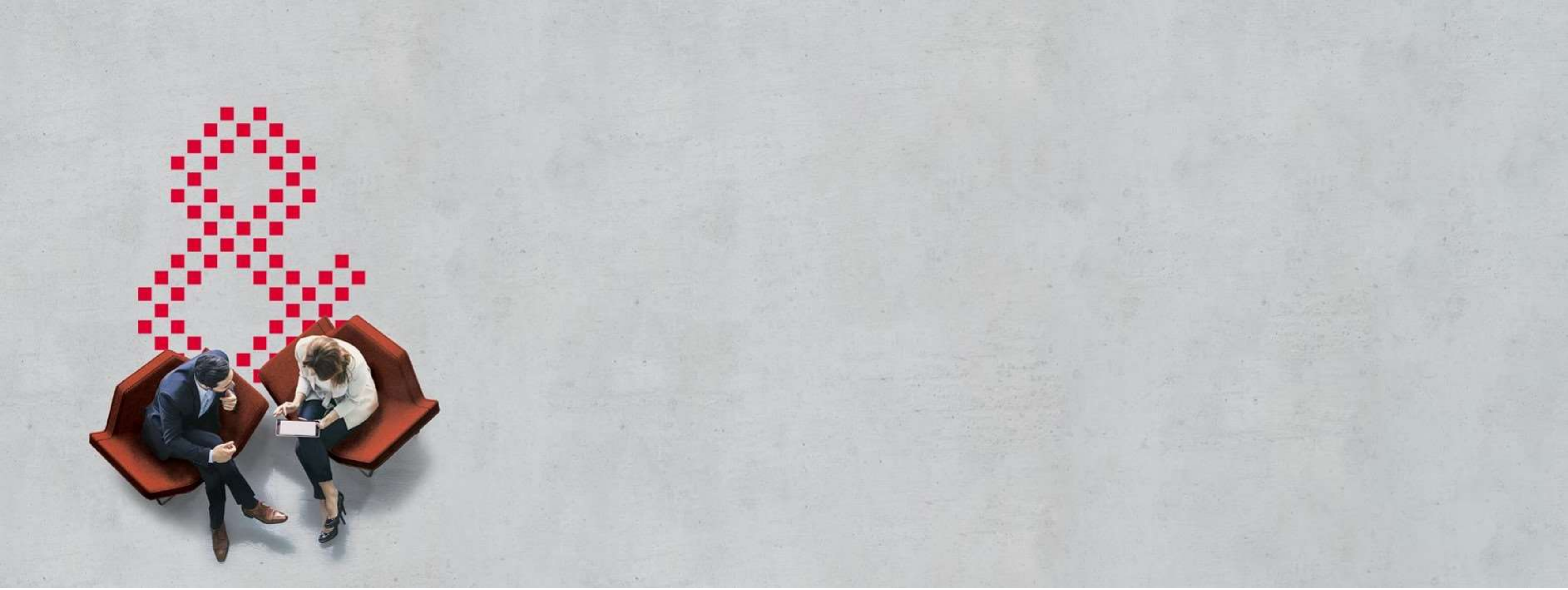

Operating in Financial Centres in Africa

15th June 2021

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Summary

» A comparison amongst the 3 IFCs in Africa

  › Morocco: Casablanca Finance City regime
  › Mauritius: Global Business License and Authorized Company regimes
  › Rwanda: Kigali International Financial Centre (KIFC) regime

» Key points on the Double Tax Treaties (DTTs) between Rwanda and other countries

» Compliance with the OECD and EU Rules?

A comparison amongst the 3 IFCs in Africa

1

Morocco: Casablanca Finance City

Morroco Casablanca Finance City: Regime applicable until December 31, 2019

Companies benefiting from the regime	
Financial companies, *Art .5, paragraph 1 of Law N°44-10 as amended by Law n°68-12*	**Non-financial companies,** *Art. 5, paragraph 2 of Law N°44-10 as amended by Law N°68-12*
✓ Banks, *Art. 6* ✓ Insurance or reinsurance companies, insurance or reinsurance brokerage firms, *Art. 7* ✓ Asset managers, *Art. 8* ✓ Investment services providers, *Art. 8 bis*	✓ Professional service providers, *Art. 9* ✓ Regional and international headquarters, *Art. 10* ✓ Holding companies, *Art.10 bis*

Tax Benefits	
All the Financial companies, professional service providers and holding companies	**Regional and international headquarters**
✓ (i) Five-year exemption for CIT on export turnover and capital gains from foreign sources and ; ✓ (ii) CIT at a reduced rate of 8.75% after the 5-year exemption, *Art. 6, B-4° and Art. 19, II, A of the Moroccan tax code of 2011* ✓ 15% WHT tax on dividends paid by the CFC, *Art.6, I-C-1° of the Moroccan tax code of 2021*	✓ CIT at the reduced rate of 10% and adjusted taxable base (taxable base equal: in case of profit, to the higher of the taxable result determined under the conditions of common law and 5% of the amount of the operating expenses of the headquarters; in case of tax losses, to the amount of 5% of the operating expenses of the said headquarters), *Art. 8, VI of Moroccan tax code* ✓ 15% WHT on dividends paid by the CFC, *Art.6, I-C-1° of the Moroccan tax code of 2021*
✓ Personal Income Tax at 20% for the first 5 years of their employment for employees, *Art. 73, II, F-9° of the Moroccan tax code of 2011* ✓ Exemption from registration duty for company incorporations and capital increases, *Art.129, IV, 22° of the Moroccan tax code of 2014*	

Morocco Casablanca Finance City: Reasons for OECD and EU driven changes

OECD challenged the Casablanca Finance City regime for the following reasons :

- The ring-fencing rule (advantageous tax treatment of income deriving from the export activity)
- The absence of an economic substance criterion

UE listed Morocco on their Grey List

In its Progress Report on Preferential Regimes updated on November 2020, OECD removed Casablanca Finance City regime from the list of harmful tax practices.

EU removed Morocco from its Grey List (February 2021).

Morocco Casablanca Finance City: New regime as of January 1st, 2020

Companies benefiting from the regime	
Financial companies , *Art. 4 of Decree-Law*	**Non-financial companies,** *Art. 4 of Decree-Law*
✓ Banks ✓ Insurance or reinsurance companies, insurance or reinsurance brokerage firms ✓ Other financial institutions and collective investment undertakings ✓ Other investment services providers ✓ Holding companies	✓ Auxiliary services providers ✓ Technical services providers ✓ Trading companies

As of January 1st, 2020	
Banks and Insurance companies (*see Articles 4-1 and 4-2*)	**Other financial companies and non-financial companies**
✓ Grandfathering clause: Companies that obtained CFC status before January 1, 2020 will be able to benefit from the old regime until December 31, 2022. ✓ Afterwards, single rate of CIT at 15% ✓ No WHT on dividends paid by the CFC to its shareholders (domestic or not), *Art. 6, I-C-1° of the Moroccan tax code 2021*	✓ Grandfathering clause for companies that obtained the CFC status before January 1st, 2020 or; ✓ Extension of (i) the five-year exemption to other categories of income and (ii) taxation at a single rate of 15% after the 5-year exemption period (*Art. 6, I-B-4° and Art. 19-II of the Moroccan tax code 2021)* except for headquarters ✓ No WHT on dividends paid by the CFC to its shareholders (domestic or not), *Art. 6, I-C-1° of the Moroccan tax code 2021*
✓ Exemption from registration duty for company incorporations and capital increases, Art. 129, IV, 22° of the Moroccan tax code of 2021 ✓ Personal Income Tax at 20% during the first 10 years of employment fro the employees, Art. 73, II-F-9° of the Moroccan tax code 2021	

2

Mauritius: Global Business License & Authorized Company Regimes

Mauritius: Old regime applicable until December 31, 2018

Companies benefited from the regime if :	
Category 1 GBL (GBC 1)	**Category 2 GBL (GBC 2)**
✓ Conduct of business principally outside Mauritius ✓ Managed and controlled from Mauritius ✓ The FSC could request the following conditions to be met (*Art. 71 (4), FSA*): • whether the corporation had, or would have, at least two directors, resident in Mauritius, of sufficient caliber to exercise independence of mind and judgment; • whether the corporation maintained, or would maintain, at all times its principal bank account in Mauritius; • whether the corporation kept and maintained, or would keep and maintain, its accounting records at its registered office in Mauritius; • whether the corporation prepare its statutory financial statements, in Mauritius; and • whether the board includes at least two directors from Mauritius.	✓ Private companies ✓ Were not permitted to conduct the following business activities (4th Schedule, FSA): • banking; • financial services; • holding, managing or otherwise dealing with a collective investment fund or scheme as a professional functionary; • providing registered office facilities, nominee services, directorship services, secretarial services or other services for corporations; and/or • providing trusteeship services by way of business.

Tax benefits	
Category 1 GBL (GBC1)	**Category 2 GBL (GBC2)**
✓ Taxed at CIT at a flat rate of 15% and benefited from a foreign tax credit equal to the amount of foreign taxes suffered, capped at the amount of tax due in Mauritius. ✓ In the absence of proof of the actual amount of foreign tax suffered, a presumed amount of foreign tax credit of 80 % of the Mauritian tax liability could be claimed, thereby reducing the effective tax rate to 3 %.	✓ Were classified as exempt persons

Reasons for OECD and EU driven changes & Snapshot of New Regime

The EU and the OECD challenged the GBC1 et GBC2 regimes for the following reasons :

- Ring-fencing issue (restriction of activity)
- Potentially Harmful Tax Regime
- Lack of substance

➢ **The new regime is conform to the EU and OECD requirements**

- GBC2 Regime Abolished
- Single GBL Regime for Tax Resident Entities: 15% Tax
- Change in Tax Residency Rules
- 80% Presumed Tax Credit Abolished & Introduction of 80% Partial Exemption Regime (PER) on specified income streams
- Enhanced Substance Requirements for Tax Resident Entities:
  - carry out CIGA in Mauritius as required by Income Tax Act
  - Managed and controlled from Mauritius; and
  - Administered by a licensed Corporate Service Provider

- International Trading Activities – 3%
- Introduction of Authorised Companies (ACs) – Non tax resident
- Transitional Provisions:
  - Entities holding a GBL1 or GBL2 issued after 16 October 2017 moved to new legislation as from 1 January 2019
  - Entities holding a GBL1 or GBL2 issued on or before 16 October 2017 to move to the new legislation effective 1 July 2021

New Regulatory and Tax Regime

Regulatory Requirements

GBL	Authorized Companies (AC)
✓ Available to resident corporations, other than licensed banks if: • Conduct of business principally outside Mauritius; • Shares or voting rights or beneficial interests held or controlled principally by persons who are not citizens of Mauritius; • Central Management and Control In Mauritius	✓ Available to companies if: • Conduct of business principally outside Mauritius; • majority of shares or voting rights or beneficial interests held or controlled by persons who are not citizens of Mauritius; • Central management and control outside Mauritius ✓ Private Company & business activities subject to same restrictions as GBL2s

Tax Regime

GBL	AC
✓ 80% Partial Exemption on the following, subject to satisfaction of substance : ▪ Foreign dividend derived by the company; ▪ Interest derived by a company other than certain entities (e.g. banks etc); ▪ Income derived from ship/aircraft leasing; ▪ Income attributable to Permanent Establishment; ▪ Income from Collective Investment Scheme / Closed-End Fund / CIS Manager / CIS Administrator / Adviser / Asset Manager; ▪ Reinsurance / Reinsurance brokering activities; ▪ Leasing & provision of international fibre capacity; ▪ Sale, financing, arrangement, asset management of aircraft and its spare parts and aviation advisory services; and ▪ Interest derived from Peer-to-Peer Lending platform	✓ Liable to tax on Mauritius-source income only. ✓ Requirement to file tax returns and disclose situs of management and control **TAX HOLIDAYS / TAX EXEMPTIONS** ✓ Global Headquarters Administration: 8 years ✓ Global Treasury Management: 5 years ✓ Captive Insurance: 10 years ✓ Innovation-driven activities / income derived from IP assets developed in Mauritius: 8 years ✓ Fishing activities by an industrial fishing company: 8 years ✓ Special Purpose Fund: Exempt ✓ Income from Chartering of Foreign Vessels: Exempt

New Budgetary Measures Announced in 2021-2022 Budget

Tax	Facilitating Economic Substance in Mauritius
✓ 80% Partial Exemption extended to the following activities: ○ Licensed Investment Dealers ○ leasing of locomotives and train, including rails leasing ✓ Tax holiday for Family Offices extended from 5 years to 10 years ✓ Tax Holiday on emoluments of employees holding an Asset Manager Certificate or a Fund Manager Certificate extended from 5 years to 10 years and minimum AUM reduced to USD 50 Million from USD 100m ✓ Holders of Premium Visa ○ emoluments for work performed remotely in Mauritius taxed on a remittance basis ○ money spent in Mauritius through the use of foreign credit or debit cards not be deemed to have been remitted ○ income deposited in a bank account in Mauritius not taxable if already suffered taxes overseas ✓ Dividend paid by ACs to non-residents not subject to tax in Mauritius	✓ Validity period of Occupation Permit (work permit) extended from 3 to 10 years. ✓ Spouse of OP holder wishing to invest or work in Mauritius exempted from applying for a separate OP. ✓ Maximum age limit of 24 years for dependent children of OP holder waived. ✓ Implementation of a privilege club scheme for OP holders: Privileged access to hotels, golf courses, restaurants, private medical institutions etc. ✓ OP holders may switch jobs without submitting new application for OP ✓ Non-citizen who purchases an apartment in a building of at least 2 floors above ground floor issued with a residence permit for himself and his dependents, and exempted from the requirement of a work or occupation permit provided the purchase price is not less than USD 375,000 ✓ Work Permit extended allowing Mauritians and non-citizen residents to bring foreign carers and maids to work in Mauritius ✓ Extension of validity period of a 10-Year Permanent Resident Permit Holders to 20-Years.

3

Kigali International Financial Centre (KIFC) Regime

KIFC Regime

Entity / Activity	Economic substance required	Tax benefits
Pure holding company	*Annex to Law n°006/2021, II-1°:* ✓ total net assets consolidated in Rwanda not less USD 1,000,000; ✓ annual expenditure in Rwanda of at least USD 15,000. ✓ a physical office of the company in Rwanda; ✓ at least 30% of the professional staff are Rwandan.	✓ Corporate Income tax at 3% *(Annex To Law n°006/2021, II);* ✓ 0% preferential withholding tax on dividends, interest and royalty payments *(Annex to Law n°006/2021, X).*
Special purpose vehicle registered for investment purposes	*Annex to Law n°006/2021, II-2°:* ✓ registered for investment purpose in projects, which are meant to last for more than 2 years; ✓ total net assets consolidated in Rwanda not less USD 1,000,000; ✓ annual expenditure in Rwanda of at least USD 15,000; ✓ a physical office of the company in Rwanda; ✓ at least 30% of the professional staff are Rwandan.	
Collective investment scheme Defined as (*Art. 2, 7° of the Law n°006/2021*): type of scheme where there is an arrangement for collecting and pooling funds from investors or participants for the purpose of investment in the interest of each participant or investor represented by his or her proportional ownership in the pool.	*Annex to Law n°006/2021, II-3°:* ✓ minimum fund size not less than USD 1,000,000 within the first 3 years; ✓ minimum expenditure in Rwanda of USD 50,000 per year; ✓ Collective Investment Scheme manager, custodian and operator established in Rwanda; ✓ at least 30% of the professional staff are Rwandan.	

KIFC Regime

Entity / Activity	Economic substance required	Tax benefits
Global trading or paper trading Defined as *(Art. 2, 20° of the Law n°006/2021):* a commercial entity making deposits in financial entities in Rwanda to finance its trading activities outside Rwanda and not authorized to import or export goods in Rwanda.	*Annex to Law n°006/2021, II-4°:* ✓ annual turnover or trade volume of not less than USD 10,000,000 ✓ annual expenditure in Rwanda of at least USD50,000 ✓ at least 30% of the professional staff are Rwandan ✓ a physical office of the company in Rwanda	✓ Corporate Income tax at 3% *(Annex To Law n°006/2021, II);* ✓ 0% preferential withholding tax on dividends, interest and royalty payments *(Annex to Law n°006/2021, X).*
Intellectual property company Defined as (*Art. 2, 24° of the Law n°006/2021*): a commercial entity that is established for the sole purpose of owning intellectual property rights.	*Annex to Law n°006/2021, II-5°:* ✓ annual expenditure in Rwanda of at least USD 10.000; ✓ a physical office in Rwanda; ✓ to have a bank account in a bank operating in Rwanda; ✓ at least thirty per cent (30%) or three (3) of the staff are Rwandan residents, whichever is higher.	
Registered investor licensed to operate as a fund management entity, collective investment scheme, wealth management service provider, financial advisory commercial entity, family office service entity, fund administrator, financial technology commercial entity, Captive Insurance Scheme entity, Asset Backed Securities entity, reinsurance company, trust and corporate service providers **(*Annex to Law n°006/2021, IV, 7°*)**	No Economic substance requirements provided *(Annex to Law n°006/2021, IV, 7°):*	✓ 15% preferential corporate income tax rate *(Annex to Law n°006/2021, IV, 7°);* ✓ 0% preferential withholding tax on dividends, interest and royalty payments *(Annex to Law n°006/2021, X)*

KIFC & Cross Border Transactions

Specific rules:

- No restriction on foreign currency
- No restriction on fund repatriation
- Increasing Tax treaty network
- Increasing strategic partnership network

How to be established in KIFC

- Incorporation
- License
- Investment certificate
- Member of KIFC Club

Key points on the Double Tax Treaties (DTTs) between Rwanda & other countries

DTT Network - Rwanda

DTTs signed:

» Barbados
» Belgium
» Burundi (not yet ratified)
» Jersey
» Kenya (not yet ratified)
» Mauritius
» Morocco
» Qatar
» South Africa
» South Korea
» Turkey
» UAE
» Uganda (not yet ratified)
» Singapore

In the next future

» With European countries ?

» With other African countries ?

Compliance with the OECD and EU Rules ?

To be compliant with the OECD and EU tests

- For investors, two requirements must be fulfilled (*Annex To Law n°006/2021, II*):
  - Minimum economic substance requirements
  - Demonstration that management is located in Rwanda:
- According to the Rwandan government, the following principles should apply:
  - No competition on aggressive tax incentives that will be detrimental to the reputation of Rwanda,
  - No (minimum) erosion of the existing tax revenue and,
  - Full compliance with international tax standards with the development of incentives requiring minimum economic substance.

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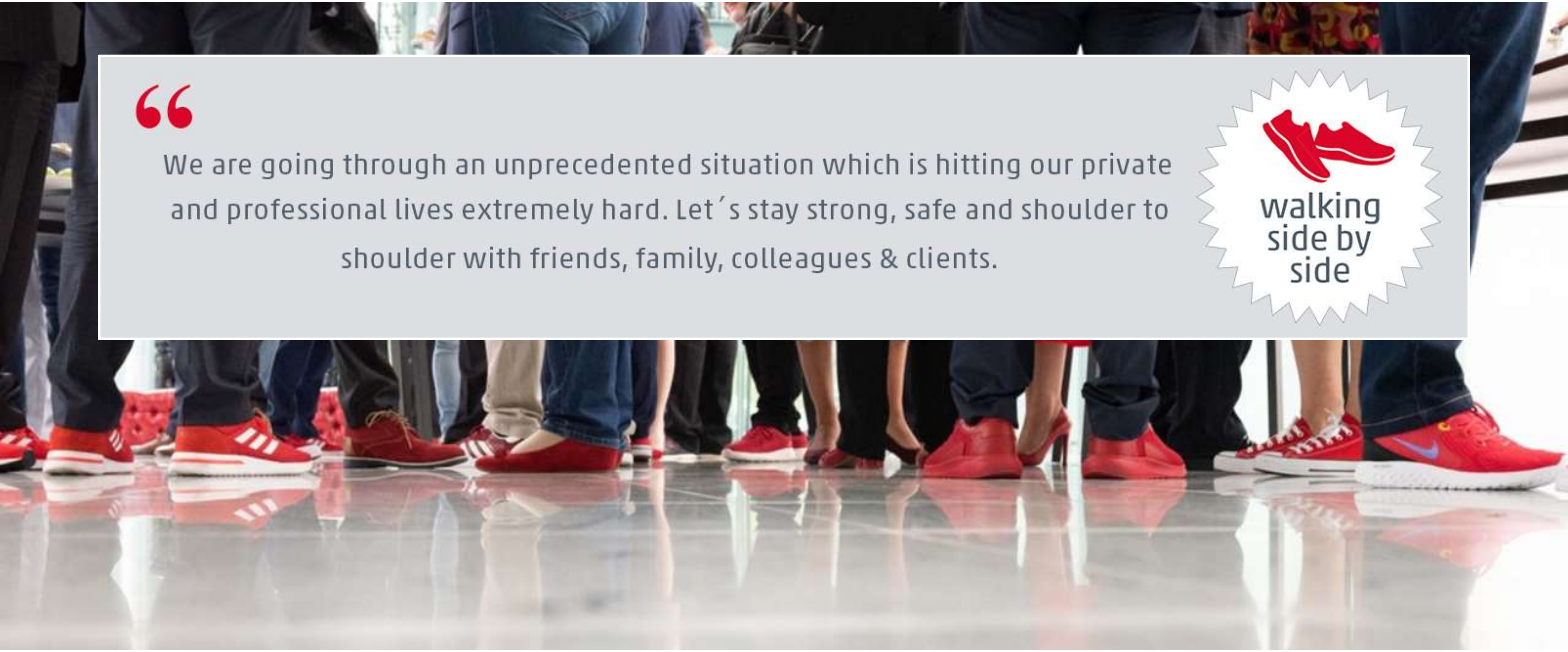

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Passionate: Offering speedy top quality customised solutions

Excellent: Internationally, regionally or locally recognized

Reliable: Rapid response time with one single point of contact

Locally rooted – Globally connected

Highly ranked independent tax firms with
no annual audits

Fully dedicated CEO team
central management

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Strict quality criteria and steady
regular quality reviews

Closely connected global tax practice
strong governance

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