. The regulator's new policy stand is simply evident of this and therefore, a global business company which does not enjoy the tax benefit under the Partial Exemption Regime will not be required to comply with CIGA. The communique is indeed relieving and paves the way for more certainty.

Note: Section 71(3)(a) of the FSA is reproduced below for quick reference:



"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."*