

Mauritius Perspective

An Update



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The Mauritius Advantage

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Tradition

- 1592 – Dutch
- 1720 – French
- 1810 – English
- 1812 – MTC
- 1838 – Banking
- 1850 – MCCI, Chambre des Courtiers
- 1913 – Companies Act

New Business Environment

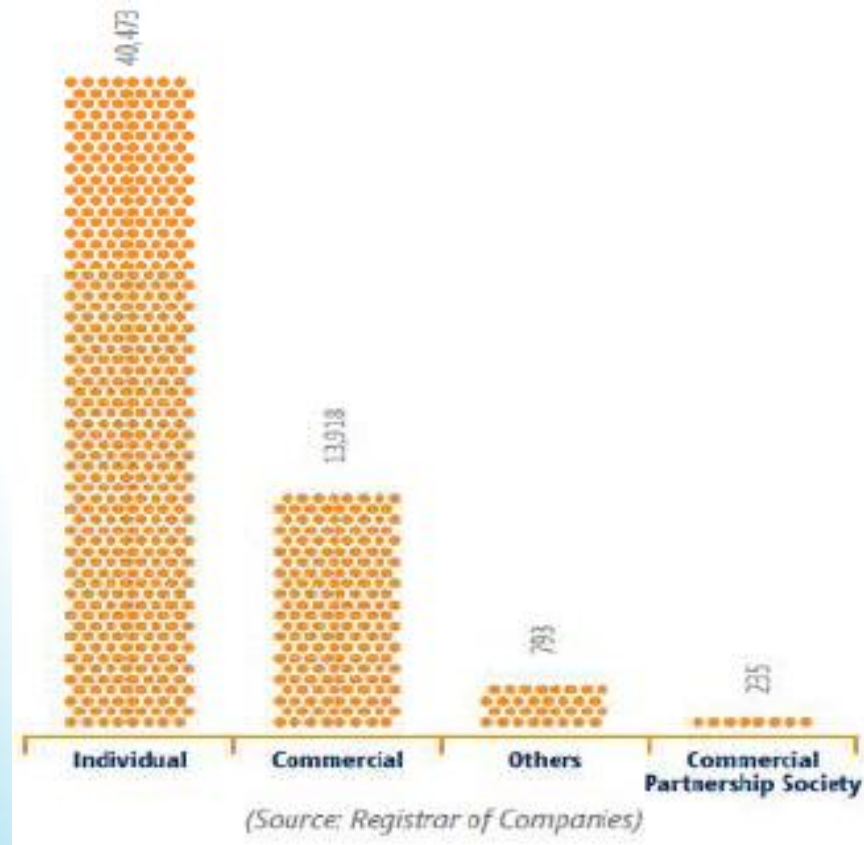
- Mauritius is among the jurisdictions that have substantially implemented internationally agreed tax standard / OECD White List
- Mauritius **is not** a tax haven, but **it is a low tax jurisdiction**
- Business friendly legislation and government committed to growth of international business
- Large pool of highly qualified professionals, sourced from around the world
- Geographical and time zone proximity
- Cultural affinity of Mauritian workforce to major markets; Indian, African, Chinese and European origins

New Business Environment (Cont'd)

- No exchange restrictions
- Flexible domestic tax legislation but tight regulations
- Favorable tax treaties with **34 countries** - Mauritius is known as an offshore centre servicing treaty business and tax planning structures
- Since Oct. 2006, in depth reforms to improve the Mauritian business climate have been carried out as per Business Facilitation Act
- The New Business Environment... We make it happen in 3 days
- Attractive to foreign entrepreneurs, and professionals
- Fast tracking of applications

New Business Environment (Cont'd)

- Some 55,000 new businesses have been registered since 2006



New Business Environment (Cont'd)

- One of the most business and investment friendly locations in the world
 - *17th in World Bank Doing Business Report 2010 (from 32nd in 2007)*
 - *Objective: Top 10 in Doing Business by 2010*
- Ex-post control & silent agreement principle
- 15% flat tax rate for domestic companies, personal income & VAT
- Simplified, Centralised Tax Collection System with Online Payment
- No tax on dividends and capital gains
- Free repatriation of profits, dividends and capital

Mauritius : International Benchmarks

Index	Rank
World Bank Doing Business Survey 2010	17 th out of 183 countries 1 st in Africa
Outsourcing Readiness Index (Africa) 2009	2 nd out of 15 African countries
Ibrahim Index of African Governance 2008	1 st out of 48 African countries
Global Competitiveness Index 2009/2010	57 th out of 122 countries 2 nd in Sub Saharan Africa
Democracy Index 2008	26 th out of 167 countries
International Property Rights Index 2009	44 th out of 115 countries
Index of Economic Freedom 2009	18 th out of 179 countries 1 st in the region
A.T. Kearney Location Index Report – 2009	25 th out of 50 countries

Mauritius is among Top 3 in Africa for all indexes

Major reforms in 2009

- Key areas of reform in Mauritius (as per the WBDB Report 2010)
 - Employing Workers
 - *Flexible redundancy procedures*
 - *Lowering dismissal costs*
 - *Removal of requirement for authorization for dismissal*
 - Registering Properties
 - *New limit of 15 days to obtain final property titles from land registry*
 - Getting Credit (information)
 - *Licensing of private credit information bureaus*
 - Trading across borders
 - *Electronic submission of customs declarations & bills of lading*
 - Enforcing contracts
 - *Specialised commercial division of supreme court to improve contracts enforcements*

Current Legislation

- **Business & Corporate Laws**

- Companies Act 2001
- Trust Act 2001
- Protected Cell Act 1999

- **Banking, Insurance and Securities Laws**

- Securities Act 2005 as amended by Securities (amendment) Act 2007
- Insurance Act 2005
- Banking Act 2004
- Limited Investment Partnership Bill

- **Fiscal Laws**

- Income Tax Act 1995
- VAT Act 1998

- **Procedural and Administrative Laws**

- Financial Services Act 2007 as supplemented by regulations namely licensing and CIS
- Financial Reporting Act 2004
- FSC codes and guidelines

- **Criminal and Money Laundering**

- Financial Intelligence and Anti Money Laundering Act 2002
- Prevention of Corruption Act 2002
- Prevention of Terrorism Act 2002

New legislation in 2009

- New Insolvency Act
 - *To maintain the viability of the commercial system in the country*
 - *To allow for rehabilitation of companies as an alternative to winding up*
 - *Defines rights & obligations of creditors & debtors*
- International Arbitration Act
 - *To promote the use of Mauritius as a jurisdiction of choice in the field of international arbitration*
 - *To lay down the rules applicable to such arbitrations*
- Data Protection Act
 - *To provide for the protection of the privacy rights of individuals and the techniques used to capture, transmit, manipulate, record or store data relating to individuals*
- Law Practitioners' Act
 - *To allow foreign lawyers and law firms to offer their services from Mauritius*











International Signatories & Recognitions

- International Signatories
 - *IOSCO*
 - *FATF*
 - *IAIS*
 - *Basel II compliance*
- Economic Communities/Trading Blocks
 - *COMESA*
 - *SADC*
 - *IOC-ARC*
- Recognised by the OECD as a 'white listed' jurisdiction

An International Services Platform

- Banking – Major international banks present
 - *Retail & Corporate Banking*
 - *Private Banking*
 - *Investment Banking*
- Financial Intermediaries
 - *Management companies*
 - *Insurance & Re-insurance*
 - *Brokers/Asset Managers/Fund Managers*
 - *Legal Firms / Accountancy Firms / Audit Firms*
- Financial Intermediaries
 - *Commodities Markets*
 - *Stock Markets*

The ICT/BPO Landscape & Opportunities

	Functional groups	Functions/examples	Mauritius' presence/play		
BPO	Voice (Front office)	Call Center <ul style="list-style-type: none"> Inbound Outbound Technical Helpdesk 	✓	 HUAWEI	 orange™
	Non-voice (Back office)	Corporate services <ul style="list-style-type: none"> Finance & Accounting Human Resources Procurement 	✓		 accenture
		Industry-specific back-office <ul style="list-style-type: none"> Policy administration – Insurance Back-office – Mobile VAS 	✓	 Microsoft™	 TNT
		KPO <ul style="list-style-type: none"> Data Management Document Management Investment Research Transcription 	✓	 Infosys™	 AXA ASSISTANCE
IT	Infrastructure Management <ul style="list-style-type: none"> Disaster Recovery Web hosting RIM 	✓	 CERIDIAN		
	ADM <ul style="list-style-type: none"> Application development Application Maintenance 	✓			
Others	Others <ul style="list-style-type: none"> Multimedia, Animation Graphic Design Engineering Services Architecture services 	✓	 HTMT Global Solutions	 DHL	

Global Funds in Mauritius – A Refresher

**Renu Audit
Director – Legal & Compliance
Cim Global Cluster**



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Outline

- Legal & Regulatory Framework
- Global Scheme and its types
- Definitions and key features of a CIS and a CEF
- Exempt Schemes – Expert Funds, PCIS, Specialised CIS
- Authorisation and Licensing
- Transitional provisions – for existing GBC1s

Legal & Regulatory Framework- A Dual Regime

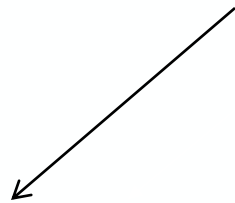
- Financial Services Act 2007 – Category 1 Global Business Licence issued by FSC
- Securities Act 2005 – authorisation as a Collective Investment Scheme or a Closed-end Fund
- Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008 (“CIS Regulations”)
- Financial Intelligence and Anti Money Laundering Act and FSC Code for AML-CFT for Investment Businesses
- FSC (Consolidated Licensing and Fees) Rules
- Securities (Disclosure obligation of Reporting Issuer) Rules
- Standard Licensing Conditions applicable to a GBC1

Global Scheme

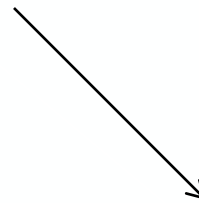
- “Global scheme” means a company, a trust or any other legal entity approved by the FSC, holding a Category 1 Global Business Licence and authorised to carry out activities falling within the definition of a collective investment scheme.
- Any Collective Investment Scheme – not being a PCIS, Expert Fund, Specialised CIS

Types of Global Schemes

Global Schemes



Collective Investment
Scheme ("CIS")



Closed-end Funds
("CEF")

Definitions (1)- Collective Investment Scheme

“collective investment scheme” –

- (a) means a scheme constituted as a company, a trust, or any other legal entity prescribed or approved by the Commission -
 - (i) whose sole purpose is the **collective investment of funds** in a portfolio of securities, or other financial assets, real property or non-financial assets as may be approved by the Commission;
 - (ii) whose operation is based on the principle of **diversification of risk**;
 - (iii) that has the obligation, **on request of the holder of the securities, to redeem** them at their net assets value, less commission or fees; and
 - (iv) where the participants do not have **day to day control** over the management of the property, whether or not they have the right to be consulted or to give directions in respect of such management; and
- (b) includes closed-end funds whose shares or units are listed on a securities exchange;

Some Key Features of CIS

- Funds raised from public / retail / sophisticated investors based on prospectus;
- Investment in listed securities / traded securities
- Redemption at option of investors;
- Redemption at NAV basis;
- Investors do not participate in day to day management;
- Investment on principle of risk diversification

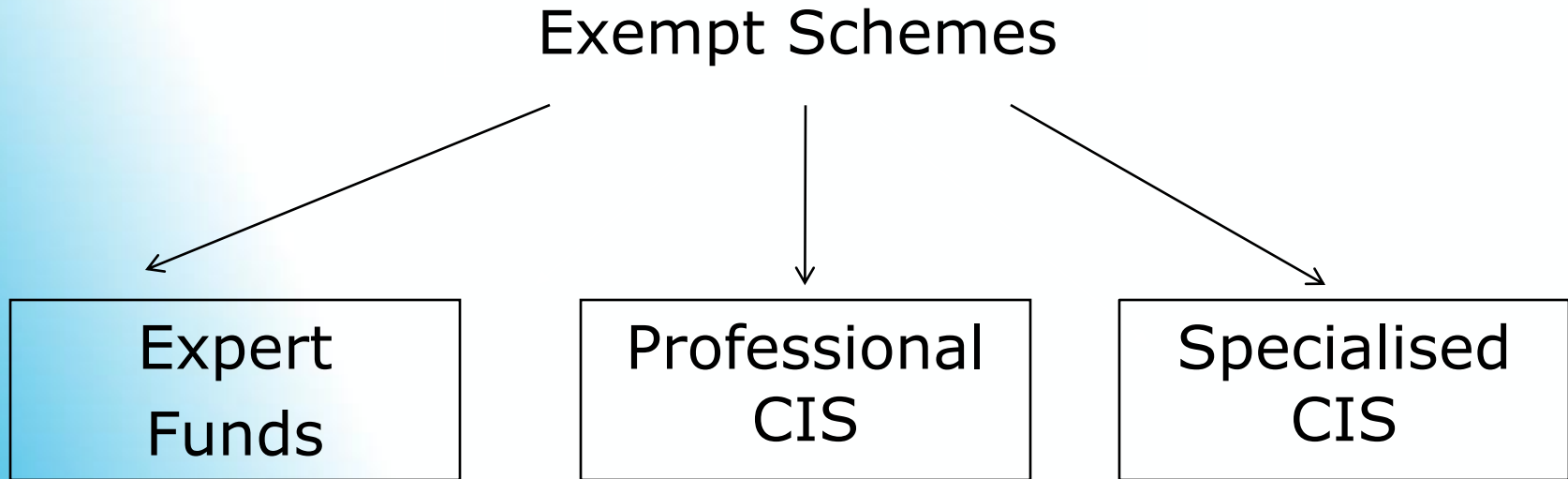
Definitions (2)- Closed End Fund

“closed-end fund” means an arrangement or a scheme, **other than a collective investment scheme**, constituted in such legal form as may be approved by the Commission and whose **object is to invest funds, collected from subscribers** during an offering made under Part V of this Act **or from sophisticated investors**, in a portfolio of securities, or in other financial or non-financial assets, or real property, as may be approved by the Commission;

Some Key Features of EF

- Funds raised from investors – more on a private placement basis
- Limited life
- Concept of capital contribution
- Investor contribute at closings upon drawdown issued
- **CEF, holding a GBC1 Licence, are exempt from CIS Regulations**
- Provided prospectus provide for additional disclosures
- CIS Manager has in place rules of conduct, internal control and books and records

Types of Exempt Schemes



Definitions (3)- Expert Fund

- Collective Investment Schemes
- Available only to **Expert Investor**.
- Expert Investor means:
 - (i) an investor who makes an initial investment, for his own account, of no less than **US\$ 100 000**; or
 - (ii) a sophisticated investor as defined in the Act or any similarly defined investor in any other securities legislation.

Definitions (3)- Expert Fund

"sophisticated investor" means —

(a) the Government of Mauritius;

(b) a statutory authority or an agency established by an enactment for a public purpose;

(c) a company, all the shares in which are owned by the Government of Mauritius or a body specified in paragraph (b);

(d) the government of a foreign country, or an agency of such government;

(e) a bank;

(f) a CIS manager;

(g) an insurer;

(h) an investment adviser;

(i) an investment dealer; or

(j) a person declared by the Commission to be a sophisticated investor.

Expert Funds

- May appoint a CIS Manager – need not be resident in Mauritius
- Governance of the fund in accordance with its constitutive documents rests with the Board or CIS Manager
- Offering document must have appropriate disclosures, at prominent positions, as to fund being offered to expert investors
- Audited financial statements
- Exempt from the disclosure provisions Part II to X of the CIS Regulations 2008

Definitions (4)- Professional CIS

- Collective Investment Schemes offering their shares:
- (i) Solely to sophisticated investors
- (ii) as **private placements**; and
- (iii) those collective investment schemes that the FSC classifies by rules as professional collective investment schemes (no rules issued by FSC as at date).
- Closed – end funds which are not Reporting Issuers

Reporting Issuer means an issuer –

(a) who by way of a prospectus, has made an offer of securities either before or after the commencement of this Act; or

(d) who has not less than 100 shareholders

Professional CIS

- Exempted from provisions of Part II to X of the CIS Regulations 2008
- conditions for exemptions must be satisfied:
 - Shares acquired by participants shall not be resold to public and participants are advised of this restrictions at the moment of subscription;
 - CIS is not listed for trading on a securities exchange
- Any departures would need FSC's prior approval

Definitions (5)- Specialised CIS

- Collective Investment Scheme
- Invests in real estate, derivatives, commodities or any other product authorised by the FSC (FSC has not issued any such product list)
- Apply to FSC for authorisation of such a scheme
- FSC is in the process of drafting specific rules applicable to a Specialised CIS
- In the meanwhile licensing conditions would apply

Comparison- a Global Scheme other than Expert, PCIS

- Interim financial statements and management reports (unaudited) for each quarter to be filed not later than 45 days after the closing date of the interim period;
- Audited financial statements and the management report to be filed with FSC, as soon as possible, but not later than 90 days of its balance sheet date
- Prepared in accordance with IFRS or other internationally recognised accounting standards as agreed with FSC

Comparison- a Global Scheme other than Expert, PCIS (Cont'd)

- Prescriptive Investment restrictions and practices e.g.
 - a CIS shall not purchase a security of an issuer where, immediately after the purchase, the CIS would hold more than 10% of a class of securities of that issuer
- For Global Schemes with a GBC1 Licence, possible to seek exemptions from the FSC with sufficient justification, provided the offer document of scheme describes:
 - Investment rules of the CIS
 - Nature of risk incl minimum exposure to stock market, concentration risk, foreign investment risk in illiquid securities risk; and
 - Degree of specialisation, in geographic region or in a particular class or kind of industry

Authorization & Licensing of CIS/CEF

- No person shall promote or operate a collective investment scheme or any closed-end fund which is not authorised or recognised by the Commission.
- Failure to seek authorisation amounts to an offence
- An application process is described in Part IV of the Financial Services Act and FSC (Consolidated Licensing and Fees) Rules
- FSC Fees of US\$1000 (processing) and US\$2500 (annual) in addition to GBC1 Licence fees
- Recognition of Foreign Schemes – US\$ 1000 (only processing)

Transitional provisions for existing GBC1s

- a collective investment scheme which holds a Category 1 Global Business Licence immediately before the commencement of Securities Act, shall be deemed to be authorised for the purposes of this Act for a period of 3 years i.e. 28 Sep 2010
- Where it is intended that the collective investment scheme shall continue its operation beyond 3 years, the person responsible for the operation of the scheme shall, 3 months before the expiry of the 3 year period i.e 28 June 2010, seek FSC's authorisation

Mauritius – Tax & Regulatory update

Gary Gowrea
Chief Tax Officer
Cim Global Cluster



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Tax Residency

Income Tax Act 1995:

- Income Tax Act 1995 – Incorporated or Central Management & Control from Mauritius
- Enhanced application procedures for Global Business Companies – Application must go through the Financial Services Commission and the entity must give an undertaking under the law.
- MRA will also check whether all filings and tax settled.
- Tax Residency Certificate must be issued within 7 days.

Managed and Controlled

The law provides that the entity shall:

- have at least 2 directors, resident in Mauritius, of sufficient calibre to exercise independence of mind and judgement
- Maintain at all times its principal bank account in Mauritius
- Keep at all times its accounting records at its registered office in Mauritius
- Prepare its statutory financial statements and cause these to be audited in Mauritius
- Provide for meetings of directors to include at least 2 directors from Mauritius

Domestic Tax Provisions

- Income Tax Rate for corporations - of 15%
- Credit for foreign taxes suffered available; credit can be claimed in the form of WHT, underlying taxes or tax sparing
- Qualified Corporations – where evidence of foreign taxes suffered are not available, they are eligible to an 80% deemed tax credit; resulting in a maximum effective rate of 3%. ***A qualified corporation is defined as a corporation holding a GBL 1 License under the Financial Services Act 2007***
- No WHT on outbound payments by Global Business Companies
- No Capital Gains Tax in Mauritius
- No Thin Capitalization rules/legislation
- No Transfer Pricing rules/legislation

Amendments by the Finance Act 2009

Financial Services Act 2007:

- The Financial Services Commission has been given the authority to enter into any agreement or arrangement for exchange for information with a public sector agency, a foreign supervisory body, a law enforcement agency or an international organization.
- A corporation holding a Category 2 Global Business Licence shall file with the Financial Services Commission once in every year a financial summary.

Amendments by the Finance Act 2009 (Cont'd)

Income Tax Act 1995:

- Section 76 has been amended to cater for **exchange of information**. Furthermore, exchange of information will now also be required in case of non residents.
- A new provision has been added to Section 76 whereby the Minister may enter into arrangements with the Government of a foreign country for the purposes of providing assistance in the collection and recovery of foreign tax. This implies that even where there is no treaty, now under domestic legislation, there will be arrangements for recovery of foreign tax.
- Companies with annual turnover >MUR 10 M (USD 0.3M) should submit returns & pay taxes electronically

Updates following the 2010 Budget Speech

Some Fiscal Updates:

- Companies listed on the stock exchange and having foreign minority shareholding will be allowed to acquire immovable property without PMO's prior approval
- TDS for payment of royalties to non-residents increased from 10% to 15% (TDS on royalties does not apply to GBLs)
- The latest date for submission of tax returns will be move from 2 working days before the end of the year
- The Income threshold for NRPT has been increased to MUR 400,000
- No change in income tax for individuals and corporate
- No change in VAT rate

Updates following the 2010 Budget Speech

Some Financial Measures:

- Innovative and competitive laws on Private Foundation
- The FSC will seek recognition as an equivalent jurisdiction with other financial centres
- The Government will undertake a study on appropriate fiscal regime to improve the competitiveness of Mauritius as a business centre for funds

Measures to combat round tripping

- Due diligence documents requested from the beneficial owner (FSC – 20%) (BOM -10%)
- Funds to be invested to India - undertaking by both beneficial owner and the management company that no shares in the company will be offered/subscribed by Indian Residents which will be financed by funds derived from sources within India.
- Either a legal opinion or regulatory approval if promoter proposes to invest in his country of origin / his resident state.
- In case of Indian residents, specific licensing condition
 - Requirement to review
 - Audit certificate



Conclusion

- Mauritius is a well regulated jurisdiction
- Financial Services Assessment Program conducted by World Bank and IMF
- IOSCO membership
- Mauritius Stock Exchange
- FIU member of the Egmont



Investing from Mauritius

Steve Flynn
Chief Global Business Executive



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Indian Investment Overseas

- Some USD 15 billion invested overseas by Indian companies in 2008, many using Mauritius
- Trade between India and African countries tripled to USD 25 billion in the past 4 years
- More than USD 5 billion of private investment into Africa already, largely through Mauritius
- Trade credits from India to Africa raised to USD 5.4 billion in 2008-09
- Indian government has given USD 2 billion in grants and credits to African countries in past six years
- India FDI flow into Africa increased by more than 800% since 2001

India Investing Into Mauritius

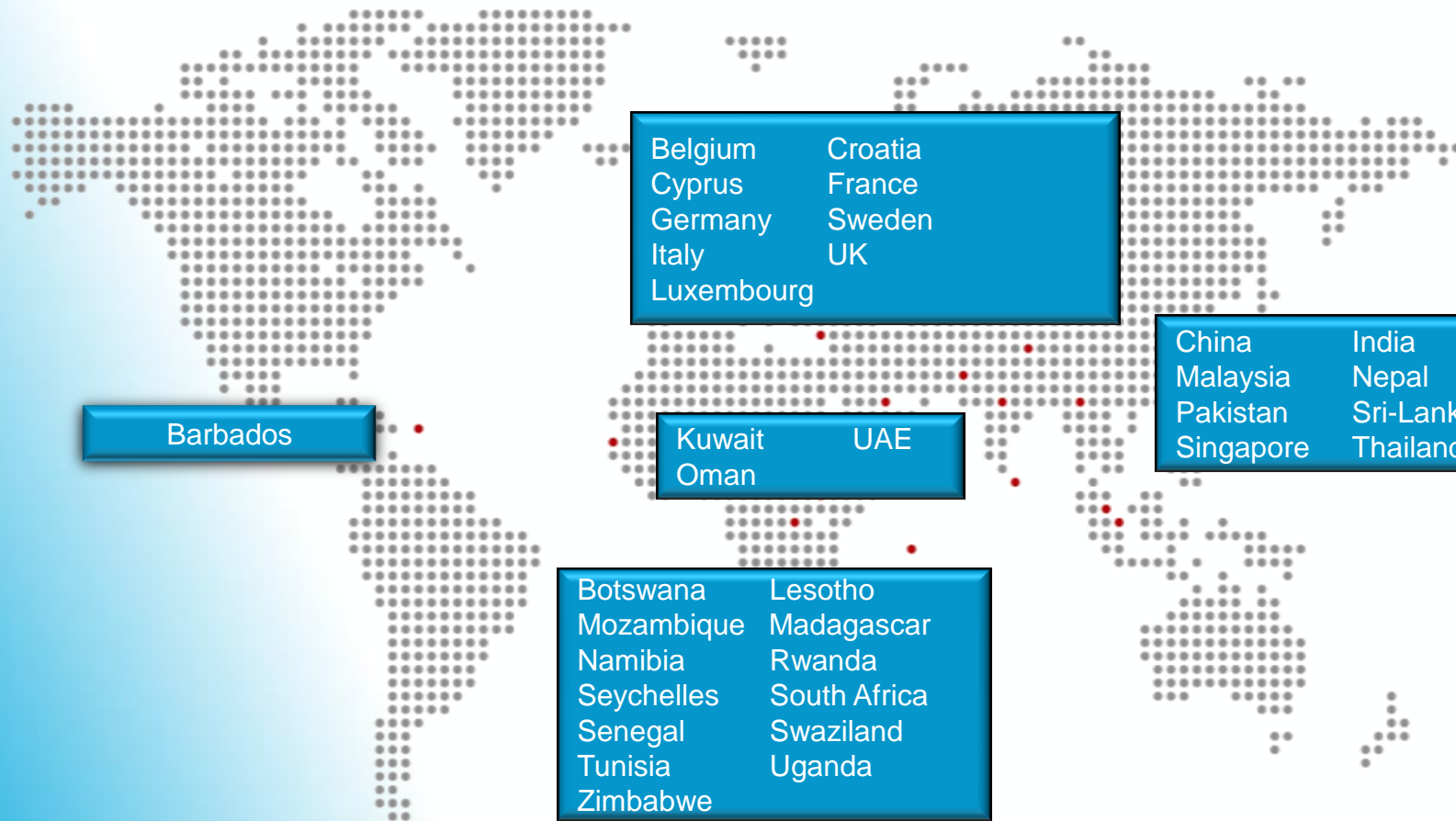
- Hinduja Outsourcing Group, Indian Oil, SBI, Bank of Baroda, Life Insurance Company of India establishing large business
- Investing in Social and Political ties
 - Ebene Cyber Tower, turning Mauritius into an IT hub
 - Swami Vivekananda International Convention Centre
 - Indira Gandhi Centre for the Indian Culture and in the field of education
 - The Rajiv Gandhi Science Centre
 - Secondary Education College, Mahatma Gandhi Institute
 - Most recently Indian healthcare has arrived in Mauritius with Apollo and Fortis hospitals taking over the country's major clinics.

Synergies for Indian Companies Investing from Mauritius

- French speaking BPO sector, developing IT industry in Mauritius
- Large, well-educated population, high proportion passing through the university system
- Efficient infrastructure
- Established financial services
- Good and improving telecom

Strong Legal & Regulatory Framework to protect Investors

- Mixture of French and British legal systems, ultimate appeal to Privy Council
- Strong AML laws
- High level of Compliance with FATF recommendations as assessed by IMF and World Bank
- OECD white-listed for more than 10 years



The African “Common Market”

- Mauritius is the only international financial services centre that is a member of all the major African regional organizations:
 - African Union (AU)
 - Southern African Development Community (SADC)
 - The Common Market for Eastern and Southern Africa (COMESA)
 - The Indian Ocean Rim-Association for Regional Cooperation (IOR-ARC)

Portfolio & Direct Investment from Mauritius, Trading

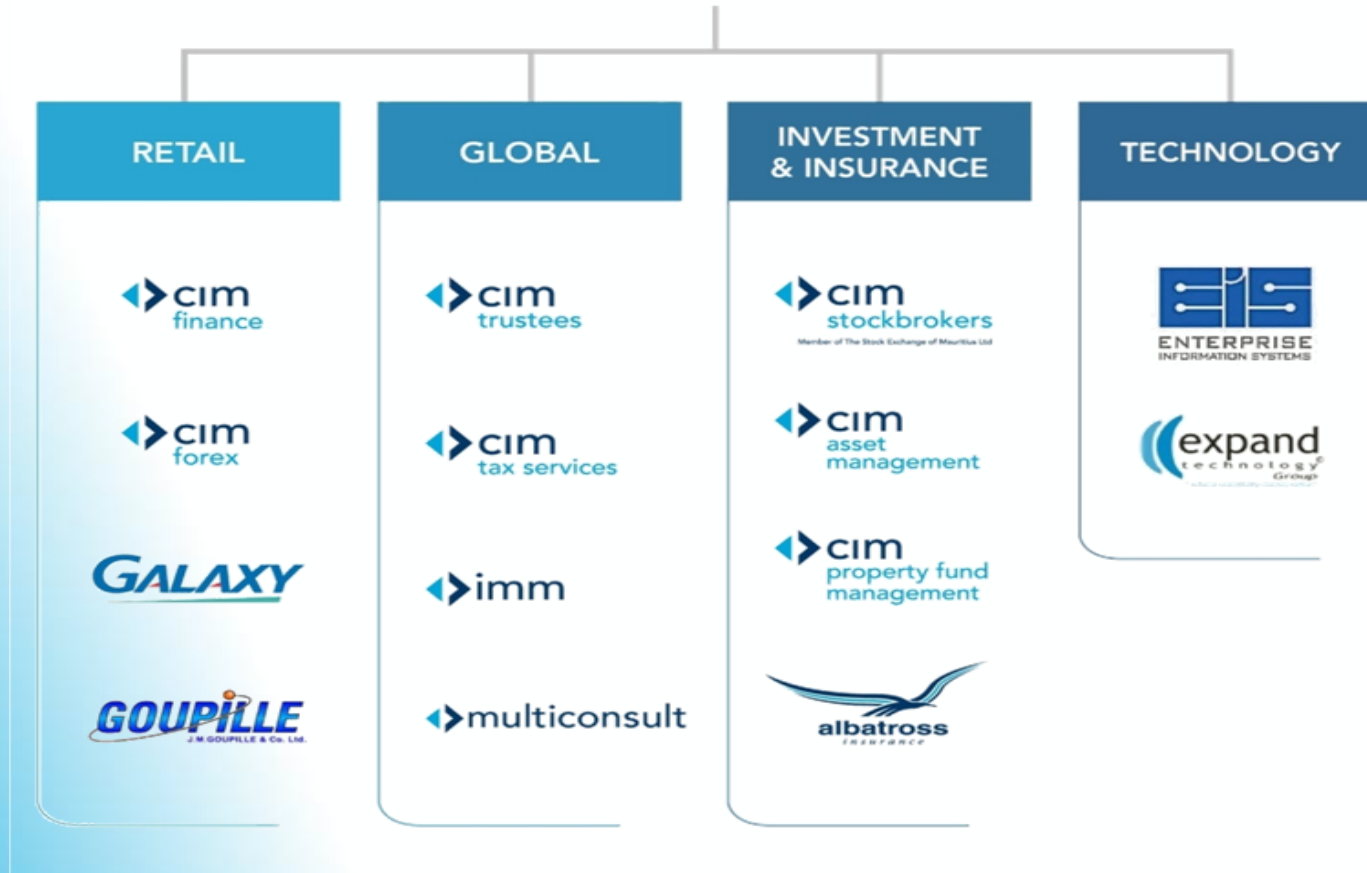
- Efficient Stock Exchange (“SEM”)
- Free Port Opportunities
- China investing from Mauritius

World Bank Group- Ease of Doing Business Survey

Economy	Ease of Doing Business Rank	Starting a Business	Protecting Investors	Paying Taxes	Trading Across Borders
Singapore	1	4	2	5	1
New Zealand	2	1	1	9	26
Hong Kong	3	18	3	3	2
United States	4	8	5	61	18
United Kingdom	5	16	10	16	16
Mauritius	17	10	12	12	19
Switzerland	21	71	165	21	39
Cyprus	40	25	93	37	15
Botswana	45	83	41	18	150
Luxembourg	64	72	119	15	31
Bahamas	68	61	109	43	37
China	89	151	93	130	44
India	133	169	41	169	94

The US Favouring Mauritius

- **At the launch of the negotiations of the US-Mauritius bilateral investment treaty US Secretary of State, Hillary Clinton, said:**
 - *"Mauritius has taken steps in the recent years to attract investment by enacting reforms that protect investors and promote business. They made it easier to launch start-ups, access credit and to register property. They have demonstrated a commitment to transparency, accountability and good governance.*
 - *Now, the people of Mauritius are being the primary beneficiaries of these reforms, it does help to unlock human potential and to create conditions where people feel that their hard work will actually be rewarded.*
 - *Now, Mauritius may be a small country, but it has the potential to make a big impact, both by contributing to Africa's overall prosperity and by showing the way, providing an example of how other nations can stimulate growth by setting clear and fair rules for the benefit of those who wish to do business in Mauritius."*



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THANK YOU