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Mauritius Global Business Update 31

OECD COMMON REPORTING STANDARDS (CRS)

Closely following on the heels of the US FATCA, the new CRS for automatic exchange of tax information in a multilateral context is about to become effective. CRS is the G20's clone of FATCA which is now about to impact the world like never before. Around 96 countries have already committed to implement CRS including Mauritius, India, South Africa, UK, Singapore, BVI, Caymans Island, UAE, Hong Kong etc. The automatic exchange of information under the CRS involves the systematic and periodic transmission of "bulk" taxpayer information by the source country to the tax residence country (i.e. NOT based on citizenship) concerning various categories of income (e.g. account balance or value, dividends, interest, royalties, salaries, pensions, etc.).

The Competent Authority for CRS matters in Mauritius is the Mauritius Revenue Authority (MRA) and it has just issued Guidance Notes aimed at providing practical assistance to Financial Institutions, businesses, their advisers and officials dealing with the implementation of the CRS.

Mauritius has committed to exchange information automatically under CRS as from September 2017. However, following strong representations made by the Association of Trusts and Management Companies (ATMC) which substantially represent the industry, the Mauritius government has initiated procedures to postpone this deadline to September 2018. GWMS is the current Chair of the ATMC and we will keep you informed of developments in this respect.

GWMS now brings you a brief summary of the operation of the CRS. Further detailed guidance will follow in due course.

1. Introduction

- 1.1. In line with the other signatory countries to the CRS, Mauritius signed the Convention on Mutual Administrative Assistance in Tax Matters (the Convention) developed by the OECD which entered into force as from 1 December 2015. Under the Convention, information can be exchanged on request, spontaneously or automatically. Thus, Mauritius will be able to exchange information automatically on a reciprocal basis with all those jurisdictions that have signed the Convention.
- 1.2. Under the Convention, information obtained and exchanged between competent authorities of the CRS signatory jurisdictions is treated as secret and protected in the same manner as information obtained under the domestic law of such countries. It also imposes limitations on the use and disclosure of the information.
- 1.3. Under CRS, Mauritius Financial Institutions will have to report annually to the MRA on the financial accounts held by non-residents for eventual exchange with relevant treaty partners. The first reporting period ends on 31 December 2016 and will have to be made to the MRA by 31 July 2017 for eventual exchange with the relevant treaty partners by 30 September 2017.
- 1.4. Pre-existing reportable accounts are those that are open on 31 December 2015 and new accounts would be those opened from 1 January 2016.



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- 1.5. The CRS allows for exclusions from reporting, subject to certain conditions. These include retirement & pension accounts, estate accounts of a deceased person, escrow accounts and dormant accounts with less than an amount equivalent to US \$1,000.
 - 1.6. Four categories of Financial Institutions (FIs) are covered under CRS. Where an entity does not meet the definition of an FI in any of the categories, then it will be classified as Non-Financial Entity (NFE).
 - 1.6.1. The category of FI which is most relevant to our clients is the Investment Entity category.
 - 1.6.2. A Mauritius FI can be classified either as a Reporting Financial Institution or a Non-Reporting Financial Institution. A Reporting Financial Institution is required to collect and report relevant information to the MRA.
 - 1.6.3. An FI generally includes entities investing, reinvesting or trading in financial instruments, portfolio management or investing, administering or managing financial assets, as defined under CRS.
 - 1.6.4. A Financial Account is an account maintained by an FI. Reporting FIs are required to review the Financial Accounts they maintain to identify whether any of them need to be reported to the MRA.
 - 1.6.5. The term “Financial Account” includes Equity and Debt Interest in an Investment Entity.
 - 1.6.6. In the case of a trust, an equity interest is any interest held by a person who is treated as a settlor or beneficiary of all or any part of the trust, or any other natural person exercising ultimate effective control over the trust.
 - 1.6.7. A Reportable Person will be treated as being a beneficiary of a trust if such a person:
 - 1.6.7.1. has the right to receive a mandatory distribution from the trust. This distribution can be received either directly or indirectly, for example through a nominee; or
 - 1.6.7.2. receives a discretionary payment from the trust. Again this receipt can be either directly or indirectly from the trust. This is the most common with respect to discretionary trusts. Accordingly, no reporting about the discretionary beneficiary occurs until a distribution is made.
- 2. CRS reporting requirements (as per available options adopted by Mauritius)**
- 2.1. The reportable account balance is the balance or value as at the end of the calendar year. If the account was closed during such period, FIs should report closure of the account.
 - 2.2. Reportable FIs which do not maintain any Reportable Accounts during the calendar year do not have to file nil returns.



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About us

GWMS is an experienced Management Company incorporated in Mauritius and licensed by the Financial Services Commission to provide Global Business services to businesses worldwide. One of the core competencies and activity of GWMS is the provision of a full range of Fund Administration services to offshore funds set up in Mauritius or elsewhere.

The board of GWMS comprises mainly of Chartered Accountants of calibre and experience in diverse sectors encompassing accounting, audit, management, global business, international and local taxation among others. GWMS is able to handle back office work as well. Our staff comprises a mix of fully qualified accountants, near qualified accountants, law graduates and administrative clerks.

More information is available on www.globalwealth-ms.com

International network

GWMS is the sole member for Mauritius GMN International (www.gmni.com), an association of legally independent accounting firms. Formed in the 1970s, GMNI is a well-established association of quality professional accounting firms which provide accountancy, audit, tax advisory and business consultancy services to businesses worldwide – with the same care and skill you find locally. GWMS's clients can thus benefit from cutting edge international tax advice through our GMNI linkage along with having a global reach.



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