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GLOBAL BUSINESS SECTOR
EXPECTATIONS AND CHALLENGES FOR 2015 AND BEYOND

Much water has flown under the bridges since Mauritius established itself as an international financial services center in the late nineteen eighties. From humble beginnings, Mauritius is today home to more than 20,000 global business companies and 600 funds promoted by multinational corporations, blue chip companies, institutional investors and high net worth individuals engaged in a myriad of business activities around the world.

Through an ingenious combination of fiscal and non-fiscal benefits, a diverse product-base and world-class regulatory framework, Mauritius has over the years forged a reputation as a safe, well regulated and business-friendly jurisdiction of substance for international investors. It was originally thought that the thrust of the business would have been from South African private clients who would view Mauritius as an alternative jurisdiction to the Channel Islands. Instead, the establishment of our international financial center fortuitously coincided with the liberalization of the Indian economy and Mauritius became a preferred foreign investment route into India by virtue of the highly beneficial tax treaty between the two countries. Although Singapore overtook Mauritius as the greatest source of FDI into India for the 2013-14 fiscal year, this was short lived as Mauritius quickly reclaimed its prime position in 2014. With the new administration in place in India that has vowed to revive growth and get the investment cycle back on track, it is expected that Mauritius will continue to play a major role in respect of facilitating India inbound investment.

Once generally overlooked by international investors, Africa is now seen as an increasingly attractive destination for private equity investment. The potential for highly profitable foreign investment in Africa is indeed enormous with opportunities in literally every sector of the economy. Africa has gone through a remarkable decade of economic transformation and the once upon a time "dormant lion" is now wide awake and at its peak with new opportunities for investors around the globe and many believe that Africa has initiated its economic take-off, much like China was 30 years ago, and India 20 years ago. With Africa's fast growing economic growth, Mauritius has naturally positioned itself as the ineluctable regional financial center for the continent and is widely heralded as the "Gateway to Africa". Its wide network of bilateral investment protection and tax agreements and simple and favorable tax regime make it a preferred bridging step between the East and West into the emerging markets of Africa.

As the number of high net worth Individuals (HNWIs) continues to increase especially in the BRICS countries but also on the African continent, there is an increasing demand for sophisticated financial solutions and expertise throughout the world. At the same time, there is a lot of instability and uncertainty in the financial markets. The world is also going through a lot of changes be political, economic and regulatory. This is creating a paradigm shift in the way that HNWI manage their wealth and new opportunities for international financial centers such as Mauritius, which have the breadth and depth to manage complex multi-jurisdictional cross-border transactions in the most cost-effective way.

It is thus clear that opportunities are there for the taking. However, there are also a number of challenges that loom ahead. One of the biggest challenges for Mauritius is the changing global attitude towards tax avoidance. Whilst the demarcation line between tax avoidance (lawful) and tax evasion (unlawful) used to be clear, the last years has seen the distinction becoming increasingly clouded. Laws known as General Anti-Avoidance Rule (GAAR) statute which prohibit "tax aggressive" avoidance have been passed in several developed countries and judicial doctrines have accomplished similar purposes, through the "business purpose" and "economic substance" doctrines. Other jurisdictions are looking at reviewing their double taxation treaty with Mauritius.

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Another challenge is the erosion of confidentiality as the world moves to greater transparency and exchange of information in the fight against anti-money laundering and terrorist financing, tax evasion and other financial crimes. The US Foreign Account Tax Compliance Act (FATCA) opened a new area in respect of automatic exchange of information by requiring foreign financial institutions to report to the Internal Revenue Service (IRS) about their U.S. clients. The UK was the first country after the US to have implemented its own versions of FATCA and others are likely to follow suit. At the same time, the OECD have in 2014 established new global Common Reporting Standard for automatic exchange of tax information in a multilateral context and Mauritius has already committed that it is taking steps to implement the new global standard for automatic exchange of tax information.

It is therefore clear that the future of the global business industry will involve a deepening and diversification of the range of activities and services that may be provided from Mauritius. In that regard, the Financial Services Commission (FSC) has already come up with additional substance requirements for global business companies and competency standards requirements for those GBCs that conduct financial services activities from Mauritius. However, this is only the beginning. Much more should be done to encourage global players to use Mauritius as a business and financial base rather than as an investment gateway. In that regard, Mauritius should be inspired by the likes of Singapore, Hong Kong and Dubai to transition into a regional "mid-shore jurisdiction" so that the bedrock of the jurisdiction becomes one based on the quality of its services than on more volatile considerations such as taxation or confidentiality.