Domestic Minimum Top-up tax (DMT tax) Return

Guidance Notes

NOTES FOR COMPLETION OF QUALIFIED DOMESTIC MINIMUM TOP-UP TAX (QDMTT) RETURN

YEAR OF ASSESSMENT 2025-2026

These notes are intended to assist in the completion of the return. If further information is required please contact the Mauritius Revenue Authority (MRA), Ehram Court, Ground Floor, Cnr Mgr Gonin & Sir V.Naz Streets, Port Louis, Tel 207-6000. Website: http://www.mra.mu

1. Currency

Currency in which return is submitted

The currency in which the QDMTT return is submitted is the presentation currency used for the consolidated financial statements of the Ultimate Parent Entity.

Currency in which tax should be paid

Where a designated person submits the QDMTT return in either US dollar, Euros, GB Pounds sterling, Singapore dollars, South African rands, Swiss francs, the payment of tax should be made electronically in that currency.

Where a designated person submits the QDMTT return in a currency other than US dollar, Euros, GB Pounds sterling, Singapore dollars, South African rands, Swiss francs, the payment of tax should be made in Mauritian currency electronically using the exchange rate in force at the date on which the payment is made.

2. Covered person

A "covered person" means an entity which –

(a) is a member to whom QDMT tax applies;

(b) is located in Mauritius or is the ultimate parent entity of the multinational enterprise group and is incorporated in Mauritius;

(c) is a member of the same multinational enterprise group or is a person that is a joint venture of the member's ultimate parent entity or a joint venture subsidiary; and

(d) is not an excluded person.

3. Excluded persons

An "excluded person" means –

(a) a Governmental entity;

(b) an international organisation;

(c) a non-profit organisation;

(d) a pension fund;

(e) an investment fund that is an Ultimate Parent Entity;

(f) an insurance investment entity;

(g) a real estate investment vehicle that is an Ultimate Parent Entity;

(h) an entity;

(a) where at least 95% of the value of the entity is owned by one or more excluded entities and where that entity:

(i) operates exclusively or almost exclusively to hold assets or invest funds for the benefit of the excluded person or persons; or

(ii) only carries out activities that are ancillary to those carried out by the excluded person or persons; or

(b) at least 85% of the value of the entity is owned, directly or through a chain of excluded persons, by one or more excluded persons provided that substantially all of the entity's income is excluded dividends or excluded equity gain or loss that is excluded from the computation of GloBE income or GloBE loss.

4. Jurisdictional level elections

Elections under this paragraph are to be made by a designated person and shall apply to all covered persons in Mauritius forming part of the in scope multinational enterprise group.

(i) <u>Transitional CbCR Safe harbour</u>

This election is available for multinational enterprise group having year end on or after 01 January 2025 but not including year end after 30 June 2028.

During the transition period, the QDMT tax for a fiscal year shall be deemed to be zero where:

(a) the multinational enterprise group reports total revenue of less than EUR 10 million and profit or loss before income tax of less than EUR 1 million on its qualified CbC Report for the fiscal year; or
(b) the multinational enterprise group has a simplified effective tax rate that is equal to or greater than 16% for the fiscal year; or
(c) the multinational enterprise group's profit or loss before income tax is equal to or less than the substance-based income exclusion amount, for entities resident in that Mauritius under the CbCR.

Qualified CbC Report means a Country-by-Country Report prepared and filed using qualified financial statements.

Total revenue means an multinational enterprise group's total revenues in a jurisdiction as reported on its qualified CbC Report.

Profit (Loss) before Income Tax means an multinational enterprise group's profit or loss before income tax in a jurisdiction as reported on its qualified CbC Report.

Simplified Covered Taxes is a jurisdiction's income tax expense as reported on the multinational enterprise group's qualified financial statements, after eliminating any taxes that are not covered taxes and uncertain tax positions reported in the multinational enterprise group's qualified financial statements.

Simplified Effective Tax Rate is calculated by dividing the jurisdiction's simplified covered taxes by its profit or loss before income tax as reported on the multinational enterprise group's qualified CbC Report.

The Substance-Based Income Exclusion (SBIE) shall be computed in accordance with paragraph 8 of this guidance note and for the purposes of the Transitional CbCR safe harbour, the SBIE amount computed does not take into account the payroll and tangible assets of entities that are not constituent entities under the CbCR.

(ii) Deminimis Exclusion election

The QDMT tax of all covered persons to be deemed to be nil for that fiscal year where:

(a) the average GloBE revenue of the covered persons is less than EUR 10 million; and

(b) the average GloBE income or GloBE loss of the covered persons is either a loss or is less than EUR 1 million.

Average GloBE revenue or average GloBE income or GloBE loss shall be calculated as the average of the GloBE revenue or GloBE income or loss of the covered persons for the current fiscal year and the two preceding fiscal years;

GloBE revenue means the sum of the revenue of all covered persons located in Mauritius taking into account the adjustments referred to in regulations 4 to 7 of the QDMTT Regulations.

Where no GloBE revenue or GloBE income or loss is recorded for the covered persons in either of the two preceding fiscal years, such year or years shall be excluded from the calculation of the average GloBE revenue or average GloBE income or loss.

For the year of assessment 2025/2026, the average GloBE revenue and the GloBE income or GloBE loss shall be the GloBE revenue and GloBE income or GloBE loss reported in that year of assessment.

(iii) Aggregate asset gain election

Where there is aggregate asset gain in Mauritius in a fiscal year, the designated person may elect to adjust the GloBE income or GloBE loss with respect to each previous fiscal year in the look-back period. If an election is made, the effective tax rate and the QDMT tax, if any, for any previous fiscal year must be recalculated as per Regulation 11.

Aggregate asset gain means the net gain the election year from the disposition of local tangible assets by all covered persons located in Mauritius excluding the gain or loss on a transfer of assets between group entities.

Look-back period means the election year and the four prior fiscal years.

(iv) Election for immaterial decrease in covered taxes

A designated person may elect, in respect of each fiscal year, to treat a decrease in covered taxes as an adjustment to covered taxes in the fiscal year in which the adjustment is made, where such decrease is immaterial.

A decrease shall be considered immaterial where the aggregate amount of the decrease in adjusted covered taxes does not exceed EUR 1 million for the relevant fiscal year.

(v) Negative Tax Expense carry-forward election

A designated person may elect to apply the administrative procedure to the computation of aggregate adjusted covered taxes in the year in which the multinational enterprise group has excess negative tax expense and using the resulting adjusted covered taxes in the computation of the effective tax rate. When elected, the excess negative tax expense carry-forward must be utilised in all relevant subsequent computations of the effective tax rate.

The excess negative tax expense for a fiscal year in which the multinational enterprise realizes no GloBE income in Mauritius is equal to the amount computed under section 50T(3) of the Act for that Fiscal Year.

(vi) Realisation principle election

A designated person may elect to determine gains and losses using the realisation principle for the purposes of computing GloBE income or GloBE loss. This election is a five-year election and applies to all covered persons in Mauritius.

The election applies to all the assets and liabilities of those covered persons, unless the designated person chooses to limit the election to tangible assets of those covered persons, or to covered persons that are investment entities.

If the election is revoked, the GloBE income or GloBE loss of the covered persons is adjusted by the difference at the beginning of the revocation year between the fair value of the asset or liability and the carrying value of the asset or liability determined pursuant to the election.

(vi) **Intra-group transactions (Consolidated Accounting Treatment) election**

A designated person may elect to apply the consolidated accounting treatment of the ultimate parent entity to eliminate income, expense, gains and losses from transactions between covered persons that are located in Mauritius and are included in a tax consolidation group. This election is a five year election.

5. Aggregate financial accounting net income or loss

Aggregate financial accounting net income or loss refers to the aggregate net income or loss determined for all covered persons, prior to any consolidation adjustments in preparing the consolidated financial statements of the ultimate parent entity.

6. GloBE income or loss

The GloBE income or loss of a covered person is the financial accounting net income or loss determined for the covered person adjusted for the items described below:

(i) Net taxes expense

Net tax expense means the net amount of:

a) any covered taxes accrued as an expense and any current and deferred covered taxes included in the income tax expense, including covered taxes on income that is excluded from the GloBE income or loss;
b) any deferred tax asset attributable to a loss for the fiscal year;
c) any qualified domestic minimum top-up tax accrued as an expense; and
d) any taxes arising pursuant to the GloBE Rules accrued as an expense.

(ii) Equity gain or equity loss

Equity gain or equity loss means the gain, profit or loss included in the financial accounting net income or loss of the covered person arising from:

(a) gains and losses from changes in fair value of an ownership interest, except for a portfolio shareholding;
(b) profit or loss in respect of an ownership interest included under the equity method of accounting; and
(c) gains and losses from disposition of an ownership interest, except for a disposition of a portfolio shareholding.

Portfolio Shareholding means ownership interests in an entity that are held by the multinational enterprise group and that carry rights to less than 10% of the profits, capital, reserves, or voting rights of that entity at the date of the distribution or disposition.

(iii) Revaluation method gain or loss

Revaluation method gain or loss means the net gain or loss, increased or decreased by any associated covered taxes, for the fiscal year in respect of all property, plant and equipment that arises under an accounting method or practice that –

(a) periodically adjusts the carrying value of such property to its fair value;
(b) records the changes in value in other comprehensive income; and
(c) does not subsequently report the gains or losses recorded in other comprehensive income through profit and loss.

(iv) Gain or loss from disposition of assets and liabilities

Where a covered person–

(a) disposes of an asset or liability, the gain or loss arising from the disposal of the asset and liability shall be included in the computation of its GloBE income or GloBE loss;

(b) acquires any asset or liability, the GloBE income or loss of that member shall be computed on the basis of the carrying value of the acquired asset or liability, as determined in accordance with the accounting standard used in the preparation of the consolidated financial statements of the ultimate parent entity.

(v) Asymmetric foreign currency gains or losses

Adjustments in respect of asymmetric foreign currency gains or losses that arise due to differences between the covered persons' functional currency for accounting purposes and the one used for tax purposes must be made.

Asymmetric foreign currency gains or losses means foreign currency gains or losses of a covered person whose accounting and tax functional currencies are different and that are:

(a) included in the computation of a covered person's taxable income or loss and attributable to fluctuations in the exchange rate between its accounting functional currency and its tax functional currency;

(b) included in the computation of a covered person's financial accounting net income or loss and attributable to fluctuations in the exchange rate between its tax functional currency and its accounting functional currency;

(c) included in the computation of a covered person's financial accounting net income or loss and attributable to fluctuations in the exchange rate between a third foreign currency and its accounting functional currency; and

(d) attributable to fluctuations in the exchange rate between a third foreign currency and its tax functional currency, whether or not such foreign currency gain or loss is included in taxable income.

(vi) Policy disallowed expenses

Policy disallowed expenses means:

(a) expenses accrued by the covered person for illegal payments, including bribes and kickbacks; and

(b) expenses accrued by the covered person for fines and penalties that equal or exceed EUR 50 000.

(vii) Increase/Decrease to opening equity due to prior period errors and increase/decrease to opening equity due to changes in accounting principles

Prior period errors and changes in accounting principles means all changes in the opening equity at the beginning of the fiscal year of a covered person attributable to:

(a) a correction of an error in the determination of financial accounting net income in a previous fiscal year that affected the income or expenses includible in the computation of GloBE income or loss for such fiscal year, except to the extent such error correction resulted in a material decrease to a liability for covered taxes subject to section 50T of the Act; or

(b) a change in accounting principle or policy that affects income or expenses includible in the computation of GloBE income or loss.

(viii) Accrued pension expense

Pension liabilities are allowed as expenses in the computation of GloBE income or loss to the extent of contributions to a pension fund during the fiscal year. The adjustment to financial accounting net income or loss for this difference will be a positive amount (increasing income) if the amount accrued as an expense in the financial accounts exceeds the contributions for the year. It will be a negative amount (reducing income) in fiscal years in which the contributions exceed the expense accrued in the financial accounts**.**

(ix) Decrease to income due to arm's length adjustments

Where, in a fiscal year, a transaction occurs between a covered person and -

(a) a member that is not resident in Mauritius;

(b) a member that is not a permanent establishment situated in Mauritius;

(c) another covered person that is a minority-owned covered person; or

(d) a covered person that is a joint venture or a subsidiary of a joint venture, and such transaction is either not recorded at the same amount in the financial statements of both parties or is not consistent with the arm's length principle, the transaction shall be adjusted so as to reflect an arm's length amount in accordance with section 75 of the Act.

(x) Qualified refundable tax credit

Qualified refundable tax credits and marketable transferable tax credits shall be treated as income in the computation of GloBE income or GloBE loss. Tax credits which are non-qualified refundable tax credits and non-marketable transferable tax credits shall not be treated as income in the computation of GloBE income or GloBE loss.

(xi) Gain/Loss from disposal of assets determined under the realisation method as a result of election

Where a designated person has made an election under regulation 10 of the QDMTT Regulations, all gains or losses attributable to fair value or impairment accounting with respect to an asset or liability shall be excluded from the computation of GloBE income or GloBE loss.

The carrying value of an asset or liability for purposes of determining gain or loss shall be its carrying value at the later of:

i. the first day of the election year, or

ii. the date the asset was acquired or liability was incurred; and

If the election is revoked, the GloBE income or GloBE loss of the covered persons is adjusted by the difference at the beginning of the revocation year between the fair value of the asset or liability and the carrying value of the asset or liability determined pursuant to the election.

(xii) Aggregate asset gain from disposal of Local Tangible Assets as a result of election

Where a designated person has made an election under regulation 11 of the QDMTT Regulations, the GloBE income or GloBE loss should be adjusted with respect to each previous fiscal year in the look-back period as follows:

(a) The aggregate asset gain in the election year shall be carried-back to the earliest loss year and set-off ratably against any net asset loss of any constituent entity located in Mauritius.

(b) If, for any loss year, the adjusted asset gain exceeds the total amount of net asset loss of all constituent entities located in that jurisdiction, the adjusted asset gain shall be carried forward to the following loss year (if any) and applied ratably against any net asset loss of any covered person located in Mauritius.

(c) Any adjusted asset gain that remains after the application of paragraphs (b) and (c) shall be allocated evenly to each fiscal year in the look-back period. The allocated asset gain for the relevant year shall be included in the computation of GloBE income or GloBE loss for a covered person located in Mauritius in that year in accordance with the following formula:

$$\text{Allocated asset gain for the relevant year} \times \frac{\text{The specified covered person's net asset gain in the election year}}{\text{The net asset gain of all specified covered persons in the election year.}}$$

(xiii) Intragroup financing arrangement expense

The GloBE income or GloBE loss of a covered person shall be adjusted to exclude any expense arising from an intragroup financing arrangement that –

(a) is reasonably expected to increase deductible expenses of the covered person over the term of the arrangement; and

(b) does not correspond to an equivalent increase in the taxable income of the high-tax counterparty.

(xiv) Increase/Decrease to equity attributed to additional tier one capital distributions paid/payable or received/receivable

Where a covered person issues additional tier one capital –

(a) any amount recognised, in a fiscal year, as an increase in its equity that is attributable to a distribution received or receivable in respect of that capital shall, for the purposes of computing its GloBE income or loss, be treated as an income and added to the GloBE income or loss.

(b) any amount recognised, in a fiscal year, as a decrease in its equity that is attributable to a distribution paid or payable in respect of that capital shall, for the purposes of computing its GloBE income or loss, be treated as an expense and excluded from the GloBE income or loss.

(xv) Financial accounting net income income/loss in respect of covered persons joining and leaving an MNE Group

Where in a fiscal year, an entity joins or leaves a multinational enterprise group,

(a) that entity shall be treated as a member of the multinational enterprise group for the purposes of QDMT tax provided that any portion of its assets, liabilities, income, expenses or cash flows are included on a line- by-line basis in the consolidated financial statements of the ultimate parent entity in the acquisition year.

(b) in the acquisition year, the multinational enterprise group shall take into account only the financial accounting net income or loss and adjusted covered taxes of that entity that are taken into account in the consolidated financial statements of the ultimate parent entity for purposes of QDMT tax.

(c) in the acquisition year and each succeeding year, that entity shall determine its GloBE income or GloBE loss and adjusted covered taxes using its historical carrying value of the assets and liabilities.

(xvi) GloBE income/loss of investment entity under the Taxable Distribution Method

The Globe income/loss of investment entity under the Taxable Distribution Method is to be calculated in accordance with regulation 24 of the QDMTT regulations.

(xvii) Gain/Loss from transfer of assets transactions between covered persons

The designated entity shall report the adjustments made to the financial accounting net income or loss of the covered persons where these persons are subject to an adjustment under regulation 27(5) of the QDMTT regulations.

(xviii) Allocation of income/loss from permanent establishment

If the financial accounting net income or loss of a permanent establishment is reflected in the financial accounts of a main entity, it must be subtracted from the financial accounting net income or loss of the main entity.

A GloBE loss of a permanent establishment shall be treated as an expense of the main entity for purposes of computing its GloBE income or loss, to the extent that the loss of the permanent establishment is treated as an expense in the computation of the domestic taxable income or loss of such main entity.

(xix) Allocation of income/loss from a flow-through entity

The designated entity shall make adjustments to the aggregate financial accounting net income or loss in line with regulation 6 of the QDMTT regulations.

(xx) Stock-based compensation allowed as a deduction in the covered person's taxable income as a result of election

A covered person may substitute the amount allowed as a deduction in the computation of its taxable income in its location for the amount expensed in its financial accounts for a cost or expense of such covered person that was paid with stock-based compensation.

If the stock-based compensation expense arises in connection with an option that expires without exercise, the covered person must include the total amount previously deducted in the computation of its GloBE income or loss for the fiscal year in which the option expires.

The election is a five-year election and must be applied consistently to the stock-based compensation of all covered persons located in the same jurisdiction for the year in which the election is made and all subsequent fiscal years. If the election is made in a fiscal year after some of the stock-based compensation of a transaction has been recorded in the financial accounts, the covered person must include in the computation of its GloBE income or loss for that fiscal year an amount equal to the excess of the cumulative amount allowed as an expense in the computation of its GloBE income or loss in previous fiscal years over the cumulative amount that would have been allowed as an expense if the election had been in place in those fiscal years.

If the election is revoked, the covered person must include in the computation of its GloBE income or loss for the revocation year the amount deducted pursuant to the election that exceeds financial accounting expense accrued in respect of the stock-based compensation that has not been paid.

(xxi) Adjustment to eliminate intragroup transactions in the same jurisdiction as a result of election

A designated person may elect to apply the consolidated accounting treatment of the ultimate parent entity to eliminate income, expense, gains and losses from transactions between covered persons that are located in Mauritius and are included in a tax consolidation group.

If this election is made, income, expenses, gains and losses resulting from transactions between the covered persons may be eliminated from the computation of GloBE income or loss in the same manner as amounts relating to transactions among members of a consolidated group are eliminated as part of the consolidation adjustments under the Acceptable Financial Accounting Standard used by the UPE in preparing its Consolidated Financial Statements.

The election is a five-year election and upon making or revoking the election, appropriate adjustments shall be made for GloBE purposes such that there shall not be duplications or omissions of items of GloBE income or loss.

(xxii) Amount charged by insurance company to policyholders in respect of taxes

An insurance company shall, in a fiscal year, –

(a) exclude from its GloBE income any amounts charged to policyholders for taxes paid on behalf of policyholder returns; and

(b) include in its GloBE income any returns to policyholders not otherwise recognised in its financial accounting net income or loss, provided such liability is recognised in its accounts.

(xxiii) GloBE income or loss of the UPE that is a flow-through entity

The aggregated financial accounting net income or loss of covered persons shall be adjusted by the amount of Globe income or loss of the UPE that is a flow-through entity in accordance with regulation 7 of the QDMTT regulations.

(xxiv) International shipping income

The computation of GloBE income or loss shall exclude the income or loss from a covered person's international shipping income and qualified ancillary international shipping income. The aggregated qualified ancillary international shipping income of all covered persons shall not exceed 50% of those covered persons' international shipping income**.**

"international shipping income" means –

the net income derived by a covered person from:

(a) the transportation of passengers or cargo by ships that it operates in international traffic, whether the ship is owned, leased or otherwise at the disposal of the covered person;

(b) the transportation of passengers or cargo by ships operated in international traffic under slot-chartering arrangements;

(c) leasing a ship, to be used for the transportation of passengers or cargo in international traffic, on charter fully equipped, crewed and supplied;

(d) leasing a ship on a bare boat charter basis, for the use of transportation of passengers or cargo in international traffic, to another covered person,

(e) the participation in a pool, a joint business or an international operating agency for the transportation of passengers or cargo by ships in international traffic; and

(f) the sale of a ship used for the transportation of passengers or cargo in international traffic provided that the ship has been held for use by the covered person for a minimum of one year.

"qualified ancillary international shipping income" means net income derived by a covered person from the following activities that are performed primarily in connection with the transportation of passengers or cargo by ships in international traffic:

(a) leasing a ship on a bare boat charter basis to another shipping enterprise that is not a covered person, provided that the charter does not exceed three years;

(b) sale of tickets issued by other shipping enterprises for the domestic leg of an international voyage;

(c) leasing and short-term storage of containers or detention charges for the late return of containers;

(d) provision of services to other shipping enterprises by engineers, maintenance staff, cargo handlers, catering staff, and customer services personnel; and

(e) investment income where the investment that generates the income is made as an integral part of the carrying on the business of operating the ships in international traffic.

7. Adjustments to current tax expense

The starting point for the computation of the taxes to be taken into account in the ETR calculation for GloBE purposes is the current tax expense that is accrued in the financial accounting net income or loss of a covered person with respect to covered taxes.

Covered taxes –

(a) means taxes –

(i) recorded in the financial accounts of a covered person with respect to its income or profits or its share of the income or profits of a member in which it holds an ownership interest;

(ii) imposed in lieu of a generally applicable corporate income tax; and

(iii) levied by reference to retained earnings and corporate equity, including a tax on multiple components based on income and equity; but

(b) does not include any amount of –

(i) QDMT tax accrued by a covered person under Sub-Part AF of Part IV of the Income Tax Act;

(ii) taxes paid by an insurance company in respect of returns to policyholders;

(iii) tax expense included in the financial accounts of a direct or an indirect owner under a controlled foreign company tax regime on its share of the covered person's income;

(iv) tax expense included in the financial accounts of a main entity that is with respect to the income or loss of a permanent establishment;

(v) tax expense included in the financial accounts of an owner of a hybrid entity that is with respect to the income of the hybrid entity; or

(vi) tax expense included in the financial accounts of an owner of a covered person that is with respect to distributions from the covered person, other than a withholding tax imposed by Mauritius;

Adjusted covered taxes

The adjusted covered taxes of a covered person are the covered taxes as adjusted for the following:

(i) Covered tax accrued as an expense in the profit before taxation in the financial accounts

The definition of covered taxes is generally broader than the scope of taxes that qualify as income taxes under financial accounting principles. Thus, some covered taxes may not be recorded as an income tax expense in the financial statements of a covered person. Instead, they may be expensed in the computation of profit and loss before tax. Accordingly, any accrued liability for covered taxes that was reported as an ordinary expense, rather than income tax expense is added back to obtain the adjusted covered taxes.

A corresponding adjustment is also made to the financial accounting net income or loss in computing the GloBE income or loss. The tax expense is added back to GloBE Income or Loss and added to the current tax expense in the determination of adjusted covered taxes.

(ii) Covered taxes for uncertain tax position recorded as a reduction to covered taxes in prior year

Any amount of covered taxes paid related to an uncertain tax position but only to the extent of the amount that was previously treated as a reduction to covered taxes under regulation 13(3)(d) should be added back to the covered tax expense. However, any penalties or interest expense accrued or paid with respect to such uncertain tax position shall not be included in this addition to covered taxes. When tax expense is accrued with respect to uncertain tax positions, such amount is not included in adjusted covered taxes given the uncertainty as to if, and when, such amount will be paid.

(iii) Qualified refundable tax credit recorded as a reduction to current tax expense

Any amount of refund or equivalent credit in respect of a qualified refundable tax credit or marketable transferable tax credit that has been recorded as a reduction to current tax expense is added back to arrive at the adjusted covered taxes.

(iv) Increase or decrease in liabilities for covered taxes as a result of post-filing adjustments

Increases to liabilities for covered taxes in previous fiscal years are treated as current year tax increases for purposes of the QDMT tax. Similarly, an immaterial decrease for covered taxes may be treated as a reduction to covered taxes in the current fiscal year. An immaterial decrease in covered taxes is an aggregate reduction that is less than EUR 1 million in the adjusted covered taxes determined for the jurisdiction for a fiscal year.

Adjustments for material decreases in covered taxes must be made in respect of the relevant previous fiscal year to which the tax adjustment relates.

(v) Total deferred tax adjustments

The total deferred tax adjustment amount is the deferred tax expense amount as adjusted for the following deductions and additions:

Deductions:

a) The amount of deferred tax expense related to items excluded from GloBE income or loss;

b) The amount of deferred tax expense related to disallowed accruals and unclaimed accruals;

c) The impact of a valuation adjustment or accounting recognition adjustment with respect to a deferred tax asset;

d) The amount of deferred tax expense arising from a re-measurement with respect to a change in the applicable domestic tax rate;

e) The amount of deferred tax expense with respect to the generation and use of tax credits;

f) Substitute loss carry forward deferred tax asset or deemed substitute loss carry forward deferred tax asset; and

g) the amount that would be a reduction to the Total Deferred Tax Adjustment Amount due to recognition of a loss deferred tax asset for a current year tax loss, where a loss deferred tax asset has not been recognised because the recognition criteria are not met.

h) Deferred tax expense adjustment resulting from an increase to a tax rate;

i) Deferred tax liability that have been previously included in the deferred tax adjustment amount of a disposing multinational group enterprise;

j) Deferred tax expense of a UPE that is a flow-through entity;

k) Deferred tax asset of a UPE that is subject to a Deductible Dividend Regime;

l) Deferred tax adjustment resulting from transactions between covered persons under regulation 27.

Additions:

a) the amount of any Disallowed Accrual or Unclaimed Accrual paid during the Fiscal Year;

b) amount of any Recaptured Deferred Tax Liability determined in a preceding Fiscal Year which has been paid during the Fiscal Year;

c) Deferred tax expense adjustment resulting from a reduction to a tax rate;

d) Deferred tax liability that have been previously included in the deferred tax adjustment amount of a disposing multinational group enterprise.

(vi) Allocation of taxes from one covered person to another covered person

Covered taxes are paid by the covered person with respect to its own income and to a tax authority in the jurisdiction in which it is located. In this situation, no allocation of taxes from one covered person to another covered person is required.

However, in some more cases, covered taxes may be imposed on the covered person in respect of income included in another covered person's GloBE income or loss computation or by a jurisdiction other than the one in which the covered person is located. In such cases, it is necessary to allocate the covered taxes to the relevant covered person that earned the income.

The rules for allocating of taxes from one covered person to another covered person are set out under regulation 14 of the Income Tax (Qualified Domestic Minimum Top-up Tax) Regulations 2025.

(vii) Covered taxes recorded in equity or other comprehensive income relating to amounts included in GloBE income or loss that will be subject to tax under local tax rules

An increase or a decrease in covered taxes that is not included in current or deferred tax expense, but is recorded in equity or other comprehensive income is treated as an adjustment to covered taxes when the amounts of income or loss to which such taxes relate is taken into account in the computation of GloBE income or loss.

Covered taxes incurred with respect to items included in the computation of GloBE iIncome or loss are added back to covered taxes even if they are not recorded in current or deferred tax expense and reported in the profit and loss statement. However, this adjustment shall only apply where the amount of income or loss to which the covered taxes relate is subject to tax under local tax rules. Similarly, the company should deduct any decrease in covered taxes that has not been taken into account in the current or deferred tax expense.

(viii) Current tax expense on income excluded from GloBE income or loss

When an item of income is not included in the computation of GloBE income or loss, the taxes associated with such income shall be excluded from the amount of current tax expense.

(ix) Non-qualified refundable tax credit or other tax credits not recorded as a reduction to current tax expense

The amount of credit or refund in respect of a non-qualified refundable tax credit has to be excluded from the current tax expense to the extent that such amount is not already recorded as a reduction to the current tax expense.

(x) Covered taxes refunded or credited not treated as adjustment to current tax expense

The amount of tax credits (other than qualified refundable tax credits and marketable transferable tax credits) that reduce the covered persons' liability for covered taxes as well as any amount of previously-claimed covered taxes that are refunded to a covered person has to be deducted from the current tax expense to the extent that the tax credit or refund has not already been treated as an adjustment to current tax expense in the financial accounts.

(xi) Current tax expense not expected to be paid within 3 years

Any amount of current tax expense that is not expected to be paid within three years of the last day of the fiscal year shall be treated deducted from the current tax expense.

(xii) Covered taxes as a result of Net Asset Gain or Net Asset Loss as a result of election

Where an election is made under Regulation 11, any covered taxes (including deferred tax assets) with respect to any net asset gain or net asset loss in the election year must be determined based on the facts and circumstances and excluded from the amount of current tax expense.

(xiii) Covered taxes of the UPE that is a flow-through entity

Where a flow-through entity reduces its GloBE income pursuant to Regulation 7, it shall reduce its covered taxes proportionally.

(xiv) Covered taxes of investment entity under the Taxable Distribution Method

The investment entity's covered taxes should be included in the adjusted covered taxes of the covered person-owner to the extent they are included in the local creditable tax gross-up associated with a distribution or deemed distribution.

(xv) Excess negative tax expense carry forward generated

A multinational enterprise group that elects or is required to apply the excess negative tax expense administrative procedure shall exclude the excess negative tax expense from its aggregate adjusted covered taxes computed for the fiscal year and establish an excess negative tax expense carry-forward.

The excess negative tax expense for a fiscal year in which the multinational group realizes no GloBE income for the jurisdiction is equal to the amount computed under section 50T (3) of the Income Tax Act for that fiscal year. The excess negative tax expense for a fiscal year in which the multinational enterprise group realizes positive GloBE income for the jurisdiction is equal to the negative adjusted covered taxes for that fiscal year. In each subsequent fiscal year in which the multinational enterprise group has positive GloBE income and adjusted covered taxes for the jurisdiction, the multinational enterprise group shall decrease (but not below zero) the aggregate adjusted covered taxes by the remaining balance of the excess negative tax expense carry-forward.

8. Substance-based income exclusion

The substance-based income exclusion is the sum of payroll carve-out and tangible asset carve-out for each covered person, except for covered persons that are investment entities, in Mauritius.

For the year of assessment 2025/2026, the payroll carve-out is equal to 9.8% of the eligible payroll costs of eligible employees. The tangible asset carve-out is equal to 7.8% of the carrying value of eligible tangible assets located in Mauritius.

"***eligible employees***" means employees, including part-time employees, of a covered person that is a member of a multinational enterprise group and independent contractors participating in the ordinary operating activities of the multinational enterprise group under the direction and control of the multinational enterprise group

"***eligible payroll costs***" means employee compensation expenditures, including salaries, wages, and other expenditures that provide a direct and separate personal benefit to the employee, payroll and employment taxes, and employer social security contributions. The eligible payroll costs exclude payroll costs that are:

(a) capitalised and included in the carrying value of eligible tangible assets;

(b) attributable to the covered person's international shipping income and qualified ancillary international shipping income under section 50S of the Act that is excluded from the computation of GloBE income or loss for the fiscal year.

"***eligible tangible assets***" means –

(a) property, plant and equipment located in Mauritius;

(b) natural resources located in Mauritius;

(c) a lessee's right of use of intangible assets located in Mauritius; and

(d) a licence or similar arrangement from the Government of Mauritius for the use of immovable property or exploitation of natural resources that entails significant investment in intangible assets.

The tangible asset carve-out computation shall –

(a) exclude the carrying value of property (including land or buildings) that is held for sale, lease or investment;

(b) exclude the carrying value of tangible assets used in the generation of a covered person's international shipping income and qualified ancillary international shipping income;

(c) include the carrying value of tangible assets attributable to a covered person's excess income over the cap specified in paragraph (6) of Regulation 17.

9. Additional current top-up tax for purposes of section 50T(3) of the Act

In accordance with section 50T, a covered person must pay additional tax if both of the following conditions are met in a fiscal year:

2. There is no net GloBE income (i.e., there is a loss or zero income).
3. The adjusted covered taxes are:
   (i) Less than zero (negative); and
   (ii) Less than the expected adjusted covered taxes.

The expected adjusted covered taxes amount shall be equal to the GloBE income or loss for Mauritius multiplied by the minimum rate.

10. Additional current top-up tax for purposes other than 50T(3) of the Act

When there is a recomputation of the ETR and top-up tax for a prior fiscal year, any resulting increase in tax is treated as additional current top-up tax in the current fiscal year.

11. Effective Tax Rate (ETR)

The effective tax rate shall be calculated for each fiscal year and shall be equal to the total adjusted covered taxes of all covered persons divided by their net GloBE income, multiplied by 100.

The top-up tax percentage is the minimum rate of 15% minus the ETR.

12. Information to be provided for each covered person

A designated person should also provide the required information for each covered person on behalf of whom it is filing the QDMT tax return.

Entity-level elections

A designated person shall make the following elections for each covered person:

(i) Unclaimed accrual election

The designated person can make an unclaimed accrual annual election with respect to deferred tax liability that it expects will reverse in more than five years after accrual. Where such an election is made, any deferred tax liability that is not expected to be paid within five years is excluded from the total deferred tax adjustment amount.

(ii) ***Not treating an Entity as an Excluded Entity election***

The designated person may elect not to treat an entity, under paragraph 1 of regulation 3, as an excluded entity. This election is a five-year election.

When such election is made, the QDMT tax will apply to the entity described in paragraph 1 of regulation 3 in the same manner as they apply to any other covered person of the multinational group.

(iii) ***Investment entity tax transparency election***

A designated person may elect to treat a covered person that is an investment entity as a tax transparent entity, provided that–

(a) the covered person-owner is subject to tax in its jurisdiction under a mark-to-market or similar regime based on the annual changes in the fair value of its ownership interest in the entity; and

(b) the tax rate applicable to the covered person-owner with respect to such income equals or exceeds 15 per cent.

The election shall be a five-year election, which if revoked, gain or loss from the disposition of an asset or liability held by the investment entity shall be determined based on the fair value of the assets or liabilities on the first day of the revocation year.

(iv) ***Taxable distribution method election***

A designated person may elect that a covered person-owner, other than an investment entity, apply the taxable distribution method in respect of its ownership interest in a covered person that is an investment entity provided that the covered person-owner may reasonably be expected to be liable to income tax on distributions received from that investment entity at a rate which is equal to or exceeds 15 per cent.

(v) ***Fair value election***

A designated person may elect to determine gains and losses using the realisation principle for the purposes of computing GloBE income or GloBE loss.

This election is a five-year election and applies to all covered persons in Mauritius. The election applies to all the assets and liabilities of those covered persons, unless the designated person chooses to limit the election to tangible assets of those covered persons, or to covered persons that are investment entities.