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Mauritius: The **perfect investment** and **regional trading** business hub

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Jurisdiction

Cross-border investments present many challenges including investment protection issues and fiscal uncertainty. This is why the structuring of cross-border businesses requires careful consideration of the jurisdiction and vehicle to be used. The choice of Mauritius as a domicile for structuring business is well established and also well-known amongst promoters and institutional investors. With a strong track record in cross-border investment, Mauritius has one of the strongest financial services sector of the region due to its sophisticated level of regulation and professional level of service and is currently home for around 18,000 global business companies. More recently, the country has had its objective set on economic transformation and has been looking to establish itself as an international financial centre (IFC) to house structures for cross-border investment and trade between Africa and the rest of the world.

According to the Ease of Doing Business report (World Bank), Mauritius is ranked as the 13th (out of 190 countries) most favorable country for doing business in the world and amongst African countries, it is ranked first. In addition to providing an efficient platform Mauritius is well regarded when it comes to good governance and economic democracy. Moreover, there are currently no foreign exchange controls and no restrictions on repatriation of profits in Mauritius. Over the past 20 years, many international businesses, corporates and high net worth individuals have trusted the jurisdiction for international business and investment.

Business facilitation

Mauritius provides a compliant and reliable environment for doing business. It has a strong and diversified economy, a stable political environment and robust banking system with the presence of international banks and a sound legal and regulatory framework. In addition, the country has a qualified and multi-skilled workforce with bilingual (English and French) professionals. It also offers various opportunities for foreign nationals to invest, work, live or retire in Mauritius through various schemes.

The legal system in Mauritius ensures that laws are robustly and fairly implemented. The laws of Mauritius are the result of a hybrid system combining both common and civil law. Mauritius also provides an array of classic common law security interests such as fixed and floating charges, assignment by way of security, lien, pledges and their civil law counterparts, as well as the civil law equivalent of ‘gages’ and ‘hypothèque’.

Business Structure

Mauritius administers a modern business environment; setting up a company is fairly quick and easy. A foreign investor seeking to conduct international business activity will have to set up a Global Business Company or an Authorised Company in Mauritius. On the other hand, where business will be conducted locally in Mauritius, a domestic company should be established.

Fiscal regime

Mauritius runs a self-assessment tax system. It has an attractive fiscal regime with a flat personal and corporate tax rate of 15%. Foreign tax credits in respect of taxes paid at source are allowed to the maximum extent of the Mauritius tax, where this can be evidenced. Alternatively, a tax resident may be entitled to a partial exemption of 80% in respect of certain types of income such as interest, foreign sourced dividend, income of a regulated fund or CIS manager, amongst others, subject to satisfying "prescribed substance requirements".

The country has a wide tax treaty network and is a party to numerous Investment Promotion and Protection Agreements which provide extra assurance and security for the country’s potential investors. The extensive and expanding network of these treaties confirms the genuineness of Mauritius as a tax-efficient jurisdiction for structuring investment.

The Mauritius tax regime was reviewed by the Organisation for Economic Co-operation and Development which in its report on Peer Review Results released on 15th November 2018 mentioned that Mauritius meets all the international requirements of the BEPS Action 5 and does not have any harmful practices in its tax regime.

Intra-regional trade

Mauritius suitability as a business destination is reinforced by its membership of all the major African regional organisations including Common Market for Southern and Eastern Africa (COMESA), an agreement that allows for trading on a full duty-free and quota-free basis among members, and of the Southern African Development Community (SADC), members of which are largely exempt from customs duties.

The SADC Free Trade Area (FTA) was officially launched in August 2008 and the current SADC Members States include Angola, Botswana, Comoros, Democratic Republic of Congo, Lesotho, Malawi, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. The SADC FTA confers duty free access and reduce customs duties on imported product amongst its member States.

The COMESA FTA was launched on 31 October 2000 and the current COMESA FTA member states include Burundi, Comoros, Djibouti, Egypt, Kenya, Libya, Madagascar, Malawi, Mauritius, Sudan, Rwanda, Seychelles, Uganda, Zambia, Zimbabwe. It allows its members to trade on a full duty free and quota free basis.

Mauritius is also eligible for trade benefits under the African Growth and Opportunity Act, which provides duty and quota free access to the U.S. market for over 6,000 products from eligible Sub-Saharan African countries. In 2015, the United States renewed AGOA until September 2025.

> “ IN ORDER TO FURTHER BOOST INTRA-REGIONAL AFRICAN TRADE AND INVESTMENT, MAURITIUS SIGNED THE COMESA-EAC-SADC TRIPARTITE FREE TRADE AGREEMENT WHICH INDICATES THAT THE COUNTRY IS ACCELERATING ITS REGIONAL INTEGRATION PROCESS ON THE AFRICAN CONTINENT.

Mauritius is well positioned to attract businesses with its regimes and incentives introduced through the years and its ties with Africa allow for a unique platform to facilitate trade and investment flows. It is expected, 2021 will not be without its share of challenges, however, there is a prevalent hope that this year will mark the beginning of economic recovery and the transition to a smarter future driven by technology adoption and cross-country collaboration. Strong budgetary measures were announced to boost the economy and several incentives are expected to be introduced to attract foreign talents and expertise.

by **Yushreen Jeehoo**
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