

# Transfer Pricing (TP) Compliance Developments in Mauritius - Finance Act 2025

## ➤ TP Framework and Compliance Developments in Mauritius

- 1** Section 75 of the Income Tax Act (1995) incorporates the arm's length test, requiring related-party transactions (RPT) to be conducted as if between independent parties.
- 2** The Supreme Court (2023 SCJ 73) affirmed that this principle mandates transactions to reflect fair market value.
- 3** Historically, there were no formal transfer pricing documentation requirements, rendering compliance largely theoretical.
- 4** Part VII of the Income Tax Act provides general anti-avoidance provisions.
- 5** Country-by-Country Reporting Regulations (2018) apply to MNE groups for fiscal years commencing on or after 1 July 2018.
- 6** The Finance Act 2021, confirmed the application of Section 75 to Global Business Companies (GBCs), extending the arm's length test to offshore and holding structures.
- 7** From 8 August 2025, companies with related-party dealings will be required to maintain mandatory transfer pricing documentation as may be prescribed bringing Mauritius in line with OECD BEPS standards.



## ➤ Mauritius TP Regulatory Framework (1995–2025)

1995



Income Tax Act introduced Section 75, applying the arm's length test to RPT.

2018



Adopted CbCR Regulations, aligned with OECD BEPS standards for MNEs with revenue  $\geq$  EUR 750 million.

2021



Finance Act clarified that Global Business Companies (GBCs) are fully subject to Section 75.

2025



Introduces mandatory TP documentation requirements, as may be prescribed u/s 75(2A).

## ➤ Mauritius's New Tax Chapter: The Finance Act 2025

### Key Tax Measures under the Finance Act 2025 (FA 2025)

#### Qualified Domestic Minimum Top-Up Tax (QDMTT)

- Mauritius has introduced a QDMTT, effective from the Assessment Year 2025/2026.
- Applies to large multinational groups with annual consolidated revenues exceeding **EUR 750 million**
- If the group's effective tax rate in Mauritius falls below 15%, the QDMTT brings the Mauritius entity up to 15%.

#### Fair Share Contribution (FSC)

Applicable from **1 July 2025** to **30 June 2028** and levied on:

- ✓ **Individuals** with income **above MUR 12 million**
- ✓ FSC applies if chargeable income is **above MUR 24 million**; if below, no FSC.

#### Alternative Minimum Tax (AMT)

- A **10% AMT** on **adjusted book profits** is introduced for certain sectors (hotels, real estate, insurance, telecommunications, financial intermediation etc.).
- Sectors with high deductions or losses will have to pay at least this minimum tax regardless.

#### VAT and Indirect Taxes / Digital Services

- VAT on digital / electronic services supplied by foreign suppliers to Mauritian recipients will apply from 1 January 2026.
- Foreign suppliers will need to register for VAT and submit returns even if they don't have a permanent establishment, etc.
- Lowering of compulsory VAT registration threshold from MUR 6 million to MUR 3 million for certain businesses.

## ➤ Mauritius's New Tax Chapter: The Finance Act 2025

### Key Tax Measures under the Finance Act 2025 (FA 2025)

#### Property Taxes, Land Transfer, Registration Duties

- Increase in rates from 5% to 10% for purchase or sale of residential properties under the Economic Development Board (EDB) schemes and other approved schemes for non-citizens or under approved schemes.

#### Transfer Pricing Documentation

- **Companies** that **enter** into **transactions** with **connected persons** must **prepare and maintain TP documentation** in such a manner as may be prescribed.
- The following have been defined:
  - **Connected persons:** Where one company controls the business or income earning activity of the other, in Mauritius or from Mauritius
  - **Transaction:** Any transaction or series of transactions, carried out directly or indirectly, between connected persons; and includes cross-border transaction

#### Tax Administration, Compliance & Penalties

- **Time limits** for **Income Tax assessments** reduced from **3 to 2 years**, with similar adjustments for VAT.
- **Tax Arrears Settlement Scheme (TASS)** extended, offering **full waiver** of **interest** and **penalties** if **arrears** are **paid** by the **specified deadline**.
- Relief under voluntary disclosure and tax dispute settlement schemes available for under-declared income or pending appeals, subject to conditions.



### Note:

With the **introduction** of formal **transfer pricing documentation requirements** under the Finance Act 2025, **taxpayers** should **prioritize** establishing **robust records** to **mitigate audit risks** and **align** with evolving Mauritius Revenue Authority (**MRA**) **scrutiny** focused on **transparency** and **accountability**.

## ➤ Evolution of TP Framework in Mauritius

- **Arm's Length Principle introduced** in domestic law.
- Applied to businesses under **non-resident** or **common control**.
- MRA empowered to adjust profits from **non-Arm's Length Price (ALP)** transactions.
- TP documentation not mandatory in this year.

1995

2018

- **CbC reporting** implemented.
- Threshold: Annual consolidated revenue  $\geq$  **EUR 750 million**.
- Effective on or after **1 July 2018**.
- Offence punishable by fine upto **MUR 5000** and/or **imprisonment upto 6 months**.

- Announced **clarifications** of **section 75** to remove uncertainties.
- **No major statutory changes**.

2019

2020

- Introduction of **Controlled Foreign Corporation (CFC)** rules.
- Allowed **taxation** of **foreign subsidiary income**.
- Amended tax laws to **incorporate exchange of information**.
- Introduced **ALP test** in **VAT act** for **related party supplies**.

- No significant change.
- **Focus on tax incentives** and other reforms.
- **Groundwork for TP Documentation** is pending.

2021

2022

- **Section 75 exempted** certain public interest entities **from ALP rule**.
- Exemption **applies** if **Companies Act** conditions are met.
- **Aim to reduce overlap** where governance ensures fair pricing.

- **Focus** remained on **Corporate taxation** and **pillar 2 minimum tax**.
- **TP documentation** plans deferred to **2025**

2023

2025

- **Sec 75(2A)** mandates **TP Documentation**.
- **Sec 75(4)** defines **connected persons** and **transaction**.
- Documentation **applies** from **08<sup>th</sup> August 2025**.
- Requirements **align** with **OECD TP standards**.

## ➤ Alignment with OECD BEPS Standards: OECD Requirements VS Mauritius

Mauritius evolving TP framework increasingly mirrors the OECD’s guidance under BEPS. The following table compares Mauritius’ requirements with OECD standards in key areas:

ASPECT	OECD BEPS Standard (OECD TP Guidelines & Action 13)	Mauritius TP Requirements
<b>Arm’s- Length Principle</b>	<p><b>Fundamental standard:</b> RPT must follow the ALP, mirroring independent dealings. OECD TP Guidelines (2017) outline methods, and tax authorities may adjust profits for deviations.</p>	<p><b>Adopted in law since 1995:</b> Section 75 of the ITA requires ALP for dealings between connected persons, allowing the MRA to adjust profits if undervalued. Mauritius follows OECD-aligned methods like comparables to test compliance.</p>
<b>Transfer Pricing Documentati on (Master File &amp; Local File)</b>	<p><b>BEPS Action 13 recommends a three-tier documentation:</b></p> <p><b>Master File</b> giving an overview of the MNE’s global business and TP policies,</p> <p><b>Local File</b> with detailed information on local entity’s intercompany transactions, and</p> <p><b>CbC Report:</b> MF/LF are applicable mainly to medium-to-large MNEs, subject to thresholds, and documentation must be contemporaneous and in line with Chapter V of OECD TP Guidelines.</p>	<p>Until 2025, Mauritius had no mandatory Master File or Local File requirements. However, the Finance Act 2025 introduces transfer pricing documentation aligned with OECD standards. While all cases under Section 75 are covered, the regulations may prescribe practical thresholds to primarily target larger entities.</p>

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Country-by-Country Reporting	<p><b>CbC Report (BEPS 13 minimum standard):</b> MNEs with consolidated revenue ≥ EUR 750M must file annual CbC reports on income, taxes, and activities, enabling tax authorities to assess profit shifting risks.</p>	<p><b>Mauritius implemented</b> CbCR from FYs starting 1 July 2018, applying to MNEs with revenue ≥ EUR 750M. The UPE or Surrogate in Mauritius must file with the MRA for exchange with other jurisdictions, with fines and imprisonment for non-compliance.</p>
Documentation Timing & Format	<p><b>OECD recommends contemporaneous</b> TP documentation, prepared by the tax return due date and updated annually or for major changes.</p>	<p><b>To be specified in regulations:</b> From 2025, Mauritius will mandate TP documentation, with exact format and timing to be set in future regulations. It is expected to follow OECD practice.</p>
TP Methods & OECD Guidelines	<p>The <b>OECD TP Guidelines</b> enumerate <b>accepted methods (CUP, Cost Plus, Resale Price, TNMM, Profit Split)</b> and emphasize choosing the “most appropriate method” for each case. OECD encourages tax administrations and taxpayers to follow these guidelines for consistency.</p>	<p><b>Mauritius does not have</b> its own <b>list of TP methods</b>. Instead, it <b>follows OECD Guidelines</b>. In practice, methods like Cost Plus and CUP are commonly used, and the <b>tax authorities and courts</b> rely on <b>OECD guidance</b> for example, recently preferring <b>CUP over TNMM</b> in a royalty case.</p>

## ➤ Impact of Recent TP Amendments and Regulatory Requirements

The introduction of formal TP requirements in Mauritius via the Finance Act 2025 represents a significant shift for companies operating in or through Mauritius. Below we analyze the key impacts of these amendments and the new compliance landscape:

### New Compliance Obligations:

Companies must now prepare formal TP documentation (functional analysis, benchmarking, pricing justifications). The ALP moves from theory to enforceable rule.

### Stricter Scrutiny:

The MRA gains stronger powers to review RPT, with more frequent and broader audits expected.

### Higher Risks:

Non-compliance can lead to profit adjustments, penalties (up to 50% of underpaid tax), interest, and potential double taxation. Recent court and ARC rulings show that TP disputes will be enforced.

### Global Alignment:

Adoption of LF or MF standards enhances Mauritius's credibility and integration with international tax norms.

### Compliance Burden:

Businesses face increased administrative costs and may need TP specialists; the MRA itself must also build expertise.

### Management:

Firms must demonstrate real economic activity in Mauritius, not just paper profits, aligning with OECD BEPS goals.

## ➤ Action Points for Businesses in Mauritius

All businesses with cross-border or related-party dealings should act now to strengthen their transfer pricing governance. Below is practical action points tailored to common entity types in Mauritius:

### **Global Business Companies (GBCs):**

- Review and document all RPT's (financing, royalties, services).
- Maintain TP policies, Local File, and obtain Master File if applicable.
- Ensure real economic substance (staff, expenses, functions performed).
- Consider advance rulings for complex transactions.
- Train finance staff and engage TP advisors for benchmarking.

### **Multinational Enterprises (MNEs):**

- Integrate Mauritius entities into group MF/LF compliance.
- Meet CbCR notification/filing obligations.
- Establish formal intercompany agreements that clearly reflect arm's-length terms and conditions.
- Align TP with Pillar Two (15% minimum tax) considerations.

### **Investment Funds & Fund Managers:**

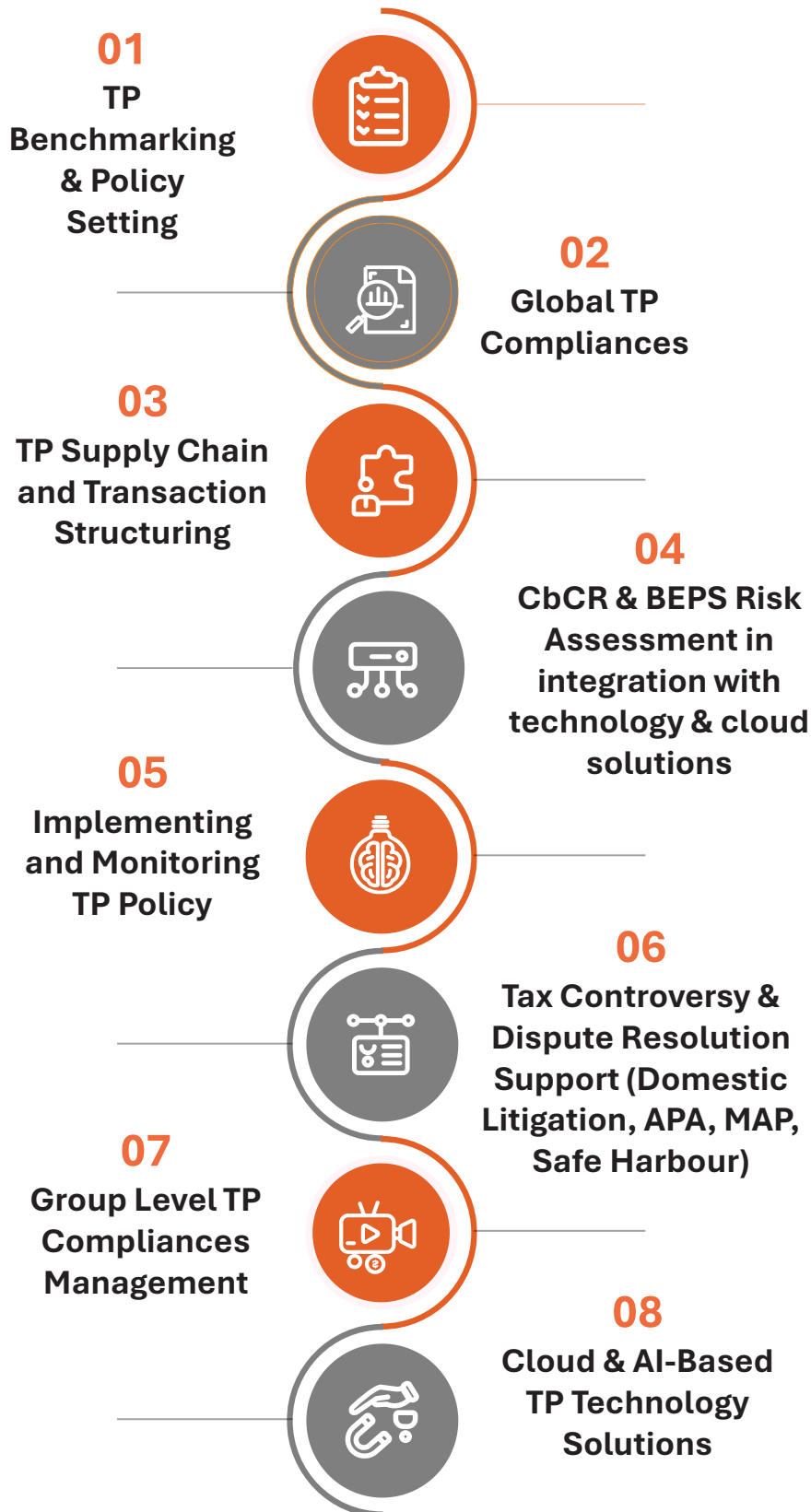
- Benchmark management and performance fees against market standards.
- Avoid interest-free intra-group loans; charge market rates or restructure as equity.
- Document valuations for intra-group transfers of assets.
- Ensure related-party charges align with FSC substance rules and exemption regimes.

### **Local Groups & SMEs:**

- Recognize Section 75 applies to domestic related-party dealings.
- Document inter-company charges and ensure they are reasonable and at ALP.

**NOTE:** The key action for all taxpayers is to identify RPT, formalize agreements, apply market-based pricing, and prepare supporting TP documentation. With Mauritius shifting from a light-touch to a rules-based regime, the transition period until late 2025 offers a window to get compliant.

## ➤ Global TP Capabilities



# SBC India – From Recognition to Leadership - Driving Global TP Transformation

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**Tax Disputes Advisory Firm of the Year 2025 - SBC INDIA**  
(Shortlist announced)

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and the Journey Continues

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**India, UAE & USA**

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of Firms & Resources

## → How can SBC assist you?

01

### **Comprehensive Documentation Support**

We prepare Local File, Master File, and intercompany agreements in line with OECD and jurisdiction-specific regulations.

02

### **Robust Benchmarking Analysis**

We deliver accurate and defensible economic analysis using global databases and multi-year data, tailored to industry and transaction type.

03

### **Audit Defense and Technical Support**

We assist in preparing responses to tax authorities, drafting audit-ready justifications, and supporting litigation or MAP proceedings.

04

### **Multijurisdictional TP File Harmonization**

We coordinate Local Files across jurisdictions, ensuring alignment with the global Master File while incorporating country-specific risk indicators and disclosure standards.

05

### **Dynamic Benchmarking Recalibration**

We revalidate economic analyses in real-time using updated financials and global databases (e.g., Orbis, RoyaltyRange), with scenario modelling for different audit stances (median/upper quartile)

06

### **Value Chain Analysis (VCA) & DEMPE Substantiation**

We prepare audit-defensible VCAs and DEMPE functional assessments for intangibles, IP ownership models, and centralized/global services allocations.

07

### **TP Controversy Management Toolkit**

We provide full-spectrum audit defense documentation including technical position papers, comparability adjustments, and reconciliation of management accounts to statutory filings.



# Local connect Global outlook

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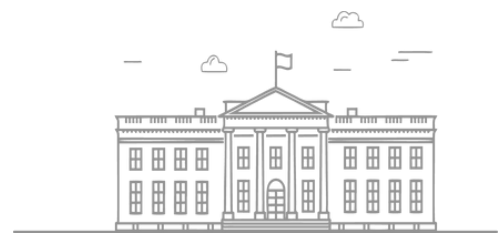
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