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DOING BUSINESS IN MAURITIUS

MAURITIUS BUSINESS SERVICES OVERVIEW

Mauritius is a political and financially stable mature democracy which has actively sought and welcomed foreign investors and business for many decades. The banking, communications, financial and professional infrastructure is adept at meeting the demands of international business and tax practitioners.

The most utilised facilities and structures include:

Mauritius GBC 2 Companies – companies holding a Category 2 Global Business Licence – such companies are flexible, cost-effective, tax exempt “offshore” business entities that cannot make use of Mauritius’ extensive tax treaty network. Section 83 of the Financial Services Act 2007 provides for confidentiality concerning all matters in relation to a corporation holding a Category 1 Global Business Licence or a Category 2 Global Business Licence.

Companies holding a Category 1 Global Business Licence – such companies are tax resident, subject to 15% income but with an automatic tax credit making the effective rate 3% and if they are correctly structured and managed may access Mauritius’ tax treaty network. Neither capital gains nor withholding taxes are levied.

International Banking – a well-regulated and developed international banking and financial sector. International banking units are experienced in serving the demands of international business.

ABOUT MAURITIUS

Overview

Mauritius, an island covering 1,865km^2 is situated some 2,000 kilometres off the south east coast of Africa. More than 150 kilometres of white sandy beaches and transparent lagoon are protected from the open sea by the world’s third largest coral reef which almost surrounds the island.

Being of volcanic origin, Mauritius has a central plateau which is about 400 metres above the sea level. Mountains scattered throughout the island, fast flowing rivers, tropical forests and plants are other features that add to the natural beauty of the island. Mauritius enjoys a maritime sub-tropical climate. The summer season lasts from October to May with temperatures averaging 27°C, while in the winter months temperature average 22°C. The topography of Mauritius makes the central plateau more humid and cooler than the other regions.

The Dutch were the first settlers on the island in 1598 and named it after their ruler, Prince Maurice Van Nassau. It was under the French Governor, Mahé de Labourdonnais, that Mauritius experienced its first

development: a harbour was built at Port Louis (which became the capital of Mauritius) being the safest harbour for vessels on their way to India. The British captured the island in 1810, during the Napoleonic wars and remained in power until independence on 12th March 1968 at which time Mauritius adopted a constitution based on the British Parliamentary system. On 12 March 1992 Mauritius became a Republic and it continues to form part of the British Commonwealth.

The Economy

Since independence in 1968, Mauritius has developed from a low income, agriculturally based economy to a middle-income diversified economy with growing industrial, financial, and tourist sectors. For most of the period, annual growth has been of the order of 5% to 6%. The government's development strategy centres on foreign investment. Mauritius has attracted more than 32,000 offshore entities, many aimed at commerce in India and South Africa, and investment in the banking sector alone has reached over $1 billion. Mauritius, with its strong textile sector, has been well poised to take advantage of the Africa Growth and Opportunity Act (AGOA). Mauritius' sound economic policies and prudent banking practices helped to mitigate negative effects from the global financial crisis in 2008-09. GDP grew more than 4% per year in 2010-11, and the country continues to expand its trade and investment outreach around the globe.

Laws, Regulations and Standards

The legal system of the Republic of Mauritius derives from both French and English sources. During the French rule (1715 until 1810) the Island's system was governed by the French Napoleonic Code which remained in force under the British rule with subsequent amendments in civil and criminal procedural laws and company law. Mauritius, therefore, enjoys a hybrid legal system combining both the civil and common law practices. Though being a Republic, Mauritius still remains a member of the Commonwealth and the right of appeal to the Privy Council is preserved.

The Republic of Mauritius, a presidential democracy modelled on the British system of parliamentary democracy, guarantees the separation of the legislative, executive and judicial powers.

The President is the head of state and Commander-in-Chief, while the Prime Minister has full executive power and is the head of Government. The sixty-two members of the National Assembly are elected every five years by universal adult suffrage. All major political parties are represented, reflecting the depth of democracy prevailing in Mauritius. Parliament is the legislative authority in Mauritius.

Facts and Figures

Official Name	Republic of Mauritius
Capital Cities	Port-Louis
Population	1,313,095 (July 2012 est.)
Working Population	607,400 (2011 est.)
Official Language	English – However all Mauritian speak fluent French and Creole and various communities practice their own native language such as Hindi, Mandarin, Urdu, etc
Currency	Mauritian Rupees (Rs)
Exchange Rate	Rs 28.67 per US$1 (2011 est.)
GDP	USD 11 billion (2011 est.)
GDP per Head	USD 15,000 (2011 est.)
GDP Growth	4.2% (2011 est.)
Inflation	6.7% (2011 est.)
Exports	$2.707 billion (2011 est.)
Top Import Sources	India France South Africa
Top Export Markets	USA Italy France United Kingdom, South Africa and Spain
Religions	Anglican Roman Catholic Muslim Jehovah Sikh Hindu Buddhism
Area Size	1,865 km^2

The People

Key Concepts

The population of the Island is approximately 1,313,000 made up principally by people of European, African, Indian and Chinese origin Mauritius takes pride in the fact that these different cultures co-exist in peace and succeed in creating a cultural entity that is distinctly Mauritian.

Business Practice and Etiquette

- The average working week is 9.00am to 5.30pm. However, many executives work longer hours.
- Mauritian business protocol and tradition demands punctuality when attending meetings. It is also best practice to arrange appointments several days in advance.
- Mauritius businesses deploy “Flat and Top down Hierarchical Structures” where the only divide is between managers and other ranks.
- Mauritius businessmen generally favour the establishment of pool working relationships with their subordinates.
- Business entertaining can be conducted during any meal and generally whoever initiates is expected to pay.
- It is customary to always shake hands. When being introduced or when meeting someone, as well as when leaving.
- Business cards are welcomed in business culture and are generally exchanged at the end of business meetings.
- Misplaced or exaggerated praise is not appreciated in Mauritius business culture.
- It is considered to be impolite and rude to maintain eye contact (unless a point is being emphasised), to stand too close when speaking or to talk loudly. Mauritius businessmen do respect personal space and therefore keeping an acceptable distance is recommended.
- It is considered rude to ask direct personal questions about occupation, income and background.
- Mauritius business dress code is generally conservative and the norm for both men and women is to wear smart, well tailored attire using darker colours. Many Mauritius companies have now introduced more “dressed down” attire but this generally relates to the high tech and core industries.

SETTING UP A BUSINESS IN MAURITIUS

Mauritius Global Business Company with a Category 1 License

Type of Entity

Company holding a Category 1 Global Business License

Type of Income

Chargeable Income	15%
Dividends paid out of income derived by a GBC 1	Exempt
Interest paid by a GBC 1 to a non-resident	Exempt
Capital gains realised on securities by non-residents	Exempt

Foreign Tax Credit

A company which has suffered a tax on its foreign source income is entitled to the following tax credits as per the ITA 1995:

- A credit for foreign income tax paid on its foreign source income.
- A sparing tax credit – a credit for tax deemed to have been paid.
- In the case of dividend income, an underlying tax credit, i.e. credit for tax paid on income out of which the dividends have been paid under certain conditions.
- The foreign tax credits should not in the aggregate exceed that of the Mauritius tax payable on such foreign source income.

The Income Tax (Foreign Tax Credit) Regulation 1996 (under the Income Tax Act 1995) allow for foreign tax credit on the foreign source income of a Mauritian resident which is 80% of the Mauritian tax rate (leaving a residual liability of 20% of the Mauritian tax rate = 3%). It is to be noted that such presumed foreign tax is available for qualified corporations.

In drafting the Foreign Tax Credit Regulations, the approach has been to be as generous as possible to the taxpayer with regard to foreign tax credit. Mauritius wishes to avoid international double taxation and not to have such double taxation operating as a block to foreign investment. Thus, in number of matters, these Regulations are as generous as or more generous than provisions found in the laws of other countries. The foreign tax credit is available for the amount of income actually received in Mauritius and is treated as a foreign tax which is of similar character to the Mauritian income tax. In calculating the tax credits, the Regulations allow for the grossing up of the foreign source income, and provide in respect of foreign tax charged on dividend, credit for the underlying tax charged in the foreign country on profits out of which the dividend is paid. The underlying tax is available to all residents of Mauritius, whether they are companies, individuals or trusts. However, a holding of 5% of the share capital in the paying company is required. The amount of foreign tax credit is limited to the lower of the actual amount of foreign tax or the amount of Mauritius tax. If for example, the foreign tax is at a rate higher than the Mauritius tax, the surplus foreign tax cannot be credited. Moreover, the tax payer can choose to compute the limit either on an item basis or on an overall basis.

TAXATION IN MAURITIUS

Companies holding Category 1 Global Business License pay a fixed annual licence fee of USD 1,750 and a one-off licence application fee of USD 500 to the FSC and USD 250 on incorporation and USD 250 annually to the Registrar of Companies. Companies holding Category 1 Global Business License are resident in Mauritius for tax purposes and are not subject to capital gains taxation and there are no withholding taxes on the payment of dividends, interest or royalties from Companies of the same status. There are no stamp duties or capital taxes. Companies holding Category 1 Global Business License are liable to taxes at a rate of 15%.

Tax Situation

- Provided that the Company holding a Category 1 Global Business License owns at least 5% of an underlying company, credit will be available on foreign tax paid on the income out of which the dividend was paid ("underlying foreign tax credit").
- When a company not resident in Mauritius, which pays a dividend has itself received a dividend from another company not resident in Mauritius (a "secondary dividend") of which it owns either directly or indirectly at least 5% of the share capital, such dividend will be allowable as a foreign tax credit and an underlying foreign tax credit will also be available.
- Mauritius has no thin capitalisation rules.
- Interest and royalty payments paid by Companies holding Category 1 Global Business License are fully tax deductible in Mauritius.
- Tax sparing credits are available – Under this regime the effective rate of taxation in Mauritius can be reduced as a long stop provision exists whereby Companies holding Category 1 Global Business License may elect not to provide written evidence to the Commissioner showing the amount of foreign tax charged and enjoy deemed taxation at 80% of the normal rate of 15%, i.e. 12%. Thus, use of this long stop provision in isolation would reduce the effective rate of taxation in Mauritius from 15% to 3%.

Double Tax Avoidance Treaties

Mauritius has focused the development of its Global Business centre on the use of its growing network of double taxation treaties for structuring investment abroad. So far Mauritius has ratified thirty six treaties and is party to a series of treaties under negotiation. The treaties currently in force are with Barbados, Belgium, Botswana, Croatia, Cyprus, Democratic Socialist Republic of Sri Lanka, France, Germany, India, Italy, Kuwait, Lesotho, Luxembourg, Madagascar, Malaysia, Mozambique, Namibia, Nepal, Oman, Pakistan, People's Republic of Bangladesh, People's Republic of China, Rwanda, Senegal, Seychelles, Singapore, South Africa, State of Qatar, Swaziland, Sweden, Thailand, Tunisia, Uganda, United Arab Emirates, United Kingdom and Zimbabwe.

Eligible Entities

Tax treaty benefits are only available to resident entities or persons. Accordingly, a resident entity must be liable to tax in Mauritius under its laws by reason of its domicile, residence or criterion of a similar nature. Mauritius provides a wide range of resident entities and hybrid structures including the Global Business Company, the Trust and the Société. A foreign company including the Global Business Company may benefit from the tax treaty network. It is also possible for Mauritian branch of a foreign company to access the tax treaties by satisfying the conditions of residence. These entities if wishing to avail of the benefits of a tax treaty must obtain a Tax Residence Certificate issued by the Mauritius Revenue Authority.

Scope of Double Taxation Avoidance Treaties

All Mauritian double taxation avoidance treaties are based on the OECD Model Treaty of 1977. Under the post-independence treaties concluded so far, tax sparing is available. This implies that where Mauritian source dividends are exempt from tax under the tax incentive provisions, the foreign investor is entitled to credit a notional amount of Mauritian tax against the tax payable (if any) in his country, thus reducing his domestic tax liability.

Unilateral Relief

If a resident of Mauritius derives income from a foreign country that has not concluded a tax treaty with Mauritius and foreign income tax is paid on the income, that tax may be credited against Mauritian income tax. The credit is limited on a source-by-source basis to the lesser of the foreign tax paid on the income concerned and the Mauritian income tax payable on the same income. In the case of foreign source dividends, no credit relief if granted for foreign corporate income tax borne on the profits out of which the dividends are paid (underlying tax).

Taxation of Expatriates on Work Permit

Expatriates employed in Mauritius are subject to the same regulations as local taxpayers and are assessed for income tax on income earned in Mauritius. Certain allowances and deductions cannot be claimed by expatriates in an income year during which they are not considered to be residents of Mauritius.

Residence in respect of an income year means an individual who has:

- His domicile in Mauritius unless his permanent place of abode is outside Mauritius.
- Been present in Mauritius in that income year for a period of, or an aggregate period of 183 days or more.
- Been present in Mauritius in that income year and the 2 preceding income years, for an aggregate period of 270 days or more.

Exempt Income in Mauritius

Various type of income is exempt from income tax, including:

- Income derived by a Freeport company.
- Income derived by the registered owner of a foreign vessel.
- Income derived by the registered owner of a local vessel registered in Mauritius (provided the income is derived from deep sea international trade only).
- Capital gains on speculative or investment gains.
- A resident société.
- Dividends received and paid by a tax incentive company.
- Interest payable on accounts held by qualified corporate (offshore).
- Interest payable on specific government securities.
- Royalties payable to a non-resident by a qualified company trust or bank.

Allowance Deductions

In general, expenses are deductible if they are incurred exclusively in the production of gross income and they are not of a capital or private nature. Expenses are not deductible to the extent that they are incurred in the production of exempt income. Allowable deductions comprise of:

- Annual and investment allowances on fixed assets.
- Additional investment allowance for manufacturing companies on capital expenditure incurred on the acquisition of states-of-art technology equipment.
- Marketing and promotional expenses.
- Losses incurred in the production of gross income.
- Bad debts and irrecoverable sums.
- Pre-operational expenses of tax incentive companies.
- Donations to charitable institutions.
- Contributions to superannuation fund and employees' share scheme.
- Gains on profits derived from sale of units and securities.
- Expenses incurred in setting up social infrastructure.
- Contribution to the national ambulance services.
- Interest on bonds issued by statutory bodies and debentures issued by companies cultivating sugar cane or manufacturing sugar.

Other Fiscal Incentives

- No withholding tax on the remittance of branch profits.
- No capital gains tax in Mauritius except on property development gains.
- No limit on the carry forward of tax losses.
- Royalties, interests and service fees payable to foreign affiliates are allowed as expenses provided they are reasonable and correspond to actual expenses incurred.
- Interest paid on deposits in Bank holding Category 2 banking licences are tax exempt.
- 100% accelerated depreciation rate in the first year for aircraft companies.
- Investment tax credit of 10% for capital expenditure.
- Dividends paid are tax exempt.
- No withholding tax on interest, royalties and dividends.
- Royalties paid to non-residents are tax exempt.
- GBC 1 companies are liable to tax at the incentive rate of 15%.
- Generous mechanism for foreign tax credit on foreign source income.
- No estate duty, inheritance, wealth or gift taxes.
- No stamp duties, registration duties, levy.
- Zero rated Value Added Tax for qualified business transactions.

Requirements and Checklists

Requirements to obtain a Tax Residence Certificate

- The company must have at least two resident directors of appropriate calibre to exercise independence of mind and judgement.
- The company secretary must be resident in Mauritius.
- The registered office must be in Mauritius.
- The company must maintain at all times its principal bank account in Mauritius.
- Accounting records must be maintained at its registered office in Mauritius in accordance with the Companies Act.
- Board meetings must be held in or chaired from Mauritius.
- All statutory records, such as minutes and members' register, must be kept at the registered office.

- The company shall be a Category 1 Global Business Company.
- Auditors must be Mauritian residents.
- For Investment Funds, there must be a local custodian of Mauritian assets and the Net Asset Value must be calculated in Mauritius.

LIVING & WORKING IN MAURITIUS

Working in Mauritius

As a growing professional services platform in this part of the world, Mauritius offers huge scope for further advancement to qualified and experienced French and English-speaking professionals, eager to avail themselves of the many opportunities offered by a booming country with regional outreach. Opportunities exist for accountants, finance and marketing professionals, architects, investment bankers and risk managers, business consultants, IT and multi-media professionals amongst others.

An occupation permit allows a non-national to work in Mauritius. It is both a work and a residence permit. A complete application is made through the Board of Investment to the Passport and Immigration Office. Applicants must register with the Board of Investment and registration is done at the same time that an application is submitted. An investor, a professional or a self-employed person may be eligible under the following conditions:

Professional	Basic salary should exceed MRU 45,000 monthly.
Self-employed	Income from the business activity should exceed MRU 600,000 annually with an initial investment of USD 35,000 or its equivalent in freely convertible foreign currency.
Investor	The business activity should generate a turnover exceeding MRU 4 million annually with an initial investment of USD100,000 or its equivalent in freely convertible foreign currency. If there is more than one investor in the same company applying for an Occupation Permit, the turnover criteria should apply in respect of each applicant (i.e MRU 8 million for two applicants, MRU 12 million for three applicants, and so on).

An occupation permit is issued for a maximum period of three years. The dependents of an occupation permit holder may also apply for residence permits.

Retiring in Mauritius

Mauritius offers an exceptionally safe, hospitable and pleasant environment for people from over the world to come and retire on the island. There are ample accommodation facilities, from fully serviced apartments to luxurious villas and beachfront residences. While the cost of living is affordable, medical and health services are of a world-class standard.

A residence permit for retired non-citizens allows an eligible person to reside in Mauritius for three years. To be eligible for a residence permit, a retired non-citizen must undertake to transfer to his/her local bank account in Mauritius, at least 40,000 US dollars annually, or its equivalent in any freely convertible foreign currency. The applicant should make an initial transfer of at least USD 40,000 or its equivalent in freely convertible foreign currency when first settling in Mauritius. A holder of a residence permit for retired non-citizen is not allowed to work in Mauritius.

Accessing Permanent Residence Status

Immigration laws in Mauritius allow foreign nationals who have been resident in Mauritius for at least three years to become eligible for a Permanent Residence Permit. A Permanent Residence Permit is valid for a period of ten years and allows the purchase of immovable property in Mauritius.

To qualify, the investor must have generated an annual turnover exceeding Rs 15 million, the self-employed an annual income in excess of Rs 3 million and the professional a basic monthly salary of a least Rs 150,000.The retired non-citizen must have transferred at least USD 40,000 every year for three years to be eligible for a Permanent Residence Permit.

Requirements

1. Passport.
2. Birth certificate (If not in English or French, an authorised translated copy to be produced).
3. Four recent passport sized photographs.
4. A medical certificate issued by a doctor in Mauritius, together with reports of HIV test, Hepatitis B Surface Antigen and chest x-ray.
5. A bank guarantee of MRU 50,000 made in favour of the Government of Mauritius (not required for Professional).
6. Residence Permit fees payable to the authorities.

Notes:

1. The passport should have a validity period of at least six weeks with a valid visa/entry.
2. For tests done abroad, applicants will have to repeat three tests in Mauritius, namely: Hepatitis B Surface Antigen, HIV and Chest x-ray.
3. The medical certificate and the reports for these three tests (HIV, Hepatitis B Surface Antigen and chest x-ray) must be submitted at time of application.
4. We shall also require the original passport copy, birth certificate and or Marriage certitficates while submitting the application with BOI.

Medical Test Requirements

1. Blood tests for:
   a) Haemoglobin and Full Blood Count
   b) Hepatitis B Surface Antigen
   c) Anti HIV screening test for AIDS
   d) VDRL test
2. Urine tests for albumin and sugar
3. Stool test for parasites
4. Chest x-ray

All medical tests should have been done no longer than six months before date of submitting an application. Hence, it is advisable that applicants undergo these tests in Mauritius if you intend to visit the Country and then within 5 months, submit the application OR do these test in Mauritius at the time of the Application itself.

Requirements for Dependent Spouse and Dependant Children

For spouse and dependents, if any, an application for a normal residence permit should be made on the form "Application to enter Mauritius" and submitted along with the following documents:

1. Marriage certificate or for unmarried partners, documentary evidence of cohabitation/civil partnership/common law partners etc.
2. Passport of each dependent.
3. Birth certificate of each dependent.
4. Certificate of adoption in case of a legally adopted child.
5. Four recent passport sized photographs of each dependent.
6. A medical certificate issued by a doctor in Mauritius for each dependent.
7. A bank guarantee in favour of the Government of Mauritius, as a security deposit, for each dependent.

WHO TO CONTACT

The OCRA Worldwide Group has a presence spanning every continent in the world with offices in 20 locations. We are open 24/7 around the world, speak many languages and are in tune with the world's many cultures, but above all else 'our business' is about people and we have people to serve you!

If you have read this document and found something that relates to your circumstances, then be assured that we are dedicated to the delivery of business solutions designed to reduce costs and maximise profits.

The consulting office for doing business in this country follows below. Should you prefer to deal with another of our offices, please visit our website at www.ocra.com for a full listing of office contact details.

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