MAURITIUS

KEY FACTS
TAX SNAPSHOT – SOUTH AFRICA

THIS KEY FACTS SHEET PROVIDES A CONCISE OVERVIEW OF THE KEY TAX CONSIDERATIONS RELEVANT TO SOUTH AFRICA-MAURITIUS CROSS-BORDER STRUCTURING, WITH A FOCUS ON THE BENEFITS AVAILABLE UNDER THE DOUBLE TAX AVOIDANCE AGREEMENT (DTA) BETWEEN THE TWO JURISDICTIONS.

It highlights the treatment of withholding taxes, capital gains, residency definitions and key treaty protections. The sheet also outlines the principal features of the Mauritian corporate tax regime and the advantages of using Mauritius as a regional holding, investment and financing platform for investments into and out of Africa.

SOUTH AFRICA-MAURITIUS DTA AND MAURITIUS CORPORATE TAXATION

The South Africa-Mauritius DTA provides a well-established framework for investment and commercial activity between the two jurisdictions and assists in mitigating double taxation while providing certainty regarding taxing rights.

Reduced Withholding Tax Rates

Dividends

> 5% withholding tax where the beneficial owner is a company holding at least 10% of the capital of the dividend-paying company

> 10% withholding tax in all other cases

Interest

> Maximum withholding tax of 10% on interest payments

> Certain categories of interest may be exempt, including interest paid to governments, central banks, certain state-owned institutions and interest arising from listed debt instruments

Royalties

> Maximum withholding tax of 5% on royalty payments

Capital Gains Tax Benefits

The treaty contains a beneficial capital gains provision.

> Gains from the disposal of shares are generally taxable only in the country of residence of the seller.

> An exception applies where the shares derive more than 50% of their value directly or indirectly from immovable property situated in the other state, in which case the source country retains taxing rights.

SCENARIO	TAXED IN	COMMENTS
DISPOSAL OF ORDINARY SHARES (NOT PROPERTY RICH)	Seller's country of residence	Mauritius taxing rights generally apply
DISPOSAL OF PROPERTY-RICH SHARES	Country where property is situated	Source state may tax
DISPOSAL OF IMMOVABLE PROPERTY	Country where property is located	Source state taxation applies

This provision can be attractive for regional investment holding structures where underlying assets do not fall within the immovable property rule.

Business Profits Protection

Profits earned by a Mauritian enterprise are generally taxable only in Mauritius unless the enterprise carries on business through a Permanent Establishment (PE) in South Africa. The DTA provides clear PE thresholds and protections against unnecessary source taxation.

Key PE thresholds include:

> Construction projects exceeding 12 months

> Service activities exceeding 183 days within a 12-month period

> Professional services exceeding 183 days within a 12-month period

Mauritius as Platform for Investment in Africa

Mauritius remains one of Africa's leading international financial centres and offers:

> Extensive double tax treaty network

> Political and economic stability

> Common law/civil law hybrid legal framework

> Established fund and investment holding structures

> Strong banking sector and access to international capital

> OECD-compliant regulatory framework

Mauritius is also widely used as a platform for investments into and across Africa because of its treaty network and investor familiarity.

Mauritius' extensive African treaty network remains a key driver of its attractiveness as an investment platform. Many of Mauritius' DTAs with African jurisdictions provide reduced withholding tax rates and allocate taxing rights on capital gains exclusively to Mauritius, subject to the specific provisions of the relevant treaty. This can enhance tax efficiency and provide greater certainty for cross-border investment structures. Further information on Mauritius' treaty network is available on the Mauritius Revenue Authority website: https://www.mra.mu/taxes-duties/international-taxation/double-taxation-agreements.

OVERVIEW OF CORPORATE TAXATION IN MAURITIUS

Corporate Income Tax (CIT)

Standard Rate

> 15% Corporate Income Tax

Additional Taxes

> 2% Corporate Climate Responsibility Levy (applicable provided turnover exceeds MUR 50 million – approx. USD 1.1m – but offset against foreign tax credit now limited to certain instances)

> 2% Corporate Social Responsibility Levy (exemption available for Global Business Entities)

> 5% Fair Share Contribution (temporary application for three years and exemption available for Global Business Entities)

Partial Exemption Regime

Certain categories of income may benefit from an 80% (or 95%) partial exemption, resulting in an effective tax rate of approximately 3% (or 0.75%), subject to satisfaction of prescribed substance and eligibility requirements. Typical categories include:

> Foreign-source dividends

> Foreign-source interest income

> Income from certain collective investment and financial activities

> Aircraft and ship leasing activities

Specific qualification requirements should be reviewed on a case-by-case basis.

SCENARIO	TAXED IN
STANDARD CIT RATE	15%
EFFECTIVE RATE ON QUALIFYING EXEMPT INCOME	Approximately 3%
BASIS OF TAXATION	Worldwide income for tax residents
RESIDENCY TEST	Central management and control in Mauritius

No Capital Gains Tax

Mauritius does not generally impose capital gains tax on the disposal of shares and other capital assets.

TAX	RATE
CAPITAL GAINS TAX	Generally Nil

This remains one of the key attractions of Mauritius holding structures.

Dividend Treatment

Mauritius generally does not levy withholding tax on dividends paid by Mauritian companies.

PAYMENT	MAURITIUS WHT
DIVIDENDS	0%
INTEREST	Generally 0% for cross border transactions (subject to specific exceptions)
ROYALTIES	Generally 0% for cross border transactions

Foreign Tax Credit Relief

Mauritius provides foreign tax credit mechanisms to mitigate double taxation. The South Africa-Mauritius DTA specifically provides for credit relief in both jurisdictions.

International Trading/Export Activities

A company engaged in qualifying international trading/export activities may benefit from a preferential corporate income tax rate of 3% under the Mauritius tax regime. The incentive applies to export of goods, including international trading transactions undertaken in the company's own name where goods are shipped directly from the exporting country to the customer without being physically landed in Mauritius.

Exchange of Information and International Compliance

The treaty contains robust:

> Exchange of information provisions

> Mutual agreement procedures

> Assistance in collection provisions

The South Africa-Mauritius DTA has been modified by the OECD Multilateral Instrument (MLI), an international treaty designed to combat treaty abuse and aggressive tax planning. A key feature of the MLI is the Principal Purpose Test (PPT), under which treaty benefits may be denied where obtaining such benefits was one of the principal purposes of an arrangement. Accordingly, structures seeking to rely on treaty benefits should be supported by appropriate commercial rationale, economic substance and beneficial ownership. The PPT is 'a substance-over-form test' intended to prevent treaty shopping arrangements.

Key Advantages of a Mauritius Holding Structure for South African Groups

> Reduced treaty withholding tax on dividends (5%-10%)
> Reduced royalty withholding tax (5%)
> Reduced interest withholding tax (10%)
> Potentially favourable capital gains treatment on exits from non-property-rich investments
> No Mauritius capital gains tax
> Potential effective tax rate of approximately 3% on qualifying foreign-source income
> Extensive African treaty network
> Established investment fund and holding company ecosystem
> Robust legal and regulatory environment
> Availability of foreign tax credit relief

CONCLUSION

The South Africa-Mauritius DTA and the Mauritius International Financial Centre provide an attractive platform for regional investment, investment holding structures, financing and fund structures. The combination of treaty-based withholding tax reductions, favourable capital gains treatment, no Mauritius capital gains tax, access to foreign-source income exemptions and Mauritius' extensive African treaty network makes Mauritius a leading jurisdiction for African investment structuring.

HOW WE CAN ASSIST

For more information, please contact your usual Trident Trust representative or our office at mauritius@tridenttrust.com.