

Mauritius – an ideal platform for investment into and trading with Africa

Introduction

Africa and Mauritius have traditionally enjoyed close cultural, business and bilateral ties. Over the last few decades, Mauritius has grown into an attractive, secure and competitive location for cross-border investments and is regarded as a stepping stone for investments into and trading with Africa.

Mauritius has a crucial role to play in Africa's development. This belief is further supported by the World Investment Report 2010 which identified Mauritius as a favorable and tax efficient platform for African investments. Mauritius' classification on the white list of the OECD reflects an unblemished track record as an offshore centre of substance. Africa has recognized Mauritius for its excellence and best practices in African business and acknowledged its leading drive that is transforming the continent. And being first in the EFI and EPI 2010 index sets Mauritius apart at being the most appealing country in Africa.

Why establish and administer an investment vehicle in Mauritius for investment into Africa?

The Double Taxation Treaties ('DTA's')

Traditionally, Mauritius is known as a jurisdiction of choice for cross-border investments into India. The Mauritius-India DTA is favourable in many respects. It is no surprise that Mauritius is the top investing country FDI equity inflow into India with more than USD50 billion invested (representing approximately 43% of total inflows) over the last decade.

However, the DTAs that Mauritius has signed with African countries cannot be ignored. Mauritius currently has tax treaties with 13 African states (**Botswana, Lesotho, Madagascar, Mozambique, Namibia, Rwanda, Senegal, Seychelles, Swaziland, South Africa, Tunisia, Uganda and Zimbabwe**) and has signed DTAs with 4 other states (**Kenya, Congo, Zambia and Nigeria**) which are awaiting ratification. DTAs are currently being negotiated with **Burkina Faso, Algeria, Tanzania, Egypt, Gabon, Malawi and Ghana**.

Some specific advantages for a Mauritian-registered entity benefiting from the DTAs are:

- i. Capital gains tax (CGT), where imposed in Africa, is generally levied at a rate ranging from 30-35%. However, the DTAs in force in Mauritius restricts taxing rights of capital

gains to the country of residence of the seller of the assets. Since there are no CGT in Mauritius, the potential tax savings for the Mauritius registered entity are significant.

- ii. The majority of African states impose some withholding tax on dividends paid out to non-residents. These vary between 10% and 20%. The DTAs in force in Mauritius limit withholding tax on dividends. The treaty rates are generally 0%, 5% or 10% thereby creating potential tax savings of 5% to 20% depending on the investee country.
- iii. With respect to CGT, the DTAs guarantee the maximum effective withholding tax rate should changes occur in the fiscal policy in the countries of investment.

The Investment Promotion and Protection Agreements (IPPAs)

Mauritius has signed IPPAs with 20 African member states. IPPA typically offers the following guarantees to investors from the contracting states:

- a) Free repatriation of investment capital and returns;
- b) Guarantee against expropriation;
- c) Most favoured nation rule with respect to the treatment of investment, compensation for losses in case of war or armed conflict or riot etc;
- d) Arrangement for settlement of disputes between investors and the contracting states.

Madagascar	Ghana	Burundi
Mozambique	Guinea Republic	Cameroon
South Africa	Mauritania	Comores
Benin	Rwanda	Swaziland
Botswana	Senegal	Kenya
Zimbabwe	Tchad	Republic of Congo
Tanzania	Nigeria	

African Regional Organizations

Mauritius is not only a treaty-based jurisdiction but combines the traditional advantages of an international financial centre and provides access to several preferential trade agreements. The Country is the only international financial services centre being a member of all the major African regional organizations such as the Southern African Development Community (SADC),

Common Market for Eastern and Southern Africa (COMESA) and Indian Ocean Rim – Association Regional Cooperation (IOR-ARC). Mauritius is also a signatory to more than 15 multilateral conventions relating to Africa.

As a result of its membership in the COMESA, Mauritius is part of the Free Trade Area along with other 12 African countries. Hence, all customs duties are eliminated from COMESA imports. With its 19 member states, population of 430 million, annual import bill of around USD152 billion and export bill of USD157 billion, the COMESA forms a major market place for both internal and external trading.

The SADC has a membership of 15 member states, a population of 258 million inhabitants and GDP of USD472 billion.

Under the United States Africa Growth & Opportunities Act (AGOA), Mauritius, being part of Africa, has duty free access to the US Markets for over 7,000 products including apparel, footwear, wine, motor vehicles components and agricultural products.

Being a member of these regional organizations and a signatory to all the major African conventions make Mauritius the best offshore financial service centre for establishing any Africa Fund, Holding Company or a trading company. Mauritius is being wooed today by the world's fastest growing economies, China and India, in their objective of tapping into the African continent. China is aggressively pursuing its objectives in Africa via Mauritius with a wave of strategic investments on the island. Recently, Beijing has invested \$700m in a special economic zone in Mauritius to service its expansion in Africa. Similarly, Mauritius also plays a huge part in India's maritime dominance in African territory. There are future plans to build a logistics and services hub in the economic zone of Mauritius.

The benefits for operating a Freeport company in Mauritius for exports to African countries are as follows:

- 0% tax rate on corporate profits. A Freeport Company is exempt from income tax payable for income years up to and including income year ending 31 Dec 2013. A low Corporate tax of 15% applies for processing and transformation activities.
- Exemption from Customs duties and VAT on all goods and equipment imported into the Freeport zone
- Reduced port handling charges for all goods destined for re-export
- Free repatriation of profits
- 100% foreign ownership allowed (No immovable property to be held in Mauritius)
- Possibility to sell a quota of 20% of total goods re-exported on local market. (normal tax rate will apply)

Freeport operators in the Mauritius Freeport must undertake substantive value addition to be eligible for COMESA Certificate of Origin. Under the COMESA tariff reduction program, all goods satisfying the value addition criteria of 35%, are eligible for COMESA duty free tariff, for re-export in all member states of the COMESA.

Other Advantages

ECONOMIC ADVANTAGES

- Availability of highly qualified legal, accounting and finance professionals bilingual in English and French
- Strategic time zone of GMT+4 and also 2 hours ahead of East Africa and 4 hours from West Africa
- Strong and well diversified economy
- Well developed network of internal and external communications. Connected to South African Far East (SAFE) fibre optic undersea cable, thus affording Mauritius with tremendous telecommunication speed and capacity

POLITICAL AND LEGAL ADVANTAGES

- Political stability guaranteed by parliamentary democracy based on Westminster model
- Sovereign and independent state
- Modern legislation in line with other finance centres
- Statutory protection of confidentiality
- Privy council in the UK is the highest court of appeal

FISCAL ADVANTAGES

- No exchange controls. Free repatriation of profits and capital.
- No withholding taxes
- No capital gains tax
- Extensive network of DTAs

For further information about this article, please contact:

Yogesh Gokool, TEP, M.MiOD
Head of International Banking
AfrAsia Bank Limited
Bowen Square, 10, Dr Ferriere Street, Port Louis
Mauritius
T:(230) 208 5500 / F:(230) 213 8850 / M: (230) 258 1089
E: yogesh.gokool@afasiabank.com
www.afasiabank.com

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