

Zambia announces termination of double taxation agreement with Mauritius

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Executive summary

In a memorandum issued after the Cabinet meeting of 22 June 2020, the Zambian Government announced that the Double Taxation Agreement (DTA) between the Government of the Republic of Zambia and the Government of the Republic of Mauritius would be terminated with effect on 31 December 2020.

Detailed discussion

Cabinet decision

The Zambian Cabinet has approved the termination of the DTA between Zambia and Mauritius.

The treaty came in force on 15 June 2012 and it covers income from a number of specific sources, such as business income, dividends, interest and royalties. The current treaty further gives exclusive taxation in the country of residence of receipt of income. In the Cabinet statement, the Government has stated that Zambia does not retain taxing rights to tax dividends, interest and royalties arising in Zambia and payable to residents of Mauritius. It is not clear if the statement was meant to refer to management fees where a reduced rate of 0% applies given the treaty provides for Zambia to impose withholding tax on dividends (5%), interest (10%) and royalties (5%).

The Government of Zambia has stated that it intends to initiate negotiations of a new Agreement which will introduce shared taxing rights and anti-abuse clauses.

Expected next steps

In terms of the Ratification of *International Agreements Act No.34 of 2016* (the Act), DTAs fall under the category of “bilateral treaties” and do not require ratification by Parliament, as opposed to “international agreements.” As such, there is no requirement to table a motion to terminate the treaty before Parliament. The termination process set out in the DTA itself will apply.

The DTA between Zambia and Mauritius requires the parties to the agreement to give notice to terminate by 30 June of the calendar year, provided the treaty has been in force for at least five years. Once the notice is given, the treaty will cease to apply on the last day of the calendar year for Zambia and on 1 July of the following calendar year for Mauritius.

As the Cabinet has approved the termination, it is now up to the Minister of Finance to provide notice to the Government of Mauritius by 30 June 2020.

For additional information with respect to this Alert, please contact the following:

EY Advisory Services Limited, Lusaka

- ▶ Patrick Mawire patrick.mawire@zm.ey.com

Ernst & Young Advisory Services (Pty) Ltd., Africa ITTS Leader, Johannesburg

- ▶ Marius Leivestad marius.leivestad@za.ey.com

Ernst & Young Société d'Avocats, Pan African Tax - Transfer Pricing Desk, Paris

- ▶ Bruno Messerschmitt bruno.messerschmitt@ey-avocats.com
- ▶ Alexis Popov alexis.popov@ey-avocats.com

Ernst & Young LLP (United Kingdom), Pan African Tax Desk, London

- ▶ Rendani Neluvhalani rendani.mabel.neluvhalani@uk.ey.com
- ▶ Byron Thomas bthomas4@uk.ey.com

Ernst & Young LLP (United States), Pan African Tax Desk, New York

- ▶ Brigitte Keirby-Smith brigitte.f.keirby-smith1@ey.com
- ▶ Dele Olagun-Samuel dele.olaogun@ey.com

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