



Tax Alert

Delivering Clarity

Mauritius Revenue Authority issues Statement of Practice on Place of Effective Management (POEM)

In this issue:

[Background](#)
[Guidance](#)
[Contacts](#)

Background

The concept of Place of Effective Management (POEM) was recently incorporated in our tax legislation through the new Section 73A of Income Tax Act 1995 (ITA 1995), introduced by the Finance Act 2018.

The Mauritius Revenue Authority has issued a Statement of Practice (SOP) on 28 November 2018, providing guidance on factors to be considered for assessing POEM.



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Guidance

Though the SOP mentions that all relevant facts and circumstances must be assessed when determining POEM, emphasis is laid on factors relating to business activities of the company as well as the use of information and communication technologies in the decision making process.

Generally, a company shall be deemed to have its POEM in Mauritius if:

- (a) the strategic decisions relating to the company's core income generating activities are taken in, or from, Mauritius; and
- (b) any one of the following conditions is met:
 - i. The majority of the Board of directors' meetings are held in Mauritius; or
 - ii. The executive management of the company is regularly exercised in Mauritius.

Our views

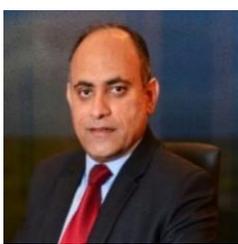
Notwithstanding having its central management and control in Mauritius, a locally incorporated company will also be required to have its POEM in Mauritius to be resident for tax purposes. If a company's POEM is situated outside Mauritius, it will be treated as a non-resident but will still be required to file a tax return in Mauritius. In addition, the tax implications of having POEM outside Mauritius need to be assessed.

The clarifications on POEM brought by the SOP require both Global Business and domestic license holders to reassess their tax residency status.

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