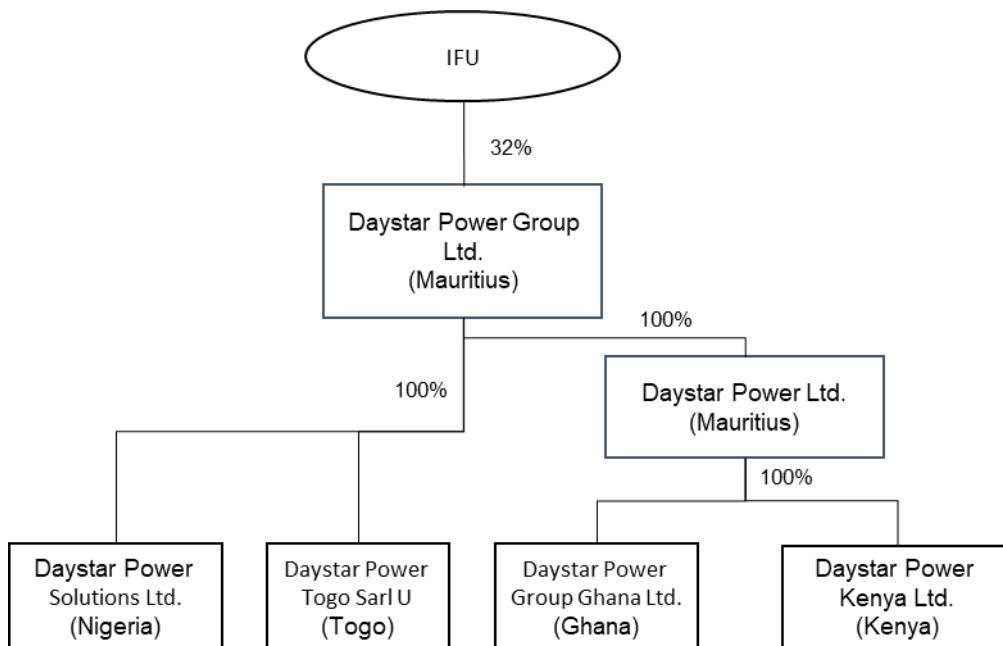


# TAX ROOM

Analytical Thinking Clear Answers

## Tax policy compliance statement for Daystar Power Group, Ltd. Mauritius

### 1. The contemplated investment structures



IFU will be providing finance for Daystar Power Group a renewable investment platform for African countries, by means of an equity investment in Daystar Power Group Ltd. a Mauritius holding company informed to be a taxable and tax resident company in Mauritius.

### 2. Compliance with IFU's tax policy

The investment structure has been subject to due diligence and based on the facts and circumstances made available, TaxRoom is of the opinion that the investment structure complies with IFU's tax policy for the following main reasons:

- Setting up a Mauritian holding company structure for a pan-African renewable investment program is commercially motivated and necessary for being able to circulate cash-flow within the group and being able to accumulate shareholders from different jurisdictions.
- Mauritius has a well-established and reputable infrastructure platform in terms of corporate law, financing, and administration.

- Mauritius is a part of the African Union why using Mauritius as holding jurisdiction is the obvious and natural choice for commercially activities performed in multi African countries.
- None of the two Mauritius holding companies (Daystar Power Group Ltd. and Daystar Power Ltd.) have been claiming tax treaty benefits in the past and will not do so in the future unless a reputable local tax advisor from the jurisdiction suffering a reduced withholding tax rate according to a Mauritian tax treaty confirms that it is appropriate to claim such tax treaty benefits under OECD BEPS guidelines.
- Daystar Power Ltd. is tax exempt in Mauritius but will either be dissolved or absorbed by its parent company.
- The local operating African companies are generally taxable and tax paying entities but may also benefit from tax holidays. Benefits from local tax incentives does not represent a conflict with IFU's tax policy.
- In the past lending from the Mauritian holding company to the local operating companies has generally been interest free, which is the opposite of aggressive tax planning. However, two new loans established in 2020 to the Nigerian company charge interest more than the arm's length interest rate. As a part of the conditions for providing this finance this issue will be corrected.
- None of the local operating companies are deducting interest expenses above OECD BEPS guidelines regarding interest relief restrictions.
- When making the equity investment it is implemented in the shareholder agreements that the Daystar Power Group should adhere to the OECD BEPS guidelines and use commercially reasonable efforts always to follow local tax legislation.
- The investment structure is not designed to work against the spirit of tax laws but is seen to be a standard structure when investing into (several) African countries.
- Mauritius is not listed on EU's blacklist for non-cooperative jurisdictions in tax matters and is as per April 2020 rated to be compliant by OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes.

### **3. Disclosure, cf. EU DAC6 Directive**

The contemplated equity investment does not meet any of the hallmarks for transactions that needs to be disclosed. Based on this no disclosure is needed for this investment

TaxRoom P/S, 27 June 2020



Claus Kirkeby Olsen