

Mauritius: Globally Evolving



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Agenda

- Mauritian refresher:
 - Mauritius as part of your tax planning strategy – Why ?
 - Compelling Tax Landscape
 - Business conducive environment

- Mauritius' global positioning:
 - Changing Global policy and Increased International scrutiny
 - Global policy driving changes to Mauritius' regulatory environment
 - Common Reporting Standard (“CRS”) – it has happened...
 - Base Erosion Profit Shifting (“BEPS”) impacting the Cross-Border investment landscape



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Agenda

- Mauritius' future role in Cross-Border tax and wealth management solutions
 - The Growing Opportunity
 - The role of the Financial Services industry in Mauritius
 - The substance agenda

- Mauritius as an offshore jurisdiction – some practical considerations:
 - The Offshore Management Company landscape
 - Considerations when choosing an Offshore Management Company



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Mauritian Refresher



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Mauritius as part of your tax planning strategy - Why?

➤ Mauritius:

- Is a well regulated tax efficient jurisdiction, which subscribes to internationally agreed best practice;
- Has a robust commercial legal framework modelled on English common law with reference to English based case law and with the Privy Council as the highest Court of Appeal;
- Regularly communicates to its Licensees on updates issued by the United Nations Security Council (“UNSC”) on Money Laundering and Financing of Terrorism;
- Offers a wide range of diverse investment structures;
- Has a simple regulatory and tax framework, which promotes the “ease of doing business”;
- Has an extensive Double Taxation and Investment Protection and Promotion Agreement framework;
- Has no exchange control therefore the ability to transact freely;
- Signatory to Foreign Account Tax Compliance Act (“FACTA”) and the Common Reporting Standards (“CRS”).



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Compelling Tax Landscape

- Mauritian resident companies, are subject to tax on their Mauritian and Foreign sourced income at a flat rate of 15%;
- Currently a company holding a Global Business Category (“GBC”) 1 licence with tax residency, is subject to a maximum tax rate of 15% but automatically qualifies for an 80% rebate of the Mauritian tax payable on the foreign source income (deemed credit);
- No capital gains tax, dividend tax and/or inheritance tax;
- No withholding tax on dividends, interest and/or royalties;
- Exempt income includes dividends from a resident company, dividends or distributions between GBC companies, interest from a locally regulated bank;
- Deductions include expenditure and losses incurred in the production of gross income;
- Uncomplicated and favourable personal Tax Legislation (for example, non-citizen individuals who become tax resident in Mauritius don’t pay tax on world wide income if not repatriated into Mauritius).



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Business Conducive Environment

- Stable political, investment and banking environment;
- Great airlinks to South Africa (SAA/BA/Air Mauritius), Africa (Air Mauritius/Kenya) and the rest of the world (Cathay Pacific/Emirates/Air France/Saudi Arabian/Qatar);
- Mauritius has an extensive Double Taxation Avoidance Agreements (“DTA”) and Investment Protection and Promotion (“IPP”) network, with number of additional treaties/IPP’s in negotiation or awaiting ratification;
- Membership of COMESA and SADEC ensuring opening of trade barriers with additional initiatives like the Freeport zone, which can allow duty free exports from Mauritius to COMESA, SADEC and European Union countries;
- An educated and multilingual workforce based in a favourable time zone;
- Open and tested “Work and resident” policies for expatriate professionals;
- Administrative ease of doing business.



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Mauritius' Global positioning



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Changing Global Policy and Increased International scrutiny

- General Data Protection Rules (“GDPR”):
 - As a result, a new Mauritian Data Protection Act 2017 was enacted in December 2017 to align the legal framework in Mauritius with GDPR;
 - GDPR became effective as of the 25 May 2018;
- Global Forum Compliance:
 - Mauritius was evaluated in August 2017 for its implementation of the Exchange of Information on Request (“EOIR”);
 - Mauritius achieved an overall rating of “Compliant”;
- European Union (“EU”) “White listed”:
 - The Council of the EU published a list of non-cooperative jurisdictions for tax purposes on the 5th December 2017
 - Mauritius was not named on this list, however Mauritius was asked to and committed to review its policies on tax to ensure fair taxation;
- In latest budget, Mauritius has indicated it will collaborate with the Organisation for Economic Co-operation and Development (“OECD”) for hosting a Regional Centre for capacity building and best practices to combat financial malpractices.



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Global policy driving changes to Mauritius' Regulatory environment

- A number of proposed changes to the Global Business Sector, in the most recent budget, released on the 14th June 2018 (further clarity when Finance Act released):
 - A new harmonised fiscal regime for domestic and Global Business Companies;
 - The Deemed Foreign Tax Credit regime for Category 1 Global Business Licence companies will be abolished as from 31st December 2018;
 - A partial exemption regime whereby under certain conditions, 80% of specified income will be exempted from income tax (foreign source dividends, interests, royalties and other income);
 - No new Category 2 Global Business licences will be issued from January 2019; and companies existing under this regime prior to 16th October 2017 will be phased out by 30th June 2021;
 - Enhanced substance requirements for entities holding a Global Business Licence;
 - Development of an equivalence framework with other key jurisdictions.
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Common Reporting Standard ("CRS") – it has happened...

- The OECD's CRS initiative:
 - Mauritius was an early adopter to the Multilateral Competent Authority Agreement ("MCAA") in October 2014;
 - First reporting period for Mauritius in respect of CRS is from the 1st January – 31st December 2017;
 - The Mauritius Revenue Authority ("MRA") has now fixed the date for the application of CRS. Deadline for reporting by Reporting institutions will be the 31st July 218;
 - The first exchange of information between tax authorities will take place as from September 2018;
 - The aim is to enable the Taxpayer's country of residence to check its records and verify offshore assets/income have been accurately reported;
 - Net effect will be deterrence impact and promote voluntary compliance.



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Base Erosion Profit Shifting – Impact on Cross-Border investments

- In July 2017, Mauritius signed the Multilateral Convention (“MLI”) to Implement Tax Treaty related measures to BEPS;
- On signing indications were that 23 of Mauritius’ current treaties would be impacted, one of which will be South Africa;
- Mauritius has committed to modify its remaining tax treaties through bilateral negotiations by the end of 2018;
- Tangible changes already planned to be implemented:
 - A new harmonised fiscal regime for domestic and Global Business Companies;
 - Abolition of the GBC2 company regime as of January 2019;
 - Enhanced substance requirements for entities holding a Global Business Licence;
 - Development of an equivalence framework with other key jurisdictions;
- Growing number of African countries now implementing policy on transfer pricing and related party transactions ie Zambia and Zimbabwe.



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Mauritius' future role in Cross-Border tax and wealth management solutions



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The Growing Opportunity

- Proximity to South Africa and Africa, attractive from both a time and cost competitiveness;
- Establishment of international “brand names” in Mauritius eg Sanlam and Stenham giving the wealth offering further credibility;
- In the next 50 years, Africa’s population is set to double to 2 billion people, and will represent the highest growth segment globally
- Undeveloped capital markets means Private Equity and Foreign Direct Investment will be the vehicles to deliver capital to Africa, Mauritius is a acknowledged launchpad for this investment;

Mauritius continues to be the launchpad for investment flows into Africa and is positioning itself to become a credible wealth management hub and will to continue to cement its “Singapore of Africa” positioning.



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The role of the Financial Services Industry in Mauritius

- The Financial services industry, whilst not the main driver of GDP, contributes at least +- 12% and continues to grow at 5% annually (<https://www.fscmauritius.org/en/statistics/contribution-to-gdp>);
- The Mauritian Global Business sector currently contributes +- 5% of GDP and is growing at +- 4.5% annually (<https://www.fscmauritius.org/en/statistics/contribution-to-gdp>);
- Total tax revenues generated by the Global Business Sector account for +- 40% of all Mauritian tax revenues;
- Employment in the Global Business sector and supporting industries ie Banking, audit and assurance etc is critical to the young aspirant workforce;

Mauritius cannot afford to let the Global Business sector fail, it is too important to the future of the country.



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The Substance agenda

- Growing pressures under BEPS and regional adoption of the OECD's model in respect of transfer pricing, pushing the substance agenda;
- Shift of more highly skilled “expats” moving to Mauritius to create “substance” eg Aspen (150 staff); Sanlam (200 staff post Saham acquisition) and GRIT;
- Currently expatriate workers only account for 6% of Mauritius population against Singapore with 36%. Mauritius is committed to increasing this number in order to further enhance its credibility as a jurisdiction of substance and accelerate job creation;
- Introduction of two schemes to attract High Net Worth individuals:
 - Acquisition of Mauritian citizenship subject to making a non-refundable contribution of USD 1 million to the Mauritius Sovereign Fund;
 - Acquisition of Mauritian passport subject to contribution of USD 500,000 to the Mauritius Sovereign Fund;

Mauritius will need to continue to keep reinventing itself to attract the necessary skills and expertise to continue to bolster the substance argument.



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Mauritius as an Offshore jurisdiction – a practical perspective



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The Offshore Management Company landscape

- There are currently 186 Offshore Management companies in Mauritius, who are “managing” +- 23,000 corporate structures and 989 global funds;
- Of the 23,000 corporate structures, +- 10,000 of these are GBC2 companies, who will either need to convert to a tax resident company or be wound up;
- This will leave at best 13,000 tax resident structures across the 186 management companies or 69 companies per management company;
- The Financial Services Commission will implement a new framework to govern and improve the oversight of Offshore Management Companies;



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Considerations when choosing an Offshore Management Company

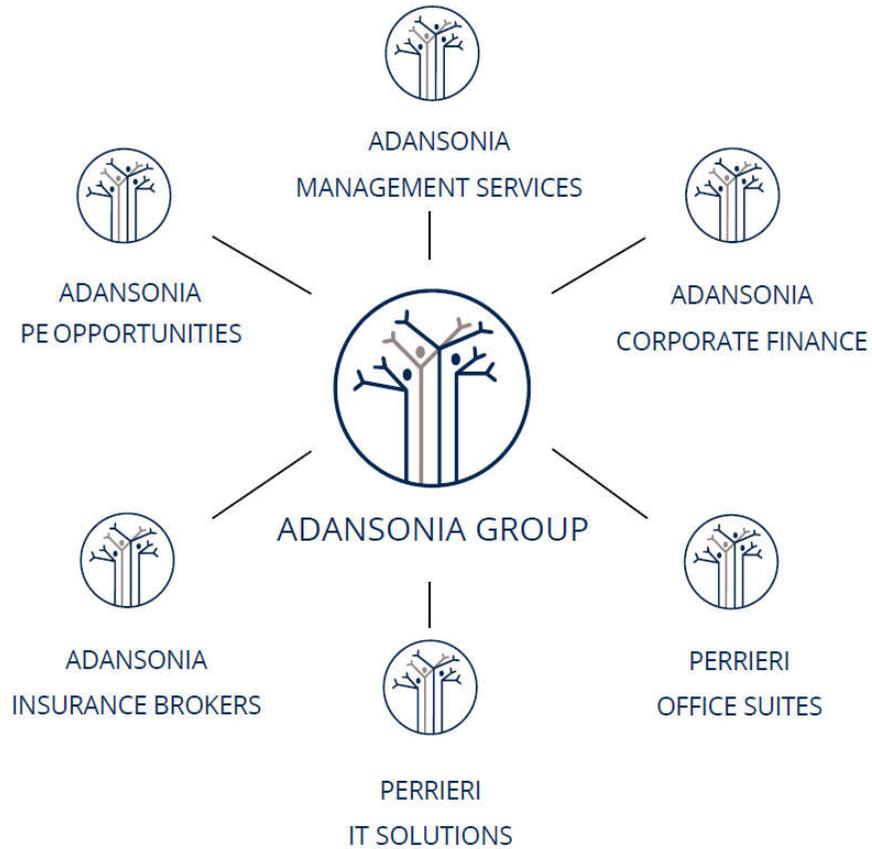
- When choosing Mauritius as your investment base, it will also be imperative to ensure that your chosen Offshore Management Company:
 - Has the ability and capacity to meet increasing global regulatory/reporting obligations;
 - Can offer additional value added services to address issues of, substance, permanent establishment and effective management;
 - With specific reference to South Africa, have an understanding of the complexities of both the SARS and SARB legislative frameworks;
 - Provide the comfort of a strong cultural fit.



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Who and what are the Adansonia Group ?



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The Adansonia Group

➤ ***Adansonia Management Services Limited:***

A Mauritian licensed offshore management company providing legal entity formation, secretarial, compliance, accounting, recruitment, and administration services. We differentiate ourselves in our level and efficiency of service;

➤ ***Perrieri Office Suites Limited:***

Flexible upmarket office solutions enabling businesses who have chosen Mauritius as their domicile to create permanent establishments based in Grand Baie. Equipped with WIFI, boardroom and video conferencing facilities;

➤ ***Perrieri IT Solutions Limited:***

Customer focussed, information technology infrastructure and service provider to corporates and entrepreneurs. We offer co-location and server hosting, backup and cloud solutions for clients from our secure server room facilities;



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The Adansonia Group

➤ ***Adansonia PE Opportunities Limited:***

A permanent capital co-investment private equity vehicle that provides supplementary capital alongside our clients to promising African businesses. We do not lead deals, but co-invest where there is a capital requirement

➤ ***Adansonia Insurance Brokers Limited:***

A Mauritian licensed insurance broker with a network of insurance joint ventures across Africa; to legal source and then obtain comprehensive international insurance underwriting for risks faced by our clients

Adansonia Corporate Finance Limited:

The Group's corporate advisory arm maintains close and confidential relationships with private equity firms and corporates who are investing in Africa. It advises on optimising holding company structures in complex cross border transactions, and executes capital and debt raising mandates. It always works closely with client's preferred international legal and tax advisors and leverages off Adansonia Group companies where appropriate



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