



The Mauritius GBC: An ideal structure to undertake global investments.

by **Ikraan Chady**
Business Development Executive



[AXIS.MU](http://axis.mu)

Humanity has experienced one of its most challenging years in 2020 & 2021 due to the unprecedented coronavirus pandemic (“COVID-19”). In a recent article published by the BBC, it was highlighted that economies globally have been at their worst since the financial crisis of 2008. That said, after an arduous 2021 we now turn to a hopeful 2022 where globally, business activities are getting back on track with the help of vaccines. Cross-border investments are also looking to rise again in 2022.

As an International Financial Center (“IFC”) of choice, Mauritius is also experiencing change not only due to COVID-19 but also as it continues on its transformative journey to adapt to the ever-dynamic requirements of international standard setters such as the Organisation for Economic Co-operation and Development (“OECD”). Following the successful rolling out of the BEPS Project worldwide, the global landscape is now entering a new era whereby substance over form is the new norm. As one of the early adopters of OECD’s Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the MLI), the substance requirements for Global Business Companies (“GBCs”) have also been revised in order to be

issued with a Tax Residency Certificate which is prima facie evidence that it is tax resident in Mauritius.

Whilst the added substance requirement will result in a higher cost of doing business, it is believed that investors will still consider a more widely acceptable structure which will reap benefits in the long term rather than a structure which is less costly and more flexible but carries a certain degree of uncertainty. Mauritius has recently developed into a jurisdiction of choice when it comes to catering for trampoliner investments and business to the African continent. The island’s attractive conducive legislations, its sound business ecosystem, its strong ties with Africa and its specialised workforce have all contributed towards making the paradise island a destination of choice as an IFC.

For the past three decades Mauritius has evolved towards becoming an attractive jurisdiction for DFIs, institutional and private investors for the structuring of their investment and doing business in Africa. This has been largely achievable due to the options and possibilities that the GBC provides.

WHY THE GBC AND ITS ADVANTAGES OVER OTHER STRUCTURES?

The GBC

The GBC is one of the two types of companies in Mauritius that may be set up by investors to conduct international business activities, i.e., business principally outside of Mauritius, the other being the Authorised Company. The choice between the two types of entities depends on the nature of the activity and the objective the client is trying to achieve when structuring through Mauritius. The GBC is more of an all-rounder, as it may conduct any lawful business activity governed by the Companies Act 2001 and is expected to comply with substance requirements.

A GBC is therefore expected to satisfy core substance requirements in Mauritius; namely that of having two resident directors of sufficient calibre to exercise independence of mind and judgment, maintaining at all times its principal bank account in Mauritius, keeping and maintaining at all times its accounting records at its registered office in Mauritius, preparing its statutory financial statements and causing these to be audited in Mauritius; and providing for meetings of directors to include at least 2 directors from Mauritius, be it face-to-face or by teleconference but it is recommended to have physical board meetings in Mauritius. Additional substance requirements, as detailed in the next section shall be required to benefit from the tax residency.

“ On the other hand, the Authorised Company (which needs to be managed and controlled outside of Mauritius) does not have any substance requirements in Mauritius).

Partial exemptions and other taxation features

Under the provisions of Income Tax Act 1995, a tax resident company, other than Companies engaged in export of goods, is taxable at a flat rate of fifteen percent (15%) on all its chargeable income. However, a company can avail itself of a partial exemption of 80% on the following type of income/activities:

- Foreign source dividend derived by a company, provided that such dividend is not allowed as a tax-deductible item in the source country and the company satisfies the substance requirements as prescribed
- Interest derived by a company other than bank
- Income of a company engaged in ship/aircraft leasing
- All income derived by a company that is authorised as a CIS/CEF/CIS administrator /investment advisor asset manager
- Income derived by a company from reinsurance/reinsurance brokering activities
- Income by a company from leasing & provision of international fibre capacity
- Income derived by a company from the sale, financing, arrangement, asset management of aircraft and its spare parts and aviation advisory services related thereto
- Interest derived by a person from money lent through a ‘Peer-to-Peer Lending’ platform
- Profit attributable to a permanent establishment which a tax resident company has in a foreign country.

However, in order to benefit from the Partial Exemption, the company must satisfy the following conditions:

- (i) It must carry out its core income generating activities in Mauritius.
- (ii) It must employ, directly or indirectly, an adequate number of suitably qualified persons to conduct its core income generating activities; and
- (iii) It must incur a minimum expenditure proportionate to its level of activities.

The application of the PER means that a GBC deriving the above types of income will never be subject to more than 3% tax in Mauritius. It is worth noting that the PER sits alongside the actual tax

credit system, whereby a foreign tax credit is given on any foreign-source income declared in Mauritius on which foreign tax of a similar character to Mauritian tax has been imposed. Therefore, the GBC can elect to use either the PER or actual credit system which makes it ideal for investors doing cross border investments.

Furthermore, there is no tax on capital gains and no withholding taxes in Mauritius. On either (i) dividends distributed by a company holding a global business licence to its non-resident and resident shareholders; or (ii) interest paid by a company holding a global business licence to a non-resident having no place of business in Mauritius out of its foreign source income.

The African Potential

The African continent is often described as “the new frontier” for global growth. Mauritius stands in a unique position to facilitate the levels of foreign investment needed to stimulate growth and development on the continent. Indeed, a major new study by Capital Economics, a UK-based consultancy firm, shines light on the millions of jobs and multibillion dollar GDP created for mainland Africa due to Mauritius’ role as a leading International Financial Centre (IFC). The study argues that the Republic of Mauritius is poised to play a critical role in supporting Africa’s progress towards achieving the UN Sustainable Development Goals.

Mauritius has for long been known as the preferred hub for channelling of FDI into India but is now carving a niche in structuring capital flows into Africa. Mauritius benefits from its membership to all the main African regional organisations such as The African Union (AU), Southern African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA), and Indian Ocean Rim –Association for Regional Cooperation (IOR-ARC). It has also concluded some 18 Double Taxation Agreements (DTAs) and 23 Investment Promotion and Protection Agreements (“IPPAs”) with African countries and takes a leading position when it comes to DTAs and IPPAs with Africa. As a member of SADC, Mauritius enjoys the following benefits:

01 Industrial development and Trade for an easy flow of goods among member countries; and

02 Finance, investment, and customs simplified for members.



As a member of the COMESA Mauritius benefits from:

- 01 a free trade area with no tariffs among member countries on COMESA originating products
- 02 the easy logistical facilities between member countries
- 03 a wider, harmonised and more competitive market
- 04 greater industrial productivity and competitiveness
- 05 increased agricultural production and food security
- 06 a more rational exploitation of natural resources
- 07 more harmonised monetary, banking and financial policies and
- 08 more reliable transport and communications infrastructure.

GBC the passport to any activity

While the GBC is mainly used for investment holding structures, any global business activity which requires a licence to conduct “financial services” and is catering for the international market needs to be structured as a GBC. The licences relating to “financial services” would include but not be limited to a factoring licence, leasing licence, investment dealer licence, investment advisor licence, a CIS licence, a fund licence, a custodian licence, a CIS manager licence, an insurance broker’s licence or a family office licence. Therefore, the GBC acts as a passport to these other aforementioned activities.

Trading made easy through a GBC company

While a GBC remains attractive for many of the activities mentioned above, it is now becoming increasingly popular for the GBC to conduct trading activities. With the globalized economy today, cross border trading has become a pillar of many economies worldwide. We have seen that the international trade has grown remarkably in the previous decade and has transformed the global economy. This has been due to a combination of both technological developments and concerted efforts to reduce trade barriers. Also, many developing countries have opened their market and economy to the world for the benefit of consumers and everyone is taking the full advantage of it, be it the seller, the exporter and the buyer/consumer. Furthermore, the consumer has now access to a wider panoply of goods and products worldwide through the advancement of technology and trade liberalization has surely helped and benefited the developing countries at large along with its population, resulting

into the attraction of massive foreign direct investment in such countries.

Mauritius has memberships with several African regional organisation and has developed multiple trade links with Africa. The recent free trade agreement signed between Mauritius and China is expected to stimulate trade through Mauritius and this will help entrepreneurs to use Mauritius as a trading hub for their trading activities in the region.

Trading has been facilitated with the attractive reduction of risks that the Mauritian jurisdiction has addressed through its ecosystem. For instance, risks such as third-party risks, documentary risks and working capital constraints have been addressed by banks in Mauritius. Bankers play a key role in the smooth processing of global trade, be it from a funding and risk mitigation perspective. Mauritius is home to both international and local banks with an in-depth knowledge and experience in the trading arena.

Concluding remarks

While the world is making its recovery from COVID-19, the business landscape has changed considerably and Mauritius has never been more attractive in making up for unexplored cross-border business activities to stimulate the global economy, especially over the African continent. The GBC is an attractive, versatile, and competitive vehicle and cannot be overlooked by anyone looking to make an investment in Africa.

How can we Axis Help?

Whether you are launching a business in a new market or simply expanding, our highly experienced team, together with our network of partners, can assist you with the structuring of your operating, investment vehicles and the facilitation of your business operations. At Axis we have already advised a number of clients in the establishment and administration of their GBCs. We accompany you on your journey in meeting your structuring objectives by offering our fiduciary services to you and your partners. You may reach out to us for a free consultation with our experts on info@axis.mu



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